



Hospital Sisters
HEALTH SYSTEM

**Annual Report and Audited
Financial Statements**

June 30, 2019



Hospital Sisters Services, Inc.

This report is delivered in satisfaction of the obligations created by the Disclosure Agreement dated February 8, 2017 (the "Master Agreement") and, executed and delivered by Hospital Sisters Services, Inc. (the "Corporation") in connection with the issuance of the Bonds listed on Exhibit C. Terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Disclosure Agreement.

Section 2 of the Disclosure Certificate requires the Corporation to provide an Annual Report which updates certain information which was originally provided in its Official Statement dated January 18, 2017 (the "Official Statement") relating to the issuance of the Bonds.

FINANCIAL INFORMATION

Attached to this Annual Report as EXHIBIT A are the audited consolidated financial statements of the Corporation for the fiscal years ended 2018 and 2019 which have been prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board, and have been audited by the accounting firm, KPMG, LLP.

INFORMATION REGARDING THE CORPORATION AND RESULTS FROM OPERATIONS

Attached to this Annual Report as EXHIBIT B is the following information, substantially similar in form and scope to the financial information and operating data originally set forth in Appendix A to the Official Statement under the captions

- (i) List of Obligated Group
- (ii) List of Affiliates of the Corporation
- (iii) Total licensed and staffed beds of Obligated Group
- (iv) Updated tables provided under the heading "SELECTED OPERATIONAL, STATISTICAL, AND FINANCIAL INFORMATION – Condensed Consolidated Balance Sheet of Hospital Sisters Health System";
- (v) Updated table provided under the heading "SELECTED OPERATIONAL, STATISTICAL, AND FINANCIAL INFORMATION – Consolidated Summary Statements of Operations of Hospital Sisters Health System";
- (vi) Updated table provided under the heading "SELECTED OPERATIONAL, STATISTICAL AND FINANCIAL INFORMATION – Obligated Group Relative to HSHS";
- (vii) Updated Income Available for Debt Service table provided under the heading "SELECTED OPERATIONAL, STATISTICAL AND FINANCIAL INFORMATION – Coverage of Historical and Pro Forma Historical Maximum Annual Debt Service" (Historical Maximum Annual only) for the most recent fiscal year;
- (viii) Updated information provided under the heading "SELECTED OPERATIONAL, STATISTICAL, AND FINANCIAL INFORMATION – Outstanding Indebtedness of the Obligated Group;
- (ix) Updated table provided under the heading "SELECTED OPERATIONAL, STATISTICAL AND FINANCIAL INFORMATION – Historical and Pro Forma Capitalization" (Historical Only);
- (x) Updated table provided under the heading "SELECTED OPERATIONAL, STATISTICAL, AND FINANCIAL INFORMATION – Liquidity and Investments";

P.O. Box 19456
Springfield, Illinois
62794-9456
P: 217-523-4747
F: 217-523-0542

*An Affiliate of
Hospital Sisters
Health System*

- (xi) Updated asset allocation table provided under the heading "SELECTED OPERATIONAL, STATISTICAL AND FINANCIAL INFORMATION - Investment Policy";

The information provided in the attached Exhibit B is true and correct as of the date of this Annual Report.

IN WITNESS WHEREOF the undersigned has executed and delivered the Annual Report to the Dissemination Agent, for distribution for the benefit of Holders of the Bonds, all as of this 26th day of November, 2019.

HOSPITALSISTERS SERVICES, INC.

By:



Ann M. Carr

Its: Obligated Group Agent



HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidated Financial Statements and Supplementary Information

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)



KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

Independent Auditors' Report

The Board of Directors
Hospital Sisters Health System and Subsidiaries:

We have audited the accompanying consolidated financial statements of Hospital Sisters Health System and Subsidiaries, which comprise the consolidated balance sheets as of June 30, 2019 and 2018, and the related consolidated statements of changes in operations and change in net assets without donor restriction, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hospital Sisters Health System and Subsidiaries as of June 30, 2019 and 2018, and the results of its operations, change in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

As discussed in note 2(q) to the consolidated financial statements, in 2019 Hospital Sisters Health System and Subsidiaries adopted new accounting guidance for Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to these matters.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Chicago, Illinois
October 23, 2019

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidated Balance Sheets

June 30, 2019 and 2018

(Dollars in thousands)

→ FVM -
See
PDF
Page 28

Assets	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ → 105,098	128,198
Receivables:		
Patients' accounts	400,249	373,261
Due from third-party reimbursement programs	665	989
Other	31,380	42,870
Total receivables	432,294	417,120
Current portion of assets whose use is limited or restricted	→ 329,379	303,153
Inventories	51,872	48,386
Prepaid expenses	27,353	29,306
Total current assets	945,996	926,163
Assets whose use is limited or restricted, net of current portion	→ 1,347,792	1,536,881
Property, plant, and equipment, net	1,579,058	1,492,701
Other assets	112,648	100,348
	<u>\$ 3,985,494</u>	<u>4,056,093</u>
Liabilities and Net Assets		
Current liabilities:		
Current installments of long-term debt	\$ 31,914	30,131
Long-term debt subject to short-term remarketing agreements	220,215	220,215
Current portion of estimated self-insurance liabilities	63,326	49,035
Accounts payable	107,645	100,137
Accrued liabilities	184,593	179,238
Estimated payables under third-party reimbursement programs	63,769	52,820
Total current liabilities	671,462	631,576
Long-term debt, excluding current installments	487,646	488,201
Estimated self-insurance liabilities	79,166	76,020
Derivative instruments	49,422	34,527
Accrued benefit liability	306,721	192,077
Other noncurrent liabilities	47,582	48,064
Total liabilities	1,641,999	1,470,465
Net assets:		
Net assets without donor restrictions	2,273,943	2,519,588
Net assets with donor restrictions	69,552	66,040
Total net assets	2,343,495	2,585,628
	<u>\$ 3,985,494</u>	<u>4,056,093</u>

See accompanying notes to consolidated financial statements.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidated Statements of Operations and Change in Net Assets without Donor Restriction

Years ended June 30, 2019 and 2018

(Dollars in thousands)

	<u>2019</u>	<u>2018</u>
Net patient service revenue	\$ 2,374,449	2,311,607
Other revenues:		
Investment income	226	559
Net assets released from restrictions used for operations	7,602	6,817
Other	89,649	92,278
	<u>2,471,926</u>	<u>2,411,261</u>
Expenses:		
Sisters' services	—	725
Salaries and wages	924,274	867,247
Employee benefits	221,596	201,505
Pension expense, excluding mark-to-market adjustment	1,145	7,667
Pension expense, mark-to-market adjustment	209,501	(48,915)
Professional fees	157,246	150,859
Supplies	377,814	353,691
Depreciation and amortization, excluding Belleville campus	144,076	154,534
Accelerated depreciation on Belleville campus	—	9,076
Interest	16,578	13,504
Other	696,047	661,494
	<u>2,748,277</u>	<u>2,371,387</u>
Total expenses		
(Loss) income from operations	(276,351)	39,874
Nonoperating gains (losses):		
Investment income	44,779	107,411
Change in fair value of interest rate swaps	(14,895)	13,379
	<u>(246,467)</u>	<u>160,664</u>
Revenues and gains (deficient of) in excess of expenses and losses		
Other changes in net assets without donor restriction:		
Net assets released from restrictions used for the purchase of property, plant, and equipment	651	5,483
Recognition of change in pension funded status	171	171
	<u>822</u>	<u>5,654</u>
Change in net assets without donor restriction	<u>\$ (245,645)</u>	<u>166,318</u>

See accompanying notes to consolidated financial statements.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2019 and 2018

(Dollars in thousands)

	2019	2018
Net assets without donor restrictions:		
Revenues and gains (deficient of) in excess of expenses and losses	\$ (246,467)	160,664
Other changes in net assets without donor restriction:		
Net assets released from restrictions used for the purchase of property, plant, and equipment	651	5,483
Recognition of change in pension funded status	171	171
Change in net assets without donor restriction	(245,645)	166,318
Net assets with donor restrictions:		
Investment income	670	485
Contributions	11,095	9,841
Net assets released from restrictions	(8,253)	(12,300)
Change in net assets with donor restrictions	3,512	(1,974)
Change in net assets	(242,133)	164,344
Net assets at beginning of year	2,585,628	2,421,284
Net assets at end of year	\$ 2,343,495	2,585,628

See accompanying notes to consolidated financial statements.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidated Statements of Cash Flows

Years ended June 30, 2019 and 2018

(Dollars in thousands)

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (242,133)	164,344
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Pension expense, mark-to-market adjustment	209,501	(48,915)
Recognition of change in pension funded status	(171)	(171)
Income from equity basis investments	(90)	(87)
Cash distributions received from equity basis investments	980	3,707
Net assets released from restrictions and used for operations	7,602	6,817
Restricted contributions and investment return	(11,765)	(10,326)
Amortization of bond issuance costs and premiums/discounts included in interest expense	(5,517)	(5,532)
Depreciation and amortization, including accelerated depreciation in 2018	144,076	163,610
Change in net unrealized gains and losses on investments	11,421	(47,610)
Net realized gains on sale of investments	(36,636)	(37,040)
Change in the fair value of derivative instruments	14,895	(13,379)
Changes in assets and liabilities:		
Patients' accounts receivable	(26,988)	53,560
Other receivables	11,490	(5,229)
Inventories	(3,486)	(365)
Prepaid expenses	1,953	309
Net amounts due to third-party reimbursement programs	11,273	(5,659)
Accounts payable and accrued liabilities	12,863	13,091
Estimated self-insurance liabilities and other noncurrent liabilities	(77,731)	(114,645)
Net cash provided by operating activities	21,537	116,480
Cash flows from investing activities:		
Acquisition of property, plant, and equipment, net	(193,408)	(246,131)
Gross purchases of investments, excluding alternative investments	(2,792,374)	(2,110,790)
Gross proceeds from sale or maturity of investments, excluding alternative investments	3,110,554	2,290,425
Gross purchases of alternative investments	(208,701)	(10,000)
Gross proceeds from sale or maturity of alternative investments	78,599	6,561
Change in other assets	(13,190)	(6,159)
Net cash used in investing activities	(18,520)	(76,094)
Cash flows from financing activities:		
Repayment of long-term debt	(30,280)	(28,507)
Net assets released from restrictions and used for operations	(7,602)	(6,817)
Restricted contributions and investment return	11,765	10,326
Net cash used in financing activities	(26,117)	(24,998)
Change in cash and cash equivalents	(23,100)	15,388
Cash and cash equivalents at beginning of year	128,198	112,810
Cash and cash equivalents at end of year	\$ 105,098	128,198

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidated Statements of Cash Flows

Years ended June 30, 2019 and 2018

(Dollars in thousands)

	<u>2019</u>	<u>2018</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 16,760	15,184
Supplemental disclosure of noncash transactions:		
Assets acquired under capital lease	\$ 37,025	1,845

See accompanying notes to consolidated financial statements.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

(1) Organization and Purpose

Hospital Sisters Health System (HSHS), an Illinois not-for-profit corporation, considers all wholly owned or controlled entities as subsidiaries for consolidated financial statement purposes. The accompanying consolidated financial statements include the accounts of HSHS and its subsidiaries. HSHS is the parent corporation for several subsidiary corporations and exerts control through various reserved powers. The subsidiary corporations and controlled entities presented in the accompanying consolidated financial statements include Hospital Sisters Services, Inc. (HSSI), HSHS System Office (the SSC), Hospital Sisters of St. Francis Foundation, Inc. (the Foundation), and Kiara, Inc. HSSI, an Illinois not-for-profit holding company, is the sole member of 15 hospitals in Illinois and Wisconsin, Hospital Sisters Healthcare – West, Inc. (HCW), HSHS Medical Group, Inc., and HSHS Wisconsin Medical Group, Inc. (collectively, referred to as the Medical Group), Unity Limited Partnership, Kiara Clinical Integration Network (KCIN), Prairie Education & Research Cooperative (PERC), and Renaissance Quality Insurance, Ltd. (RQIL).

The hospitals are organized for the purpose of providing inpatient and outpatient healthcare services. HSSI formed the Medical Group for the purpose of affiliating with physicians. RQIL is a captive insurance company incorporated in the Cayman Islands to provide professional and general liability insurance coverage to HSHS and affiliates and workers compensation coverage for the hospitals.

15 hospitals within HSSI have formed an Obligated Group for debt financing purposes through the use of a Master Trust Indenture (MTI) (note 10).

The 15 hospitals, of which HSSI is the sole corporate member, are as follows:

<u>Hospital</u>	<u>Location</u>
	Illinois:
St. Joseph's Hospital (SJB)	Breese
St. Mary's Hospital (SMD)	Decatur
St. Anthony's Memorial Hospital (SAE)	Effingham
Holy Family Hospital (HFG)	Greenville
St. Joseph's Hospital (SJH)	Highland
St. Francis Hospital (SFL)	Litchfield
St. Elizabeth's Hospital (SEO)	O'Fallon
Good Shepherd Hospital (GSS)	Shelbyville
St. John's Hospital (SJS)	Springfield

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

<u>Hospital</u>	<u>Location</u>
	Wisconsin:
St. Joseph's Hospital (SJCF)	Chippewa Falls
Sacred Heart Hospital (SHEC)	Eau Claire
St. Mary's Hospital Medical Center (SMGB)	Green Bay
St. Vincent Hospital (SVGB)	Green Bay
St. Nicholas Hospital (SNS)	Sheboygan
St. Clare Memorial Hospital (SCO)	Oconto Falls

The SSC administers healthcare claims for the benefit of HSHS' colleagues. The SSC is supported by annual fees paid by the HSHS' affiliated hospitals and certain other HSHS-controlled entities to the SSC. The SSC utilizes these funds to provide centralized management and information services to the 15 affiliated hospitals and employee health administration. In addition, the SSC administers a centralized investment program and defined-contribution and defined-benefit pension plans on behalf of all HSHS entities.

The Foundation, an Illinois not-for-profit corporation, is an entity whose purpose is to solicit and administer philanthropic funds. The Foundation is structured into 16 separate divisions to administer gifts and bequests with and without donor restrictions at each of the respective hospital locations and the SSC.

Kiara, Inc., an Illinois for-profit corporation, provides a vehicle for joint ventures with physicians and an entry into those health-related services, which do not qualify as tax-exempt services, such as durable medical equipment, nonaffiliated electronic health records implementations, and real estate holdings. Kiara, Inc. is the sole stockholder of LaSante, Inc., LaSante Wisconsin, Inc., and Prairie Cardiovascular Consultants, Inc. The operations of these three wholly owned subsidiaries are consolidated into the financial statements of Kiara, Inc.

All significant intercompany transactions have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies

The significant accounting policies of HSHS are as follows:

(a) Presentation

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains or losses. Nonoperating gains or losses include investment income, other than that which is associated with self-insurance programs, or funds held by trustee under indenture agreements, contributions of excess assets over liabilities, discontinued operations, and the change in fair value of the interest rate swaps.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period.

(c) Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less when purchased, excluding those amounts included as assets whose use is limited or restricted.

(d) Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted include assets set aside by the board of directors for future capital improvements, self-insurance funding, and for other purposes over which the board of directors retains control and may at its discretion subsequently use for other purposes; assets held by third-party trustees under indenture agreements; and funds restricted by donors. Management classifies the current portion of assets whose use is limited or restricted based on the approximate amount of the current portion of long-term debt and self-insurance. Management designates the entire portfolio as a trading portfolio.

Investments in equity securities with readily determinable values and all investments in debt securities are measured at fair value in the accompanying consolidated balance sheets. Investment return on assets associated with self-insurance programs and assets deposited in funds held by trustee under indenture agreements are reported as other revenues. Investment return from all other investments is reported as nonoperating gains (losses), unless the income or loss is restricted by donor or law. Changes in net unrealized gains and losses on investments are included in revenues and gains in excess (deficient) of expenses and losses as all investments are considered to be trading securities.

(e) Inventories

Inventories are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis.

(f) Property, Plant, and Equipment

Property, plant, and equipment additions are stated at cost or fair value at the date of acquisition or donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method of accounting. Useful lives may be reassessed from time to time as facts and circumstances change in regards to how assets are being used. Interest costs incurred on borrowed funds during the period of construction of major projects are capitalized as a component of the cost of acquiring those assets. Capitalized interest is reduced by the amount of investment income earned on unexpended proceeds from project-specific borrowings. SEO continues to provide certain healthcare services at the Belleville campus.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

In 2019 and 2018, HSHS, using a valuation consultant, performed asset useful life studies at four hospitals on the major fixed assets, primarily buildings, in order to more appropriately assign useful lives reflective of the remaining expected lives of those assets taking into consideration the longevity and functional use of such long-lived assets. As a result of these studies and the change in estimated useful lives, annual depreciation expense was reduced by \$17,567 in 2019 and \$3,076 in 2018.

(g) Other Assets – Joint Ventures

HSHS invests in various organizations that are not wholly owned or controlled by HSHS. Investments in affiliates in which HSHS has significant influence but does not control are reported on the equity method of accounting, which represents HSHS' equity in the underlying net book value. The equity method of accounting is discontinued when the investment is reduced to zero unless HSHS has guaranteed the obligations of the organization or is committed to provide additional capital support.

(h) Loss Reserves

HSHS is self-insured for professional and general liability, workers' compensation, and employee health claims. The provision for loss reserves include the ultimate cost for both reported losses and losses incurred, but not reported as of the respective consolidated balance sheet dates. HSHS reports the amount predicted to settle within one year as the current portion of estimated self-insurance liabilities with the corresponding investments held as current portion of assets whose use is limited or restricted. The long-term portion is reported as estimated self-insurance liabilities with the corresponding investments held as assets whose use is limited or restricted.

The liability for loss reserves represents an estimate of the net cost of all such amounts that are unpaid at the consolidated balance sheet dates. The liability is based on projections and the historical claim experience of HSHS and gives effect to estimates of trends. Although management believes the estimate of the liability for claims is reasonable, it is possible HSHS' actual incurred claims will not conform to the assumptions' variability with respect to the assumptions utilized. The settlement of claims may vary from the liability for unpaid claims included in the accompanying consolidated financial statements.

(i) Derivative Instruments

HSHS accounts for derivatives and hedging activities in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 815-10, *Accounting for Derivative Instruments and Hedging Activities*. The fair value of the interest rate swap programs is included as derivative instruments in the accompanying consolidated balance sheets. For HSHS, the derivatives are not designated as hedge instruments, and therefore, settlements on derivative instruments and the change in fair values of the interest rate swap agreements are recognized in the consolidated statements of operations and change in net assets without donor restriction as a component of nonoperating gains (losses).

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

(j) Asbestos Removal Costs

HSHS accounts for asbestos removal costs in accordance with ASC Subtopic 410-20, *Accounting for Conditional Asset Retirement Obligations*. HSHS is legally liable to remove asbestos from existing buildings prior to future remodeling or demolishing of the existing hospital buildings. The estimated asbestos removal cost at June 30, 2019 and 2018 is \$26,204 and \$26,364, respectively, and is included within other noncurrent liabilities in the accompanying consolidated balance sheets.

(k) Net Assets

Net assets and activities are classified into two classes based on the existence or absence of donor-imposed restrictions: Net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions represent those net assets whose use by HSHS have been limited by donors to a specific time period or purpose or have been restricted by donors to be maintained by HSHS in perpetuity.

(l) Gifts, Bequests, and Grants

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then recorded as cost. The gifts are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished net assets are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are recorded as contributions without donor restriction. Contributions without donor restriction are included in other revenues.

Gifts of long-lived assets, such as property, plant, and equipment, are reported as gifts and bequests without donor restriction and are excluded from revenue and gains (deficient) in excess of expenses and losses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. In the absence of explicit donor stipulations regarding how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(m) Revenues and Gains (Deficient of) in Excess of Expenses and Losses

The consolidated statements of operations and change in net assets include revenues and gains (deficient of) in excess of expenses and losses. Changes in net assets without donor restrictions that are excluded from revenues and gains (deficient of) in excess of expenses and losses, consistent with industry practice, include contributions of property, plant, and equipment (including assets acquired using contributions that by donor restrictions or grants were to be used for the purpose of acquiring such assets), net assets released from restrictions used for the purpose of property, plant, and equipment, and the change in pension funded status.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

(n) Income Taxes

HSHS and the Foundation are Illinois not-for-profit organizations as described in Section 501(c) (3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Kiara, Inc. is an Illinois for-profit corporation that recognizes income taxes under the asset-and-liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Kiara, Inc.'s tax effects of temporary differences that give rise to significant portions of the deferred tax assets at June 30, 2019 and 2018 are primarily the result of net operating loss carryforwards of \$232,474 and \$198,196 at June 30, 2019 and 2018, respectively, which expire at various future dates through 2037.

The net operating loss carryforwards result in a deferred tax asset of \$70,000 and \$60,575 at June 30, 2019 and 2018, respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable losses and projections for future taxable losses over the periods for which the deferred tax assets are deductible, management believes it is more likely Kiara, Inc. will not realize the majority of the benefits of these deductible differences. Full valuation allowances have been applied against the deferred tax assets attributable to the net operating loss carryforwards not realized as of June 30, 2019 and 2018 in the accompanying consolidated financial statements due to the uncertainty of realization.

HSHS recognizes the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. As of June 30, 2019 and 2018, HSHS does not have any liabilities for unrecognized tax benefits.

(o) Fair Value

HSHS records the fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis in accordance with the provisions of ASC Topic 820, *Fair Value Measurement*. ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

HSHS has certain investments in funds that do not have readily determinable fair values including private investments, hedge funds, real estate, and other funds. ASC Subtopic 820-10-35 allows for HSHS to estimate the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value (NAV) per share or its equivalent as a practical expedient unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2019, HSHS had no plans or intentions to sell investments at amounts different from NAV.

Additionally, in accordance with ASC Subtopic 820-10-50, HSHS categorizes within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient.

(p) Pension

HSHS calculates and reports pension expense under the mark-to-market (MTM) methodology. Under this method, HSHS immediately recognizes actuarial gains and losses as a separate component of net periodic pension costs as of the financial reporting date. Prior methodology smoothed the effects of actuarially determined gains and losses over future periods.

Reported in the accompanying consolidated financial statements, pension expense is reported in two elements: 1) pension expense, excluding mark-to-market adjustment comprising service cost, interest cost, assumed returns on plan assets, and recognition of prior service cost and 2) pension expense, mark-to-market adjustment is the gains and losses resulting from change in the discount rates and/or the difference between actual experience and assumed experience, including the return on plan assets.

(q) New Accounting Presentation

HSHS adopted ASC Topic 606, *Revenue from Contracts with Customers*, effective July 1, 2018 using a full retrospective approach. The standard requires an entity to recognize revenue when the entity transfers control of promised goods and services to the customer. Revenue is recognized in an amount that reflects the consideration an entity expects to receive in exchange for those goods and services. An entity is also required to disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of ASC 606 resulted in changes to the presentation and disclosure of revenue related to uninsured or underinsured patients. Prior to the adoption of ASC Topic 606, HSHS presented a separate provision for bad debts related to self-pay patients, as well as co-pays and deductibles owed by patients with insurance. Under ASC 606, the estimated uncollectible amounts due from these patients are generally considered a direct reduction to net operating revenues and, correspondingly, result in a material reduction in the amounts presented separately as provision for bad debts. As a result of the adoption, the 2018 provision for bad debts of \$49,157 has been reclassified and presented as a reduction to net patient services revenue. HSHS also assessed the impact of the new standard on various reimbursement programs that represent variable consideration and concluded that accounting for these programs under the new standard is substantially consistent with the historical accounting practices. ASC 606 did not materially impact the

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

financial position, results of operations, or cash flows of HSHS and there was no cumulative effect of a change in accounting principle recorded related to the adoption.

ASU No. 2016-14 *Not-for-Profit Entities (ASC 958)*, was adopted by HSHS effective June 30, 2019 with retroactive application. ASC 958 changed the means by which a not-for-profit entity (NFP) classifies and presents net assets on the face of the financial statements and presents information in the financial statements and notes about the entity's liquidity, financial performance, expenses, and cash flows. The amendment changed the way HSHS reports classes of net assets, from the previously required three classes to two. As a result of this adoption, 2018 temporarily restricted net assets of \$37,669 and permanently restricted net assets of \$28,371 have been combined as Net assets with donor restrictions. The standard did not have a material effect on the consolidated financial statements, other than the additional disclosure required by the standard.

ASU No. 2016-02 – *Leases (ASC 842)*, was adopted by HSHS effective July 1, 2019. ASC Topic 842 requires lessees to recognize leases on balance sheet and discloses key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize an ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of operations. As of July 1, 2019, HSHS estimates an ROU asset of increase by approximately \$165 million to \$185 million and a corresponding leasing obligation of the same amount as part of the adoption.

In March 2017, FASB issued ASU No. 2017-07 *Compensation – Retirement Benefits (ASC 715) Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU No. 2017-07 requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Certain other components of net benefit costs are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. Early adoption is permitted. The amendments in this update are effective for HSHS for the year ending June 30, 2020. HSHS is evaluating the effect this guidance will have upon its consolidated financial statements.

In November 2016, FASB issued ASU No. 2016-18, *Restricted Cash, and (a consensus of the FASB Emerging Issues Task Force)*. ASU No. 2016-18 requires an entity to include amounts generally described as restricted cash and restricted cash equivalents, along with cash and cash equivalents when reconciling beginning and ending balances on the statement of cash flows. ASU No. 2016-18 is effective for nonpublic business entities for annual reporting periods beginning after December 15, 2018, with retrospective application and disclosure. Early adoption of ASU No. 2016-18 is permitted. The requirements of this statement are effective for HSHS for the year ending June 30, 2020. HSHS is evaluating the effect this guidance will have upon its consolidated financial statements.

(r) Reclassifications

Certain reclassifications have been made to the 2018 notes to the financial statements to conform with the 2019 presentations.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

(3) Community Benefit

Consistent with its mission, HSHS provides medical care to all patients regardless of their ability to pay. In addition, HSHS provides services intended to benefit the poor and underserved, including those persons who cannot afford health insurance because of inadequate resources and/or are uninsured or underinsured, and to enhance the health status of the communities in which it operates.

The following summary has been prepared in accordance with the Catholic Health Association of the United States' policy document, *A Guide for Planning and Reporting Community Benefit*, released in May 2006. HSHS uses a cost-to-charge ratio to calculate the cost of charity care and the unpaid cost of Medicaid. The amounts in the following table reflect the quantifiable costs of HSHS' community benefit for the years ended June 30, 2019 and 2018:

	2019	2018
Benefits for the poor:		
Charity care at cost	\$ 27,711	25,650
Unpaid cost of Medicaid and other public programs	142,259	133,668
Community health services	1,883	2,584
Other	4,815	4,109
	176,668	166,011
Benefits for the broader community:		
Community health services	4,274	3,940
Health professions education	17,037	18,593
Other	13,690	9,869
	35,001	32,402
Total community benefit	\$ 211,669	198,413

Benefits for the poor represent the cost of services provided to persons who cannot afford healthcare because of inadequate resources and who are uninsured or underinsured.

Benefits for the broader community represent the cost of services provided to other needy populations that may not qualify as poor, but that need special services and support. It also includes the cost of services for the general benefit of the communities in which HSHS operates. Many programs are targeted toward populations that may be poor, but also include those areas that may need special health services and support. These programs are not financially self-supporting.

Charity care at cost represents the cost of services provided to patients who cannot afford healthcare services due to inadequate resources. All or a portion of a patient's services may be considered charity care for which no payment is anticipated in accordance with HSHS' established policies.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

Unpaid cost of Medicaid and other public programs represents the cost of providing services to beneficiaries of public programs, including state Medicaid and indigent care programs, in excess of payments for those services. (See note 4 for an explanation of changes to the Medicaid reimbursement from the State of Illinois.)

Community health services are activities and services for which no patient bill exists although there may be nominal patient fees. These services are not expected to be financially self-supporting, although some may be partially supported by outside grants or funding.

Health professions education includes the unreimbursed cost of training health professionals, such as medical residents, nursing students, technicians, and students, in allied health professions.

Other benefits include subsidized health services, in-kind donations, and other benefits.

A related organization, the Foundation, funded \$12,084 and \$14,218 for charity care or other operating expenses on behalf of the hospitals during the years ended June 30, 2019 and 2018, respectively. The community benefits reported above are net of the contributions from the Foundation for such benefits.

HSHS also provides a significant amount of uncompensated care for patients, which is not included above, but is reported in the consolidated statements of operations and change in net assets without donor restriction as part of net patient service revenue. Many of those patients are uninsured or underinsured, but did not apply for, or qualify for, charity care.

(4) Net Patient Service Revenues

Net patient service revenue is reported at the amount that reflects the consideration to which HSHS expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (managed care and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. Performance obligations satisfied over time relate to inpatient acute care services. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and HSHS does not believe it is required to provide additional goods or services to the patient. Performance obligations for patients that are in house at period end generally complete within days or possibly weeks of period end therefore are estimated on a pro-rata basis.

HSHS determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions provided to third-party payers, discounts provided to uninsured patients in accordance with HSHS's policy, and/or implicit price concessions provided to uninsured patients. Estimates of explicit price concessions are based on contractual agreements, its discount policy (or policies), and historical experience. Estimate of implicit price concessions are based on its historical collection experience with this class of patients.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

Agreements with third-party payers typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payers follows:

Medicare – Inpatient acute care services rendered to Medicare program beneficiaries are generally paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain patient services related to Medicare beneficiaries are paid based upon a cost reimbursement method, prospectively determined rates, established fee screens, or a combination thereof. The hospitals are reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the hospitals and audits by the Medicare fiscal intermediary. Certain outpatient services performed by the hospitals are reimbursed at a prospectively determined rate per service based upon their ambulatory payment classification.

Medicaid – Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per discharge. Outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon per visit rates. Medicaid payment methodologies and rates for services are based on the amount of funding available to state Medicaid programs.

The Illinois Hospital Assessment Program and the Enhanced Illinois Hospital Assessment Program (collectively referred to herein as HAP) have been approved by CMS through June 30, 2019. Under HAP, the state receives additional federal Medicaid funds for the state's healthcare system, administered by the Illinois Department of Healthcare and Family Services. Included in the accompanying consolidated statements of operations and changes in net assets without donor restriction for the years ended June 30, 2019 and 2018 is \$85,554 and \$93,196, respectively, of net patient service revenue from the HAP and \$45,805 and \$41,799, respectively, of other expense for provider taxes for the HSHS Illinois hospitals.

The State of Wisconsin has an assessment tax on the gross revenue of all Wisconsin hospitals, which is used to increase reimbursements made under its Medicaid program. During the years ended June 30, 2019 and 2018, the HSHS Wisconsin hospitals were assessed \$20,207 and \$20,684, respectively, related to this tax, which is included as a component of other expenses in the accompanying consolidated statements of operations and change in net assets without donor restriction, and received \$21,455 and \$23,003, respectively, in supplemental Medicaid reimbursement, which is included as a component of net patient service revenues in the accompanying consolidated statements of operations and change in net assets without donor restriction.

Other – HSHS has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to interpretation. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge HSHS' compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon HSHS. In addition, contracts with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (i.e., new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. During 2019 and 2018, changes to prior year variable consideration resulted in an increase of net patient service revenue of \$4,444 and \$3,294, respectively, due to successful appeals, cost report settlements, and other adjustments to prior year.

Generally patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. HSHS also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. HSHS estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any explicit and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change.

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

Patients who meet HSHS' criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

Net patient service revenue net of explicit price concessions (but before implicit price concessions) recognized in the period by major payor is as follows:

	<u>2019</u>	<u>2018</u>
Medicare	34 %	35 %
Medicaid	12	12
Managed care	48	47
Commercial and other	1	1
Self-pay	5	5
	<u>100 %</u>	<u>100 %</u>

Patient service revenue recognized in the period by type of service is as follows:

	<u>2019</u>	<u>2018</u>
Inpatient	\$ 845,297	851,777
Outpatient/Ambulatory care	1,415,701	1,352,047
Physician services	113,451	107,783
	<u>\$ 2,374,449</u>	<u>2,311,607</u>

HSHS grants credit without collateral to its patients, most of whom are residents in the communities that it serves and are insured under third-party payor agreements. The mix of net patient accounts receivable by major payor as of June 30 consists of the following:

	<u>2019</u>	<u>2018</u>
Medicare	29 %	32 %
Medicaid	13	9
Managed care	45	46
Self-pay	5	5
Other	8	8
	<u>100 %</u>	<u>100 %</u>

(5) Investment Composition and Fair Value Measurements

(a) Overall Investment Objective

The overall investment objective of HSHS is to invest its assets in a prudent manner that will achieve an expected rate of return, manage risk exposure, and focus on downside protection. HSHS' invested

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

assets maintain sufficient liquidity to fund a portion of HSHS' annual operating activities and structure the invested assets to maintain a high percentage of available liquidity. HSHS diversifies its investments among various asset classes incorporating multiple strategies and managers. The HSHS board approves the Investment Policy Statement (IPS). The investment subcommittee oversees the investment program in accordance with the IPS.

(b) Allocation of Investment Strategies

To manage risk, HSHS invests in fixed income, domestic equities, international equities, custom hedge funds, real assets, and private equity. HSHS engages outside portfolio managers as of June 30, 2019 as follows: 5 fixed income managers, 11 domestic equity managers, 6 international managers, 1 custom hedge fund portfolio manager (K2), 2 real estate managers, and 1 private equity manager. Because of the inherent uncertainties for valuation of some holdings, the estimated fair values may differ from values that would have been used had a ready market existed.

The investment objective of the K2 Custom Solutions Hospital Sisters Fund is to achieve equity type returns with reduced volatility and risk. This is achieved through a diversified portfolio targeting allocations of long strategies and low volatility strategies and spread across 24 separate underlying funds.

A summary of the strategies used by the hedge fund managers is as follows:

- *Commodities* include investment entities that may trade in agricultural, metal, and energy markets at various stages of the commodity cycle.
- *Event Driven* includes investment entities that focus on identifying and analyzing securities that may benefit from the occurrence of specific corporate events.
- *Global Macro* includes investment entities, which invest in products that may benefit from overall economic and political events of various countries.
- *Insurance-Linked* includes investment entities with an income-based strategy that invest across instruments, the value of which is driven by insurance-related events primarily related to property and life insurance. Risk is managed by diversifying over geography, insurance type, and sensitivity to insured losses amongst other factors. The strategy is a tool to reduce overall investment risk as underlying insurance risk factors are less sensitive to general market factors.
- *Long/Short Equity* includes investment entities that invest both long and short, primarily in common stocks and debt instruments, based on the manager's perception of such securities being undervalued or overvalued by the market.
- *Multistrategy* includes investment entities that pursue multiple strategies to diversify risks and reduce volatility.
- *Relative Value* includes investment entities that utilize nondirectional strategies. Relative value investing involves trading around the mispricing of two related securities using various types of securities or instruments.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

- *Specialist Credit* includes investment entities that seek to generate superior risk-adjusted returns from a combination of capital appreciation and current income by opportunistically investing and trading in a diversified portfolio of credit-related securities and other instruments.
- *Structured Credit* includes investment entities that invest across structured credit markets, including agency and nonagency residential mortgage-backed securities, commercial mortgage-backed securities, and various asset-backed securities. Strategies can be trading oriented or directional, and may include a hedging component to offset market risks.
- *Hedge Overlay Strategy* involves the measuring, monitoring, and management of the primary beta sensitivities contained within the fund. Futures, options, swaps, and exchange traded funds (ETF) positions will be taken (or overlaid) alongside the core portfolio in order to fine tune any market sensitivities or hedge any undersigned directional biases.

(c) Fair Value of Financial Instruments

The following methods and assumptions were used by HSHS in estimating the fair value of its financial instruments:

- The carrying amount reported in the consolidated balance sheets for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, receivables, accounts payable, accrued liabilities, and estimated payables under third-party reimbursement programs.
- Fair values of HSHS' investments held as assets whose use is limited or restricted are estimated based on prices provided by its investment managers and its custodian bank except pledges receivable and other, whereby carrying amounts approximate fair value. Fair value for cash and cash equivalents, common stocks, foreign securities, U.S. government securities, corporate bonds, taxable municipals, and commingled mutual funds are measured using quoted market prices at the reporting date multiplied by the quantity held. The carrying value equals fair value.
- HSHS has two real estate fund investments for which quoted market prices are not available. The estimated fair value of these real estate fund investments includes estimates, appraisals, assumptions, and methods provided by external financial advisers and reviewed by HSHS.
- HSHS has one hedge fund investment for which quoted market prices are not available. The estimated fair value of these hedge fund investments includes estimates, appraisals, assumptions, and methods provided by external financial advisers and reviewed by HSHS.
- Fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data by financial advisers. The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of the counterparties and HSHS. The carrying value equals fair value.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although HSHS believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(d) Fair Value Hierarchy

ASC Topic 820 includes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that HSHS has the ability to access at the measurement date.
- Level 2 inputs are observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 inputs are unobservable inputs for the asset or liability.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. There were no transfers between Level 1, Level 2, or Level 3 for the fiscal year ended June 30, 2019 or 2018.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

The following table summarizes HSHS' fair values of cash and cash equivalents, assets whose use is limited or restricted by major category, and derivative instruments in the fair value hierarchy as of June 30, 2019, as well as related strategy, liquidity, and funding commitments:

	June 30, 2019				Redemption or liquidation	Days' notice
	Level 1	Level 2	Level 3	Total		
Cash and cash equivalents	\$ 105,098	—	—	105,098	Daily	One
Assets whose use is limited or restricted excluding accrued interest and other of \$3,674 and pledges receivable and other of \$25,214:						
Cash and cash equivalents	7,645	—	—	7,645	Daily	One
Common stocks	333,171	—	—	333,171	Daily	One
U.S. government securities	—	128,638	—	128,638	Daily	One
Taxable municipals	—	24,100	—	24,100	Daily	Two
Corporate bonds	—	149,518	—	149,518	Daily	Two
Foreign securities	322,979	32,939	—	355,918	Daily	Three
Commingled mutual funds	—	180,925	—	180,925	Daily	Three
Subtotal	<u>\$ 768,893</u>	<u>516,120</u>	<u>—</u>	<u>1,285,013</u>		
Real estate funds ¹ :						
JLL Income Property Trust, Inc.				66,249	Daily	Zero
J.P. Morgan U.S. Real Estate Income and Growth Fund				38,041	Quarterly	Sixty
Hedge funds ¹ :						
K2 multistrategy fund				346,939	See below	
Hamilton Lane Private Equity				17,139	See below	
Total financial assets				<u>\$ 1,753,381</u>		

Liabilities:

Derivative instruments	\$	—	49,422	—	49,422
------------------------	----	---	--------	---	--------

¹ Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

The following table summarizes HSHS' fair values of cash and cash equivalents, assets whose use is limited or restricted by major category, and derivative instruments in the fair value hierarchy as of June 30, 2018, as well as related strategy, liquidity, and funding commitments:

	June 30, 2018			Total	Redemption or liquidation	Days' notice
	Level 1	Level 2	Level 3			
Cash and cash equivalents	\$ 128,198	—	—	128,198	Daily	One
Assets whose use is limited or restricted excluding accrued interest and other of \$4,461 and pledges receivable and other of \$17,870:						
Cash and cash equivalents	7,634	—	—	7,634	Daily	One
Common stocks	353,639	—	—	353,639	Daily	One
U.S. government securities	—	177,229	—	177,229	Daily	One
Taxable municipals	—	28,052	—	28,052	Daily	Two
Corporate bonds	—	152,636	—	152,636	Daily	Two
Foreign securities	364,607	33,162	—	397,769	Daily	Three
Commingled mutual funds	—	149,580	—	149,580	Daily	Three
Subtotal	<u>\$ 854,078</u>	<u>540,659</u>	<u>—</u>	1,394,737		
Real estate funds ¹ :						
JLL Income Property Trust, Inc.				88,874	Daily	Zero
J.P. Morgan U.S. Real Estate Income and Growth Fund				38,237	Quarterly	Sixty
Hedge funds ¹ :						
K2 multistrategy fund				331,532	See below	
Mesirow multistrategy				91,200	See below	
Hamilton Lane Private Equity				1,321	See below	
Total financial assets				<u>\$ 1,945,901</u>		
Liabilities:						
Derivative instruments	\$ —	34,527	—	34,527		

¹ Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

The following tables present information about the redemption terms and restrictions as of June 30, 2019 and 2018 for the alternative investments:

(i) *K2 Custom Solutions Hospital Sisters Fund*

	Fair value		Notice period (days) minimum/ maximum
	2019	2018	
Redemption terms:			
Monthly	\$ 239,388	102,775	15–90 Days
Quarterly	83,265	147,532	30–90 Days
Semiannual	13,877	72,937	60–90 Days
Annually	10,409	8,288	90 Days
Total	\$ 346,939	331,532	

(ii) *Mesirow Custom Solutions Hospital Sisters Fund*

	Fair value		Notice period (days) minimum/ maximum
	2019	2018	
Redemption terms:			
Monthly	\$ —	35,658	15–90 Days
Quarterly	—	35,657	30–90 Days
Semiannual	—	4,130	60–90 Days
Annually	—	15,755	90 Days
Total	\$ —	91,200	

HSHS liquidated its investment in the Mesirow Custom Solutions Hospital Sisters Fund in fiscal year 2019.

(iii) *Hamilton Lane Private Equity*

On January 1, 2018, HSHS entered into an agreement to invest in the Hamilton Lane Private Equity Fund. The purpose of the private equity investment is to further diversify the Strategic Fund portfolio by reducing volatility and increasing the expected return. The Hamilton Lane Private Equity Fund looks to invest in various strategies, including primary, secondary, and coinvestments

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

involving credit, buyout, and venture/growth equity across all geographies. HSHS has a required commitment to fund the Hamilton Lane Private Equity Fund \$200,000 over a five-year period.

	June 30, 2019	
	Fair value	Unfunded commitment
Cash	\$ 1,175	—
Credit	5,243	12,655
Buyout	2,240	26,983
Co/direct investment	3,668	6,538
Secondaries	—	20,000
Venture/Growth	4,813	1,009
Total	\$ 17,139	67,185

A summary of assets whose use is limited or restricted as of June 30, 2019 and 2018 is as follows:

	2019	2018
Assets whose use is limited or restricted:		
By the board for capital improvements	\$ 1,351,600	1,538,550
Funds held by custodian/trustee under indenture agreements	121	121
Funds held by trustee for self-insurance	75,527	70,658
Funds held by RQIL	136,782	116,763
Funds with donor restriction	1,635	1,844
Investments held at the Foundation	111,506	112,098
Total assets whose use is limited or restricted	\$ 1,677,171	1,840,034

The composition of investment return for the years ended June 30, 2019 and 2018 is as follows:

	2019	2018
Investment return:		
Interest and dividend income	\$ 20,460	23,805
Net realized gains on sale of investments	36,636	37,040
Change in net unrealized gains and losses	(11,421)	47,610
Total investment return	\$ 45,675	108,455

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

Investment returns are included in the accompanying consolidated statements of operations and change in net assets without donor restriction, and changes in net assets for the years ended June 30, 2019 and 2018 as follows:

	2019	2018
Other revenue – investment income	\$ 226	559
Nonoperating gains – investment return	44,779	107,411
Net assets with donor restrictions – income	670	485
Total investment return	\$ 45,675	108,455

(6) Derivative Instruments

HSHS has interest-rate-related derivative instruments to manage its exposure on its debt instruments. HSHS does not enter into derivative instruments for any purpose other than cash flow hedging purposes, and HSHS does not speculate using derivative instruments.

By using derivative financial instruments to hedge exposures to changes in interest rates, HSHS exposes itself to credit risk, tax risk, and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. HSHS minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties.

Tax risk is the adverse effect that HSHS takes on to the extent tax law changes impact the rates paid to a variable rate bondholder (either positively or negatively) that would affect the variable rate received from the counterparty under a LIBOR-based swap that may not match the tax-exempt equivalent rate being paid. HSHS minimizes the tax risk in derivative instruments by maintaining sufficient cash reserves for potential tax law changes.

Market risk is the adverse effect on the value of the derivative instrument that results from a change in interest rates. The market risk associated with interest rate contracts is managed by establishing and monitoring parameters that limit the type and degree of market risk that may be undertaken.

HSHS is exposed to credit loss in the event of nonperformance by the counterparty to the interest rate swap agreements; however, this is not anticipated. During the year ended June 30, 2019 or 2018, neither HSHS nor its counterparties were required to post collateral.

HSHS maintains interest rate swap agreements, which effectively change the interest rate exposure on a portion of its variable rate bonds to fixed rates. HSHS receives 86.10% of the three-month LIBOR (\$76,750 notional amount) and 67.00% of the one-month LIBOR (\$41,300 and \$100,425 notional amounts) and pays a fixed rate of 4.02% (\$76,750 notional amount) and 3.47% (\$41,300 and \$100,425 notional amounts). The interest rate swap agreements have notional amounts of \$218,475 at June 30, 2019 and 2018, respectively, which will amortize through March 2036.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

HSHS maintains a fixed spread basis swap that removes the tax risk from the bondholders and transfers the risk to HSHS. The premium that HSHS receives for taking on this risk is 67.00% of the ten-year LIBOR plus a fixed spread of 8.9 basis points less the Securities Industry and Financial Markets Association (SIFMA) index rate. The fixed spread basis swap has a notional amount of \$150,000 with a final maturity in May 2033.

HSSI and JPMorgan Chase Bank, N.A. (the Counterparty) entered into the 2016 Swap simultaneously with the sale of the Series 2016 Bonds. The 2016 Swap will be governed by an ISDA Master Agreement under the terms of which the provider will pay to HSSI an amount equal to the interest paid on the bonds, and the HSSI will pay the Counterparty an amount equal to the SIFMA rate plus a spread. If the 2016 Swap is not extended, on the termination date, HSSI is obligated to pay to the Counterparty an amount equal to the loss in value of the bonds, if any. The 2016 swap has a notional amount of \$75,000 with a final maturity in December 2021.

The following is a summary of the swaps as of June 30, 2019:

Type of interest swap	Notional amount	Settlement value	Fair value
Constant maturity SWAP	\$ 76,750	(20,348)	(19,393)
Constant maturity SWAP	150,000	3,862	3,989
Fixed payor	41,300	(10,456)	(10,017)
Fixed payor	100,425	(25,479)	(24,409)
Fixed receiver	75,000	408	408
Fixed payor		<u>\$ (52,013)</u>	<u>(49,422)</u>

The following is a summary of the swaps as of June 30, 2018:

Type of interest swap	Notional amount	Settlement value	Fair value
Fixed payor	\$ 76,750	(13,257)	(12,492)
Fixed spread basis	150,000	2,113	2,132
Fixed payor	41,300	(7,444)	(7,033)
Fixed payor	100,425	(18,138)	(17,134)
Fixed receiver	75,000	442	—
Fixed payor		<u>\$ (36,284)</u>	<u>(34,527)</u>

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

(7) Property, Plant, and Equipment

A summary of property, plant, and equipment at June 30, 2019 and 2018 is as follows:

	2019	2018
Land	\$ 80,977	81,056
Land improvements	59,346	59,071
Buildings and permanent fixtures	1,806,858	1,716,509
Equipment and furnishings	1,415,848	1,321,823
	3,363,029	3,178,459
Less accumulated depreciation	1,896,033	1,788,743
	1,466,996	1,389,716
Construction in progress	112,062	102,985
	\$ 1,579,058	1,492,701

As of June 30, 2019, construction in progress represents various building and remodeling projects. These projects, which have remaining contracted costs at June 30, 2019 of \$112,269, will be financed with board-designated assets or from operations.

(8) Self-Insurance

(a) Workers' Compensation, Professional, and General Liability

RQIL provides insurance coverage in addition to Workers' Compensation, Professional, and General Liability, but the associated liabilities for the other coverages are less than 3% of the total RQIL liabilities at June 30, 2019 and 2018.

HSHS is involved in litigation arising in the ordinary course of business. Reported claims are in various stages of litigation. Additional claims may be asserted against HSHS arising from services through June 30, 2019. It is the opinion of management that the estimated liabilities accrued at June 30, 2019 are adequate to provide for potential losses resulting from pending or threatened litigation.

Under the System's Workers' Compensation (WC), Professional, and General Liability (PGL) self-insurance program through RQIL, claims are reflected based upon actuarial estimation, including both reported and incurred but not reported claims, taking into consideration the severity of incidents and the expected timing of claim payments. At June 30, 2019 and 2018, funds held by RQIL were \$136,782 and \$116,763, respectively. The related current estimated self-insurance liabilities for June 30, 2019 and 2018 were \$46,854 and \$33,611, for WC and PGL, respectively. The related long-term estimated self-insurance liabilities for June 30, 2019 and 2018 were \$79,166 and \$76,020 for WC and PGL, respectively. At June 30, 2019 and 2018, the estimated self-insurance liability for all future claims payments reflects the actuarially determined outstanding losses at the

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

undiscounted/expected level. These calculations take into consideration any liability that may be covered under an extended reporting endorsement and considered tail liability.

(b) Employee Health

The HSHS self-insurance program provides health insurance for employees. HSHS has developed internal techniques for estimating costs.

At June 30, 2019 and 2018, funds held by HSHS for health insurance liability for employees' self-insurance are \$75,527 and \$70,658, respectively, and are included in current and noncurrent assets whose use is limited or restricted. At June 30, 2019 and 2018, related estimated current self-insurance liabilities are \$16,472 and \$15,424, respectively.

(9) Employee Benefit Plans

(a) Defined-Benefit Plan

HSHS employees participate in The Hospital Sisters Health System Employees' Pension Plan (the Plan). This noncontributory, defined-benefit pension plan covers substantially all employees of HSHS who have completed 1,000 hours of employment during any calendar year subsequent to the commencement of employment. The Plan recognizes and funds the costs related to employee service using the projected unit credit actuarial cost method. The information below represents the aggregation of HSHS' pension financial status, which is determined by the consulting actuaries on a member-specific basis.

HSHS' retirement program covers all employees under one comprehensive retirement program that administers benefits under two different tracks. Employees hired or rehired on or after July 1, 2014 will receive their employer-provided retirement benefits based a combination of a cash balance formula within the defined-benefit plan and an employer-matching contribution into HSHS defined-contribution plan. Employees hired before July 1, 2014 receive their employer-provided retirement benefits based on a final average pay formula within the defined-benefit plan.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

The following tables set forth the Plan's funded status, amounts recognized in HSHS' consolidated financial statements, and assumptions at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 1,889,522	1,856,011
Service cost	49,566	52,771
Interest cost	78,669	69,702
Actuarial loss(gain)	223,971	(37,411)
Benefits paid	<u>(58,197)</u>	<u>(51,551)</u>
Benefit obligation at end of year	<u>\$ 2,183,531</u>	<u>1,889,522</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 1,697,447	1,509,199
Actual gain on plan assets	150,822	133,915
Employer contributions	95,832	113,319
Expenses paid	(9,093)	(7,435)
Benefits paid	<u>(58,197)</u>	<u>(51,551)</u>
Fair value of plan assets at end of year	<u>\$ 1,876,811</u>	<u>1,697,447</u>
Reconciliation of funded status:		
Funded status	\$ (306,721)	(192,077)
Amounts recognized in the accompanying consolidated balance sheets:		
Accrued benefit liability	(306,721)	(192,077)
Amounts not yet reflected in net periodic benefit cost and included as an accumulated charge to unrestricted net assets:		
Prior service cost	<u>\$ (271)</u>	<u>(442)</u>
	<u>\$ (271)</u>	<u>(442)</u>

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

	2019	2018
Changes recognized in unrestricted net assets:		
Net gain arising during the period	\$ 209,501	(48,915)
Amortization of prior service credit	(171)	(171)
Amortization or settlement recognition of net loss	(209,501)	48,915
Total recognized in unrestricted net assets	\$ (171)	(171)
Total recognized in net periodic pension cost and unrestricted net assets	\$ 210,477	(41,419)
Estimated amounts that will be amortized from unrestricted net assets over the next fiscal year:		
Prior service credit	(171)	(171)
Accumulated benefit obligation	2,029,640	1,749,212
Components of net periodic benefit cost:		
Service cost	\$ 49,566	52,771
Interest cost	78,669	69,702
Expected return on plan assets	(127,261)	(114,977)
Amortization of prior service cost	171	171
Net periodic benefit cost excluding MTM adjustment	1,145	7,667
MTM adjustment	209,501	(48,915)
Net periodic benefit cost	\$ 210,646	(41,248)
	2019	2018
Weighted average assumptions used to determine benefit obligations at June 30:		
Discount rate	3.79 %	4.52 %
Average rate of compensation increase	3.00	3.00
Measurement date	June 30, 2019	June 30, 2018
Weighted average assumptions used to determine net periodic benefit cost for the year ended June 30:		
Discount rate	4.52 %	4.29 %
Expected long-term return on plan assets	8.00	8.00
Average rate of compensation increase	3.00	3.00
Measurement date	June 30, 2018	June 30, 2017

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual assets categories. The return is based on a weighted average of historical returns and forward-looking capital market assumptions.

The Plan's liability at the measurement date is determined by discounting cash flows by the corresponding annual spot rate on the client-specific yield curve. The spot rate approach uses the actuarially projected benefit payment cash flows for each future period over the life of the plan and discounts them back to the measurement date using the spot interest rate associated with each respective period in the high-quality corporate bond yield curve. The sum of the discounted amounts is the benefit obligation. Interest cost under the spot rate approach is determined by multiplying the individual spot rates from the exact same yield curve by each year's present value of future projected benefit payments. The sum of those products is the interest cost for the period. The same approach is used to calculate the plan's service cost, except that the actuarially projected benefit payment cash flows are associated with the plan's service cost and not the plan's projected benefit obligation.

HSHS expects to contribute to its pension plan for the 2019 fiscal year the following amount	\$	105,824
The following benefit payments that reflect expected future service, as appropriate, are expected to be paid:		
2020	\$	69,883
2021		77,207
2022		84,264
2023		91,010
2024		97,993
2025–2029		578,789

The expected benefits are based on the same assumptions used to measure HSHS' benefit obligation at June 30, 2019 and 2018 and include estimated future employee service.

As of June 30, 2019 and 2018, HSHS updated the mortality improvement projection scale to be MSS-2018 and MSS-2017, respectively. This scale is based on the Social Security Administration's rate of mortality improvement with each annual update to the scale using an additional year of data when compared to the prior scale. As a result of this change the projected benefit obligation decreased in 2019 and 2018 by approximately \$4,217 and \$2,600, respectively.

The Plan has developed an Investment Policy Statement (IPS), which is reviewed and approved by the HSHS board of directors. The IPS establishes goals and objectives of the fund, asset allocations, allowable and prohibited investments, socially responsible guidelines, and asset classifications. The IPS dictates that assets should be rebalanced back to target allocation on a quarterly basis.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

Investments are managed by independent managers. Management monitors the performance of these managers on a quarterly basis.

The table below lists the target asset allocation and acceptable ranges and actual asset allocations as of June 30, 2019 and 2018:

Asset	Target allocation	Acceptable range	Actual allocation at June 30	
			2019	2018
Equities	57 %	30%–70%	55 %	54 %
Debt securities	30	20%–70%	31	31
Alternative investments	13	0%–15%	11	12
Cash and cash equivalents	—	0%–6%	3	3

(b) Overall Investment Objective

The overall investment objective of the Plan is to invest the Plan's assets in a prudent manner to best serve the participants of the Plan. Plan investment assets are to produce investment results that achieve the Plan's actuarial assumed rate of return, protect the integrity of the Plan, assist HSHS in meeting the obligations to the Plan's participants, manage risk exposures, focus on downside protection, and maintain enough liquidity in the portfolio to ensure timely cash outflows and beneficiary payments. The Plans' investments are diversified among various asset classes incorporating multiple strategies and managers to exceed a weighted benchmark return based upon policy asset allocation targets and standard index returns. Major investment decisions are authorized by the HSHS' retirement committee, which oversees the Plan's investment program in accordance with established guidelines.

(c) Allocation of Investment Strategies

The Plan maintains a percentage of assets in domestic and international equity stocks to achieve the expected rate of return. To manage risk exposure, up to 30% of the Plans' assets are invested in a liability-driven investment strategy.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

The fair values of the Plan's assets at June 30, 2019, by asset category class, are as follows:

	June 30, 2019			Total	Redemption or liquidation	Days' notice
	Level 1	Level 2	Level 3			
Pension plan assets excluding accrued interest of \$2,163:						
Cash and cash equivalents	\$ 57,200	—	—	57,200	Daily	One
Common stocks	725,849	—	—	725,849	Daily	One
U.S. government securities	—	198,877	—	198,877	Daily	One
Commingled mutual funds	—	359,041	—	359,041	Daily	Three
Corporate bonds, notes, and debentures	—	37,337	—	37,337	Daily	Two
Foreign securities	276,566	8,529	—	285,095	Daily	Three
Subtotal	<u>\$ 1,059,615</u>	<u>603,784</u>	<u>—</u>	1,663,399		
Hedge funds ¹ :						
K2 multistrategy fund				<u>211,249</u>	Note 5(d)*	Note 5(d)*
Total assets at fair value				<u>\$ 1,874,648</u>		

* Liquidity terms are allocated the same as disclosed in note 5(d) for plan assets.

¹ Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

The fair values of the Plan's assets at June 30, 2018, by asset category class, are as follows:

	June 30, 2018			Total	Redemption or liquidation	Days' notice
	Level 1	Level 2	Level 3			
Pension plan assets excluding accrued interest of \$577:						
Cash and cash equivalents	\$ 52,249	—	—	52,249	Daily	One
Common stocks	662,683	—	—	662,683	Daily	One
U.S. government securities	—	174,466	—	174,466	Daily	One
Commingled mutual funds	—	324,083	—	324,083	Daily	Three
Corporate bonds, notes, and debentures	—	22,708	—	22,708	Daily	Two
Foreign securities	249,104	10,206	—	259,310	Daily	Three
Subtotal	<u>\$ 964,036</u>	<u>531,463</u>	<u>—</u>	1,495,499		
Hedge funds ¹ :						
K2 multistrategy fund				61,744	Note 5(d)*	Note 5(d)*
Mesirow multistrategy fund				139,627	Note 5(d)*	Note 5(d)*
Total assets at fair value				<u>\$ 1,696,870</u>		

* Liquidity terms are allocated the same as disclosed in note 5(d) for plan assets.

¹ Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

(d) Fair Value of Financial Instruments

Fair value of Plan assets are determined using the same principle previously disclosed in note 5.

(e) 403(b) Plan

HSHS' Tax Deferred Annuity Program is a 403(b) retirement saving plan for its colleagues. Colleagues hired or rehired on or after July 1, 2014 are eligible for an employer paid match of 50 cents per \$1 contributed by the participating colleague up to the first 4% of eligible pay for each calendar year. Eligible colleagues must have a minimum of 1,000 paid hours during the fiscal year to participate. For fiscal years ended June 30, 2019 and June 30, 2018, HSHS contributed \$4,618 and \$3,477, respectively, in matching contributions.

(10) Long-Term Debt

Under the terms of the Obligated Group MTI, each member of the Obligated Group is jointly and severally liable for all obligations issued thereunder. Bonds issued are unsecured general obligations but carry covenants regarding withdrawals from the Obligated Group, issuance of additional debt, and creations of

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

liens on property. Obligations outstanding under the Obligated Group MTI are issued through state authorities and comprise both serial and term bonds with varying maturities.

As of June 30, 2019, long-term debt consisted of the following:

Series	Interest rates		Final maturity dates	2019	2018
Fixed interest rate issues:					
2012B	4.000% and 5.000%		August 15, 2021	\$ 29,460	38,415
2012C	5.000%		August 15, 2021	25,855	33,715
2014A	5.000%		November 15, 2029	154,720	161,520
2016A	5.375%		November 15, 2046	75,000	75,000
2017A	5.000%		February 15, 2028	57,710	57,710
SCO	2.870%		January 15, 2033	6,735	7,138
HFG	2.500%		November 15, 2026	5,323	5,970
GSS	2.140%		September 1, 2040	6,450	6,750
	<u>2019</u>	<u>2018</u>			
Variable interest rate issues:					
2012A	2.59 %	2.20 %	June 30, 2041	50,160	50,160
2012G	1.90 %	1.50 %	August 1, 2041	31,645	31,645
2012H	1.45% to 1.57%	1.30% to 1.68%	August 1, 2041	65,885	65,885
2012I	1.45% to 1.79%	1.36% to 1.49%	August 1, 2041	89,460	89,460
2017B	1.45% to 1.63%	1.42% to 1.64%	March 15, 2044	64,870	64,870
Total fixed and variable interest debt				663,273	688,238
Other long-term debt				53,996	22,286
Less unamortized bond issue costs				(3,613)	(4,449)
Plus unamortized bond issue premiums				26,119	32,472
Total debt				739,775	738,547
Less:					
Current installments				31,914	30,131
Long-term debt subject to short-term remarketing agreements				220,215	220,215
Total long-term debt, excluding current installments				\$ 487,646	488,201

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

The Obligated Group's effective interest rates for variable debt for the years ended June 30, 2019 and 2018 are as follows:

	2019	2018
Variable interest rate issues:		
2012A	2.55 %	1.73 %
2012G	1.56	1.12
2012H	1.59	1.02
2012I	1.63	1.13
2017B	1.67	1.11

Bond issue premiums and costs are amortized over 10 years using the straight-line method. Bond issuance costs, net of amortization, are reported as other assets in the accompanying consolidated balance sheets.

HSSI has variable rate bonds, a portion of which has a put option available to the holder. If the put option is exercised, the bonds are presented to the bank, which in turn draws on the underlying direct pay letter of credit, if available. Self-liquidity bonds are backed by the financial assets of HSSI and are presented as long-term debt subject to short-term remarketing agreements in the accompanying consolidated balance sheets. The bond series and the underlying credit facility terms are described as follows as of June 30, 2019:

Series	Term
Series 2012G	Equal quarterly installments on the first business day of each January, April, July, or October whichever occurs first on or following the 367th day after the purchase date and paid in full no later than the third anniversary of the purchase date
Series 2012H, 2012I, and 2017B	Self-liquidity – 270 days

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

Scheduled principal repayments on long-term debt based on the variable rate demand notes being put back to HSHS and a corresponding draw being made on the underlying credit facility, if available, are as follows:

Year ending June 30:			
2020	\$	252,129	
2021		32,391	
2022		33,588	
2023		33,069	
2024		32,985	
Thereafter		333,107	
	\$	717,269	

Scheduled principal repayments on the long-term debt based on the scheduled redemptions according to the Obligated Group MTI are as follows:

Year ending June 30:			
2020	\$	31,914	
2021		32,391	
2022		33,588	
2023		33,069	
2024		32,985	
Thereafter		553,322	
	\$	717,269	

On October 1, 2019, HSSI renewed the Series 2012A direct placement bond with JPMorgan Chase Bank, N.A. The terms of the renewal include a 10-year hold period that ends on September 30, 2029 and a change from a variable rate to a fixed rate. The outstanding amount of the bond is \$50,160.

(11) Capital Leases

HSHS leases certain equipment under capital leases. Included with property, plant, and equipment are \$79,403 and \$42,147 of assets held under capital leases and \$31,784 and \$26,675 of related accumulated amortization at June 30, 2019 and 2018, respectively. A summary of future minimum lease payments and

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

the present value of future minimum lease payments related to capital leases at June 30, 2019 are as follows:

	Amount
Year:	
2020	\$ 7,795
2021	6,739
2022	6,363
2023	4,412
2024	3,215
Thereafter	45,188
Total future minimum lease payments	73,712
Less amount representing interest at rates ranging from 4.0% to 10.0%	23,750
Present value of future minimum lease payments	49,962
Less current portion of obligations under capital leases included in current installments of long-term debt	5,427
Obligations under capital leases, excluding current portion included in long-term debt, excluding current installments	\$ 44,535

(12) Cash and Cash Equivalents and Investments

HSHS holds cash balances that are optimized around large and predictable cash flows. To efficiently manage liquidity and capital, HSHS continually determines the necessary amount of cash and cash equivalents to hold in cash and money market funds to meet operational needs, and allocates the excess to a separate investment account that is expected to generate higher yielding returns while still maintaining a high degree of liquidity and a focus on capital preservation. As added insurance, a line of credit is also maintained in the unlikely event there is an unexpected immediate cash need. In relation to the long-term investments of HSHS, approximately 89% of the funds can be liquidated within one month and approximately 99% may be liquidated within two years.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

As of June 30, unrestricted financial assets, reduced by amounts that are considered to be illiquid within one year, consist of the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 105,098	128,198
Current portion of assets whose use is limited or restricted	329,379	303,153
Patient accounts receivable, net	400,249	373,261
Assets whose use is limited or restricted, net of current portion	1,347,792	1,536,881
Less assets with liquidity over one year	<u>(468,368)</u>	<u>(551,164)</u>
	<u>\$ 1,714,150</u>	<u>1,790,329</u>

(13) Functional Expenses

HSHS provides general healthcare services to residents within its respective geographic regions. Expenses related to providing these services for the years ended June 30, 2019 and 2018 are as follows:

	<u>June 30, 2019</u>		
	<u>Healthcare services</u>	<u>General and administrative</u>	<u>Total</u>
Sister services	\$ —	—	—
Salaries and wages	707,037	217,237	924,274
Employee benefits	202,918	18,678	221,596
Pension expense, excluding mark-to-market adjustment	3,473	(2,328)	1,145
Pension expense, mark-to-market adjustment	141,596	67,905	209,501
Professional fees	96,149	61,097	157,246
Supplies	363,030	14,784	377,814
Depreciation	89,485	54,591	144,076
Interest	1,110	15,468	16,578
Other	541,263	154,784	696,047
Total expenses	<u>\$ 2,146,061</u>	<u>602,216</u>	<u>2,748,277</u>

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

	June 30, 2018		
	Healthcare services	General and administrative	Total
Sister services	\$ 34	691	725
Salaries and wages	656,930	210,317	867,247
Employee benefits	183,209	18,296	201,505
Pension expense, excluding mark-to-market adjustment	8,044	(377)	7,667
Pension expense, mark-to-market adjustment	(35,188)	(13,727)	(48,915)
Professional fees	93,747	57,112	150,859
Supplies	345,323	8,368	353,691
Depreciation	95,407	68,203	163,610
Interest	593	12,911	13,504
Other	499,053	162,441	661,494
Total expenses	<u>\$ 1,847,152</u>	<u>524,235</u>	<u>2,371,387</u>

(14) Joint Ventures

Joint ventures are accounted for using the equity method of accounting and represent \$68,507 and \$61,613 of other long-term assets in the accompanying consolidated balance sheets at June 30, 2019 and 2018, respectively. The most significant of these investments, include:

- SVGB and SMGB (collectively, referred to as the Green Bay Hospitals), two members of the Obligated Group located in Green Bay, Wisconsin, each have a 25% interest in Prevea Health Systems, Inc. (Prevea)
- Protestant Memorial Medical Center and St. Elizabeth's Healthcare Services, LLP (held by SEB) – 50% ownership interest, which was sold on November 30, 2017
- Southwest Illinois Health Ventures, Inc. and St. Elizabeth's Hospital on November 30, 2017 created Southwest Illinois Health Services Real Estate, LLP, which SEO has a 50% ownership interest
- Pain Center of Wisconsin (held by SVGB) – 50% ownership interest
- Door County Memorial Hospital (held by SVGB) – 40% ownership interest
- Orange Cross Ambulance, Inc. (held by SNS) – 50% ownership interest
- Pain Centers of Wisconsin-Oconto Falls, LLC (held by SCO) – 50% ownership interest.

For the years ended June 30, 2019 and 2018, HSHS recognized income of \$90 and \$87, respectively, in investments in affiliated companies. This activity is included as a component of other revenues in the accompanying consolidated statements of operations and change in net assets without restriction. During 2019 and 2018, HSHS received cash distributions of \$980 and \$3,707, respectively, from the joint ventures.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

The following table summarizes the unaudited aggregated financial information of unconsolidated affiliated companies of HSHS as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Total assets	\$ 211,543	201,690
Total liabilities	73,666	72,762
Total equity	137,877	128,928
Total net revenue	362,985	335,214
Net income	6,824	2,924

(15) Net Assets with Donor Restrictions

Net assets with donor restrictions have been restricted by donors for the following purposes as of June 30:

	<u>2019</u>	<u>2018</u>
Healthcare services	\$ 33,263	28,868
Capital expenditures	7,389	8,308
Catholic radio	273	261
College of nursing	235	232
	<u>\$ 41,160</u>	<u>37,669</u>

HSHS' endowments consist of individual donor restricted endowment and board-designated endowment funds for a variety of purposes plus the following where the assets have been designated for endowment: pledge receivable, split-interest agreements, and other net assets. The endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. The net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Illinois is governed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The board of directors of HSHS has interpreted UPMIFA as sustaining the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, HSHS classifies as net assets with donor restriction, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulates to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restriction until those amounts are appropriated for expenditure by HSHS in a manner consistent with the standard of prudence prescribed by UPMIFA.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

HSHS has the following donor-restricted endowment activities during the years ended June 30, 2019 and 2018 delineated by net asset class:

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>2019 Total</u>
Endowment net assets, beginning of year	\$ 4,351	31,885	36,236
Investment return:			
Investment income	7	28	35
Net appreciation (realized and unrealized)	50	45	95
Total investment return	57	73	130
Contributions and bequests	—	25	25
Appropriation of endowment assets for expenditure	(1,487)	(793)	(2,280)
Other	4,211	3,685	7,896
Endowment net assets, end of year	<u>\$ 7,132</u>	<u>34,875</u>	<u>42,007</u>

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>2018 Total</u>
Endowment net assets, beginning of year	\$ 4,744	31,099	35,843
Investment return:			
Investment income	24	70	94
Net appreciation (realized and unrealized)	391	533	924
Total investment return	415	603	1,018
Contributions and bequests	—	465	465
Appropriation of endowment assets for expenditure	(223)	(235)	(458)
Other	(585)	(47)	(632)
Endowment net assets, end of year	<u>\$ 4,351</u>	<u>31,885</u>	<u>36,236</u>

HSHS has established a spending policy, which is evaluated and approved by the Foundation's board every year. The approved spending rate for fiscal year 2019 and 2018 is 5.39% and 2.79%, respectively. In establishing this policy, the long-term expected return on the endowment is considered. This is consistent with HSHS' objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

Endowment funds are commingled with the pooled investment fund administered by HSHS. HSHS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). HSHS targets a diversified asset allocation of 27.0% fixed income, 17.0% domestic equities, 16.0% international equities, 23.0% custom hedge funds, 7.0% real assets, and 10.0% private equity to achieve its long-term return objectives within prudent risk constraints.

As of June 30, 2019 and 2018, HSHS has permanently restricted endowments as follows:

	<u>2019</u>	<u>2018</u>
Assets to be held in perpetuity, the income from which expendable to support nursing schools	\$ 4,692	4,691
Assets to be held in perpetuity, the income from which expendable to support specific operations of HSHS facilities	<u>23,700</u>	<u>23,680</u>
	<u>\$ 28,392</u>	<u>28,371</u>

As of June 30, 2019 and 2018, HSHS has funds that represent the unspent accumulation of earnings for endowment funds as follows:

	<u>2019</u>	<u>2018</u>
Unspent income from which is expendable to support nursing schools	\$ 382	142
Unspent income from which is expendable to support specific operations of HSHS facilities	<u>13,233</u>	<u>7,723</u>
	<u>\$ 13,615</u>	<u>7,865</u>

(16) Commitments and Contingencies

(a) Operating Leases

HSHS occupies space in certain facilities and leases various pieces of equipment under long-term noncancelable operating lease arrangements. Total equipment rental, asset lease, and facility rental expense in 2019 and 2018 were \$47,570 and \$45,555, respectively.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois
Notes to Consolidated Financial Statements
June 30, 2019 and 2018
(Dollars in thousands)

The following is a schedule by year of future minimum lease payments to be made under operating leases as of June 30, 2019 that have initial or remaining lease terms in excess of one year:

		Amount
Year ending June 30:		
2020	\$	34,450
2021		28,868
2022		27,033
2023		24,998
2024		21,387
Thereafter		70,737

(b) Legal, Regulatory, and Other Contingencies and Commitments

The laws and regulations governing the Medicare, Medicaid, and other government healthcare programs are extremely complex and subject to interpretation, making compliance an ongoing challenge for HSHS and other healthcare organizations. The federal government has increased its enforcement activity, including audits and investigations related to billing practices, clinical documentation, and related matters. HSHS maintains a compliance program designed to educate employees and to detect and correct possible violations.

(c) Litigation

HSHS is involved in litigation arising in the ordinary course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the HSHS's future consolidated financial position or results of operations.

(d) Tax Exemption for Sales Tax and Property Tax

Effective June 14, 2012, the governor of Illinois signed into law, Public Act 97-0688, which creates new standards for state sales tax and property tax exemptions in Illinois. The law establishes new standards for the issuance of charitable exemptions, including requirements for a nonprofit hospital to certify annually that in the prior year, it provided an amount of qualified services and activities to low-income and underserved individuals with a value at least equal to the hospital's estimated property tax liability. HSHS certified in 2019 and 2018 and has not recorded a liability for related property taxes based upon management's current determination of qualified services provided.

(e) Investment Risk and Uncertainties

HSHS invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated balance sheets.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

(f) Guarantee Agreement

During fiscal year 2014, the Obligated Group executed a Guarantee Agreement with JPMorgan Chase, N.A. to guaranty \$10,000 of debt for Touchette Regional Hospital in East Saint Louis, Illinois. The Obligated Group will be paid a fee of 0.90% of the average outstanding principal amount of the outstanding debt. Relative to the Guarantee Agreement, no amounts have been paid or accrued as of June 30, 2019 or 2018.

During fiscal year 2014, the Obligated Group guaranteed all outstanding debt of Prevea. The Obligated Group will be paid 1.25% of the average outstanding principal amount of the outstanding notes. Included in the guarantee are \$2,920 taxable variable rate demand notes of PHP Insurance Plan, Inc. (PHP). PHP, a former health maintenance organization, sold its insurance license, changed its corporate structure, and became Prevea Ventures, LLC (PV). Prevea is the sole corporate member of PV. At June 30, 2019 and 2018, the clinic has commercial loans outstanding, which replaced these notes with balances of \$16,458 and \$17,255, respectively. At June 30, 2019 and 2018, PV has notes outstanding of \$1,783 and \$1,880, respectively.

(17) Subsequent Events

In connection with the preparation of the consolidated financial statements and in accordance with ASC Topic 855, *Subsequent Events*, HSHS evaluated subsequent events after the consolidated balance sheet date of June 30, 2019 through October 23, 2019, which was the date the consolidated financial statements were issued and other than previously disclosed, there were no other items to disclose.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidating Balance Sheet information

June 30, 2019

(Dollars in thousands)

Assets	HSSI – Obligated Group	RQIL	Unity Limited Partnership	KCIN	Healthcare West
Current assets:					
Cash and cash equivalents	\$ 76,859	—	2,341	11,808	319
Receivables:					
Patients' accounts	382,706	—	3,704	—	—
Due from third-party reimbursement programs	665	—	—	—	—
Other	29,495	—	130	2,371	—
Total receivables	412,866	—	3,834	2,371	—
Current portion of assets whose use is limited or restricted	196,565	50,587	12,411	—	—
Inventories	49,772	—	—	—	—
Prepaid expenses	12,537	—	—	128	—
Total current assets	748,599	50,587	18,586	14,307	319
Assets whose use is limited or restricted	1,829,683	86,195	455	—	11,105
Property, plant, and equipment, net	1,368,878	—	4,277	434	2,488
Other assets	129,319	—	—	—	—
	\$ 3,876,479	136,782	23,318	14,741	13,912
Liabilities and Net Assets					
Current liabilities:					
Current installments of long-term debt	\$ 27,629	—	—	—	—
Long-term debt subject to short-term remarketing agreements	220,215	—	—	—	—
Current portion of estimated self-insurance liabilities	—	46,854	—	—	—
Accounts payable	94,458	3,733	2,257	2,072	51
Accrued liabilities	123,879	—	58	4,956	—
Estimated payables under third-party reimbursement programs	63,769	—	—	—	—
Total current liabilities	529,950	50,587	2,315	7,028	51
Long-term debt, excluding current installments	922,826	—	—	2,840	—
Estimated self-insurance liabilities	—	79,168	—	—	—
Derivative instruments	49,422	—	—	—	—
Accrued benefit liability	248,219	—	—	—	—
Other noncurrent liabilities	29,512	—	9,451	—	394
Total liabilities	1,779,929	129,753	11,766	9,868	445
Net assets:					
Net assets without donor restrictions	1,989,778	7,029	11,552	4,873	13,467
Net assets with donor restrictions	106,772	—	—	—	—
Total net assets	2,096,550	7,029	11,552	4,873	13,467
Stockholder's equity	—	—	—	—	—
	\$ 3,876,479	136,782	23,318	14,741	13,912

See accompanying independent auditors' report.

Schedule 1

System Office	Medical Group	Health Care Fund	Flex Plan	Foundation	Klara, Inc.	PERC	Eliminations	Total
1,825	6,002	—	1,617	1,658	1,781	2,546	(1,658)	105,098
—	8,602	—	—	—	5,237	—	—	400,249
—	—	—	—	—	—	—	—	665
3,128	7,068	—	396	6,973	2,091	535	(20,797)	31,380
3,128	15,670	—	396	6,973	7,318	535	(20,797)	432,294
—	4,884	27,103	—	—	7,661	1,153	29,015	329,379
—	139	—	—	—	1,961	—	—	51,872
12,676	1,316	—	—	—	621	75	—	27,353
17,629	28,011	27,103	2,013	8,631	19,342	4,309	6,560	945,996
142,306	—	48,057	—	103,527	—	—	(673,536)	1,347,792
172,795	23,705	—	—	—	6,418	63	—	1,579,058
4,446	788	—	—	527	2,935	—	(25,367)	112,648
337,176	52,504	75,160	2,013	112,685	28,695	4,372	(692,343)	3,985,494
4,074	6	—	—	—	201	4	—	31,914
—	—	—	—	—	—	—	—	220,215
—	—	16,472	—	—	—	—	—	63,326
3,676	4,636	5,445	1,178	—	3,897	66	(13,824)	107,645
13,767	26,162	5,186	—	112,685	10,202	383	(112,685)	184,593
—	—	—	—	—	—	—	—	63,769
21,517	30,804	27,103	1,178	112,685	14,300	453	(126,509)	671,462
101,019	45	—	—	—	4,739	11	(543,834)	487,646
—	—	—	—	—	—	—	—	79,166
—	—	—	—	—	—	—	—	49,422
39,826	12,594	—	—	—	5,709	373	—	306,721
7,277	420	—	—	—	528	—	—	47,582
169,639	43,863	27,103	1,178	112,685	25,276	837	(670,343)	1,641,999
161,172	8,641	48,057	835	—	—	3,535	25,004	2,273,943
6,365	—	—	—	—	—	—	(43,585)	69,552
167,537	8,641	48,057	835	—	—	3,535	(18,581)	2,343,495
—	—	—	—	—	3,419	—	(3,419)	—
337,176	52,504	75,160	2,013	112,685	28,695	4,372	(692,343)	3,985,494

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidating Statement of Operations Information and Change in Net Assets without Donor Restriction

Year ended June 30, 2019

(Dollars in thousands)

	HSSI – Obligated Group	RQIL	Unity Limited Partnership	KCIN	Healthcare West
Net patient service revenues	\$ 2,238,960	—	22,037	—	—
Other revenues:					
Investment income (loss)	—	6,573	—	—	—
Net assets released from restrictions used for operations	4,110	—	—	—	—
Other	49,285	26,561	1,506	7,281	795
Total revenues	2,292,355	33,134	23,543	7,281	795
Expenses:					
Salaries and wages	622,600	—	12,204	—	—
Employee benefits	174,208	—	3,231	—	—
Pension expense, excluding mark to market adjustment	(7,198)	—	—	—	—
Pension expense, mark to market adjustment	168,092	—	—	—	—
Professional fees	122,176	—	457	130	4
Supplies	378,251	—	318	8	9
Depreciation and amortization	88,937	—	477	1,141	245
Interest	15,908	—	—	—	—
Other	885,939	33,134	6,059	7,765	318
Total expenses	2,456,913	33,134	22,744	9,044	576
Income (loss) from operations	(164,558)	—	799	(1,763)	219
Nonoperating gains (losses):					
Investment income (losses)	20,195	—	—	—	201
Change in fair value of interest rate swaps	(14,895)	—	—	—	—
Revenues and gains (deficient of) in excess of expenses and losses	(159,258)	—	799	(1,763)	420
Other changes in net assets without donor restriction:					
Net assets released from restrictions used for the purchase of property, plant, and equipment	8,785	—	—	—	—
Recognition of change in pension funded status	—	—	—	—	—
Transfers (to) from affiliates	(62,896)	—	—	1,718	—
Change in net assets without donor restriction (deficit)	\$ (213,389)	—	799	(45)	420

See accompanying independent auditors' report.

Schedule 2

System Office	Medical Group	Health Care Fund	Flex Plan	Foundation	Kiara, Inc.	PERC	Eliminations	Total
—	76,613	—	—	—	36,839	—	—	2,374,449
—	—	1,282	9	—	226	—	(7,864)	226
—	—	—	—	7,464	—	—	(3,972)	7,602
139,868	131,431	175,125	284	3,198	31,252	2,630	(479,567)	89,649
139,868	208,044	176,407	293	10,662	68,317	2,630	(491,403)	2,471,926
89,789	147,126	—	—	—	71,091	1,464	—	924,274
15,146	15,266	179,419	49	—	10,614	363	(176,700)	221,596
1,024	4,656	—	—	—	2,526	137	—	1,145
23,579	10,861	—	—	—	6,729	240	—	209,501
6,062	27,277	—	—	—	889	251	—	157,246
721	5,201	—	—	—	2,024	10	(6,726)	377,814
36,318	5,173	—	—	—	1,742	43	—	144,076
551	—	—	—	—	119	—	—	16,578
56,755	31,175	—	—	16,785	14,986	653	(357,522)	686,047
209,945	246,735	179,419	49	16,785	110,720	3,181	(540,948)	2,748,277
(70,077)	(38,691)	(3,012)	244	(6,123)	(42,403)	(531)	49,545	(276,351)
22,884	(390)	—	—	1,813	—	49	17	44,779
—	—	—	—	—	—	—	—	(14,895)
(47,193)	(39,071)	(3,012)	244	(4,310)	(42,403)	(482)	49,562	(246,467)
4	—	—	—	—	—	—	(8,118)	651
—	—	—	—	—	154	17	—	171
28,923	32,255	—	—	4,310	42,249	—	(46,559)	—
(18,266)	(6,816)	(3,012)	244	—	—	(465)	(5,115)	(245,645)

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidating Statement of Changes in Net Assets Information

Year ended June 30, 2019

(Dollars in thousands)

	HSSI – Obligated Group	RQIL	Unity Limited Partnership	KCIN	Healthcare West
Net assets without donor restriction:					
Revenues and gains (deficient of) in excess of expenses and losses	\$ (159,258)	—	799	(1,763)	420
Other changes in net assets without donor restriction:					
Net assets released from restrictions use for the purchase of property, plant, and equipment	8,765	—	—	—	—
Recognition of change in pension funded status	—	—	—	—	—
Transfers (to) from affiliates	(62,896)	—	—	1,718	—
Change in net assets without donor restriction	(213,389)	—	799	(45)	420
Net assets with donor restrictions:					
Investment income (losses)	(3,115)	—	—	—	—
Contributions	10,497	—	—	—	—
Transfers (to) from affiliates	3,595	—	—	—	—
Net assets released from restrictions	(12,875)	—	—	—	—
Change in net assets with donor restrictions	(1,898)	—	—	—	—
Change in net assets	(215,287)	—	799	(45)	420
Net assets at beginning of year	2,311,837	7,029	10,753	4,918	13,047
Net assets at end of year	\$ 2,096,550	7,029	11,552	4,873	13,467

See accompanying independent auditors' report.

Schedule 3

System Office	Medical Group	Health Care Fund	Flex Plan	Foundation	Klara, Inc.	PERC	Eliminations	Total
(47,193)	(39,071)	(3,012)	244	(4,310)	(42,403)	(482)	49,562	(246,467)
4	—	—	—	—	—	—	(8,118)	651
—	—	—	—	—	154	17	—	171
28,923	32,255	—	—	4,310	42,249	—	(46,559)	—
(18,266)	(6,816)	(3,012)	244	—	—	(465)	(5,115)	(245,645)
5,615	—	—	—	137	—	—	(1,967)	670
(922)	—	—	—	9,863	—	—	(8,343)	11,095
(3,595)	—	—	—	(2,536)	—	—	2,536	—
(4)	—	—	—	(7,464)	—	—	12,090	(8,253)
1,094	—	—	—	—	—	—	4,316	3,512
(17,172)	(6,816)	(3,012)	244	—	—	(465)	(799)	(242,133)
184,709	15,457	51,069	591	—	—	4,000	(17,782)	2,585,628
167,537	8,641	48,057	835	—	—	3,535	(18,581)	2,343,495

HOSPITAL SISTERS SERVICES, INC. -
OBLIGATED GROUP
Springfield, Illinois

Consolidating Balance Sheet Information

June 30, 2019

(Dollars in thousands)

Assets	St. Elizabeth's O'Fallon, Illinois	St. Joseph's Bressi, Illinois	St. Mary's Decatur, Illinois	St. Anthony's Effingham, Illinois	Holy Family Greenville, Illinois	St. Joseph's Highland, Illinois	St. Francis Litchfield, Illinois
Current assets							
Cash and cash equivalents	\$ 1,200	624	2,509	5,975	458	1,115	4,911
Receivables:							
Patients' accounts	37,311	10,605	29,560	28,650	4,396	10,295	7,789
Due from third-party reimbursement programs	(1,178)	35	(314)	—	—	(331)	(251)
Other	5,319	1,222	4,096	1,290	—	727	651
Total receivables	41,454	11,862	33,342	27,940	4,396	10,691	8,189
Current portion of assets whose use is limited or restricted	1,783	3,512	51	7,594	668	293	446
Inventories	4,824	644	2,691	4,311	400	651	610
Prepaid expenses	1,489	137	1,553	335	582	194	225
Total current assets	50,750	18,779	40,146	48,155	6,502	12,944	14,381
Assets whose use is limited or restricted, net of current portion	6,480	136,044	10,395	345,476	645	3,692	57,158
Property, plant, and equipment, net	249,091	28,054	92,965	77,081	10,978	38,064	27,021
Other assets	3,487	—	—	150	—	—	3,102
	<u>\$ 309,788</u>	<u>180,877</u>	<u>143,508</u>	<u>468,862</u>	<u>18,123</u>	<u>54,700</u>	<u>101,662</u>
Liabilities and Net Assets							
Current liabilities							
Current installments of long-term debt	\$ 2,021	355	1,278	1,235	663	2,088	190
Long-term debt subject to short-term remarketing agreements	17,966	3,157	11,358	9,423	—	18,517	1,585
Accounts payable	10,738	1,987	5,006	3,391	2,092	1,228	1,760
Accrued liabilities	10,041	1,663	7,326	6,792	2,062	1,428	1,728
Estimated payables under third-party reimbursement programs	11,786	4,276	11,484	2,584	563	2,598	1,662
Total current liabilities	52,552	11,438	36,462	23,425	5,380	25,859	7,025
Long-term debt, excluding current installments	479,751	12,614	82,465	11,315	24,028	29,857	7,153
Derivative instruments	10	4,093	—	10,332	—	9	1,567
Accrued benefit liability	26,319	4,727	18,150	14,419	14	3,811	7,106
Other noncurrent liabilities	6,744	2,884	1,998	523	1,753	—	980
Total liabilities	567,376	35,756	139,075	60,014	31,173	59,536	23,831
Net assets (deficit):							
Net assets without donor restrictions	(264,061)	143,805	(5,964)	407,075	(14,236)	(8,519)	73,789
Net assets with donor restrictions	6,473	1,516	10,395	1,773	1,186	3,683	4,042
Total net assets (deficit)	<u>(257,588)</u>	<u>145,321</u>	<u>4,431</u>	<u>408,848</u>	<u>(13,050)</u>	<u>(4,836)</u>	<u>77,831</u>
	<u>\$ 309,788</u>	<u>180,877</u>	<u>143,508</u>	<u>468,862</u>	<u>18,123</u>	<u>54,700</u>	<u>101,662</u>

See accompanying independent auditors' report.

Good Shepherd Shelbyville, Illinois	St. John's Springfield, Illinois	St. Joseph's Chippewa Falls, Wisconsin	Sacred Heart Eau Claire, Wisconsin	St. Mary's Green Bay, Wisconsin	St. Vincent Green Bay, Wisconsin	St. Clare Oconoto Falls, Wisconsin	St. Nicholas Sheboygan, Wisconsin	Hospital Sisters Services, Inc.	Eliminations	Total
746	7,037	152	125	2,341	36,682	1,715	2,030	9,241	—	76,859
2,776	123,043	5,790	16,852	15,253	72,692	4,919	14,775	—	—	362,706
—	—	63	109	122	—	335	—	—	2,073	665
—	5,434	562	4,271	2,678	32,144	824	1,943	195	(31,861)	29,495
2,776	128,477	6,415	21,232	18,053	104,836	6,078	16,718	195	(29,788)	412,866
—	94,021	6,479	24,126	13,373	31,367	414	6,620	5,816	—	196,565
285	15,299	423	5,141	2,448	8,492	1,237	2,316	—	—	49,772
242	3,922	253	888	58	2,250	35	374	—	—	12,537
4,049	248,756	13,722	51,514	36,273	183,627	9,479	28,058	15,252	(29,788)	748,599
18,142	(60,456)	105,596	534,375	90,080	335,168	1,752	45,136	—	—	1,629,683
6,213	401,426	24,951	96,227	71,297	167,094	12,045	66,371	—	—	1,368,876
489	1,839	—	21,050	8,339	81,502	(71)	1,165	8,287	—	129,319
28,693	591,567	144,269	703,166	205,989	767,391	23,205	140,730	23,539	(29,788)	3,676,479
300	9,945	742	2,440	1,352	3,574	420	1,026	—	—	27,629
—	84,516	5,737	21,686	12,021	28,196	—	5,951	—	—	220,215
130	18,560	2,160	9,494	3,759	21,076	3,323	10,121	33	(400)	94,458
1,692	28,916	3,841	8,016	9,146	49,688	13,078	5,707	4,214	(31,461)	123,879
378	25,036	253	835	—	—	231	—	—	2,073	63,769
2,500	166,975	12,733	42,473	26,278	102,534	17,052	22,805	4,247	(29,788)	529,950
6,096	174,622	9,036	21,739	12,049	31,644	6,195	8,752	5,512	—	822,826
—	180	3,135	16,277	2,940	9,894	—	1,393	—	(408)	49,422
—	53,491	14,260	26,525	16,320	55,033	601	7,443	—	—	248,219
492	7,935	—	1,035	243	845	58	356	1,258	408	29,512
9,088	403,203	39,164	108,049	57,830	199,950	23,906	40,749	11,017	(29,788)	1,779,929
19,491	160,904	98,808	585,603	143,120	546,144	(1,200)	92,497	12,522	—	1,969,776
314	27,460	6,297	9,314	5,039	21,297	499	7,484	—	—	106,772
19,805	188,364	105,105	595,117	148,159	567,441	(701)	99,981	12,522	—	2,096,550
28,693	591,567	144,269	703,166	205,989	767,391	23,205	140,730	23,539	(29,788)	3,676,479

**HOSPITAL SISTERS SERVICES, INC. –
OBLIGATED GROUP**
Springfield, Illinois

Consolidating Statement of Operations Information and Change in Net Assets without Donor Restriction

Year ended June 30, 2019

(Dollars in thousands)

	St. Elizabeth's O'Fallon, Illinois	St. Joseph's Brees, Illinois	St. Mary's Decatur, Illinois	St. Anthony's Effingham, Illinois	Holy Family Greenville, Illinois	St. Joseph's Highland, Illinois	St. Francis Litchfield, Illinois
Net patient service revenues	\$ 206,364	57,566	141,492	141,549	23,264	42,467	50,432
Other revenues							
Net assets released from restrictions used for operations	1,462	—	3	—	—	—	3
Other	2,217	1,057	8,448	3,676	1,669	422	2,109
Total revenues	<u>210,043</u>	<u>58,623</u>	<u>149,943</u>	<u>145,225</u>	<u>24,933</u>	<u>42,889</u>	<u>52,544</u>
Expenses							
Salaries and wages	63,777	15,791	52,081	46,799	10,963	12,549	12,907
Employee benefits	17,263	4,832	13,989	15,224	2,737	3,516	3,933
Pension expense, excluding mark to market adjustment	(647)	44	(503)	226	174	(19)	(358)
Pension expense, mark to market adjustment	20,596	3,215	11,530	10,786	17	2,168	4,332
Professional fees	11,622	4,335	9,742	9,372	4,940	3,898	3,755
Supplies	36,510	5,178	23,084	19,085	1,950	4,751	5,831
Depreciation and amortization	18,003	2,482	5,870	4,332	654	2,027	2,383
Interest	4,209	406	563	426	159	1,856	469
Other	83,290	20,497	58,755	37,077	12,579	14,201	11,851
Total expenses	<u>252,623</u>	<u>56,778</u>	<u>175,111</u>	<u>143,309</u>	<u>34,173</u>	<u>44,949</u>	<u>45,103</u>
Income (loss) from operations	(42,580)	1,845	(25,168)	1,916	(9,240)	(2,060)	7,441
Nonoperating income (loss)							
Investment income (loss)	(1,238)	2,260	(1)	5,018	10	(26)	679
Change in fair value of interest rate swap	(4)	(1,499)	—	(3,604)	—	(3)	(530)
Revenues and gains (deficient of) in excess of expenses and losses	<u>(43,822)</u>	<u>2,626</u>	<u>(25,169)</u>	<u>3,330</u>	<u>(9,230)</u>	<u>(2,089)</u>	<u>7,790</u>
Other changes in net assets without donor restriction							
Net assets released from restrictions used for the purchase of property, plant, and equipment	53	77	626	212	54	183	232
Transfer (to) from affiliate	(16,801)	(1,080)	(6,821)	(3,276)	(681)	(697)	(798)
Change in net assets without donor restriction (deficit)	<u>\$ (60,570)</u>	<u>1,643</u>	<u>(13,362)</u>	<u>266</u>	<u>(9,857)</u>	<u>(2,603)</u>	<u>7,224</u>

See accompanying independent auditors' report.

Good Shepherd Shelbyville, Illinois	St. John's Springfield, Illinois	St. Joseph's Chippewa Falls, Wisconsin	Sacred Heart Eau Claire, Wisconsin	St. Mary's Green Bay, Wisconsin	St. Vincent Green Bay, Wisconsin	St. Clare Oconto Falls, Wisconsin	St. Nicholas Sheboygan, Wisconsin	Hospital Sisters Services, Inc.	Eliminations	Total
14,483	528,418	54,629	177,838	119,353	536,389	26,091	118,825	—	—	2,238,960
790	1,577	52	223	—	—	—	—	—	—	4,110
230	21,274	753	1,776	5,115	11,130	5,548	1,587	311	(18,039)	49,285
15,503	551,269	55,434	179,839	124,468	547,519	31,639	120,212	311	(18,039)	2,292,355
5,242	159,667	22,773	55,353	34,641	95,588	8,241	22,763	—	3,465	622,600
1,120	44,012	5,192	16,283	10,947	28,881	2,207	6,090	—	(20)	174,208
—	(3,174)	(172)	(413)	(627)	(1,778)	238	(189)	—	—	(7,198)
—	38,752	7,871	19,778	8,802	34,395	683	5,167	—	—	168,092
1,398	40,348	5,441	8,760	3,938	15,857	1,905	1,904	—	(2,835)	122,178
1,550	106,016	4,496	26,602	20,940	98,242	7,914	16,150	—	(28)	376,251
718	23,629	2,791	8,597	7,017	15,624	1,619	5,191	—	—	98,937
144	5,102	221	841	450	865	218	(23)	—	—	15,908
8,073	179,667	15,577	63,558	47,055	278,116	11,787	64,478	1	(16,621)	885,939
18,245	594,019	64,190	197,359	133,161	561,590	34,812	121,529	1	(18,039)	2,456,913
(742)	(42,750)	(8,756)	(17,520)	(8,693)	(14,071)	(3,173)	(1,317)	310	—	(164,558)
(81)	(2,546)	1,769	8,748	1,331	4,330	53	(30)	107	(408)	20,195
—	1,400	(1,093)	(5,601)	(975)	(3,029)	—	(365)	—	408	(14,895)
(823)	(43,896)	(8,080)	(14,373)	(8,337)	(12,770)	(3,120)	(1,712)	417	—	(159,258)
53	2,462	43	534	2,228	1,969	2	35	—	—	8,765
498	(34,433)	(290)	1,665	—	—	—	—	—	—	(62,896)
(274)	(75,867)	(8,327)	(12,174)	(8,109)	(10,801)	(3,118)	(1,677)	417	—	(213,389)

HOSPITAL SISTERS SERVICES, INC. -
OBLIGATED GROUP
Springfield, Illinois

Consolidating Statement of Changes in Net Assets Information

Year ended June 30, 2019

(Dollars in thousands)

	St. Elizabeth's O'Fallon, Illinois	St. Joseph's Brees, Illinois	St. Mary's Decatur, Illinois	St. Anthony's Effingham, Illinois	Holy Family Greenville, Illinois	St. Joseph's Highland, Illinois	St. Francis Litchfield, Illinois	Good Shepherd Shelbyville, Illinois
Net assets without donor restriction								
Revenues and gains (deficit of) in excess of expenses and losses	\$ (43,822)	2,828	(25,169)	3,330	(9,230)	(2,089)	7,790	(823)
Other changes in net assets without donor restriction								
Net assets released from restrictions used for the purchase of property, plant, and equipment	53	77	828	212	54	183	232	53
Transfer from (to) affiliate	(18,801)	(1,060)	(6,821)	(3,276)	(881)	(887)	(788)	488
Change in net assets without donor restriction	(60,570)	1,643	(31,362)	288	(9,857)	(2,803)	7,224	(274)
Net assets with donor restrictions								
Investment income (losses)	(297)	(84)	(431)	(77)	16	(217)	(129)	554
Contributions	1,881	70	1,210	122	67	(134)	120	215
Transfer from (to) affiliate	188	2	372	174	1	279	88	—
Net assets released from restrictions	(1,515)	(77)	(831)	(212)	(54)	(183)	(235)	(643)
Change in net assets with donor restrictions	57	(89)	520	7	30	(255)	(148)	(74)
Change in net assets	(60,513)	1,554	(30,842)	273	(9,827)	(3,058)	7,076	(348)
Net assets (deficit) at beginning of year	(197,075)	143,587	35,273	408,575	(3,223)	(1,778)	70,753	20,153
Net assets (deficit) at end of year	\$ (257,588)	145,121	4,431	408,848	(13,050)	(4,836)	77,831	19,805

See accompanying independent auditors' report

St. John's Springfield, Illinois	St. Joseph's Chippewa Falls, Wisconsin	Sacred Heart Eau Claire, Wisconsin	St. Mary's Green Bay, Wisconsin	St. Vincent Green Bay, Wisconsin	St. Clare Oconto Falls Wisconsin	St. Nicholas Sheboygan, Wisconsin	Hospital Sisters Services, Inc.	Eliminations	Total
(43,896)	(8,080)	(14,373)	(8,337)	(12,770)	(3,120)	(1,712)	417	—	(159,258)
2,452	43	534	2,228	1,969	2	35	—	—	8,765
(34,433)	(7,990)	(13,839)	(6,109)	(10,801)	(3,118)	(1,677)	417	—	(82,896)
(75,867)	(8,327)	(12,174)	(8,109)	(10,801)	(3,118)	(1,677)	417	—	(213,369)
(1,146)	(68)	(107)	(183)	(643)	(18)	(275)	—	—	(3,115)
1,600	738	(80)	163	4,503	165	57	—	—	10,487
1,138	1	428	1	777	9	126	—	—	3,595
(4,038)	(95)	(757)	(2,228)	(1,969)	(2)	(35)	—	—	(12,875)
(2,446)	576	(516)	(2,257)	2,868	154	(127)	—	—	(1,898)
(78,313)	(7,751)	(12,690)	(8,368)	(8,133)	(2,964)	(1,804)	417	—	(215,287)
266,877	112,856	607,607	158,525	575,574	2,263	101,785	12,105	—	2,311,837
188,364	105,105	595,117	148,159	567,441	(701)	99,981	12,522	—	2,090,550