



**RIVERSIDE HEALTH SYSTEM
AND OBLIGATED AFFILIATES**

Special-Purpose Combined Financial
Statements and Combining Schedules

December 31, 2019 and 2018

(With Independent Auditors' Report Thereon)

**RIVERSIDE HEALTH SYSTEM
AND OBLIGATED AFFILIATES**

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Independent Auditors' Report

The Boards of Directors
Riverside Health System
and Obligated Affiliates:

Report on the Special-Purpose Combined Financial Statements

We have audited the accompanying special-purpose combined financial statements of Riverside Health System and obligated affiliates (the System) (as defined in the Amended Master Trust Indenture dated as of November 1, 1996 between Riverside Health System, Riverside Medical Center, Oakside Corporation, Riverside Senior Living Center, and Bank of New York Trust Company, N.A., as successor Master Trustee), which comprise the special-purpose combined balance sheets as of December 31, 2019 and 2018, and the related special-purpose combined statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the special-purpose combined financial statements.

Management's Responsibility for the Special-Purpose Combined Financial Statements

Management is responsible for the preparation and fair presentation of these special-purpose combined financial statements in accordance with the accounting requirements set forth in the Amended Master Trust Indenture. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the special-purpose combined 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 special-purpose combined 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 special-purpose combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the special-purpose combined 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 special-purpose combined 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 special-purpose combined 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 special-purpose combined financial statements referred to above present fairly, in all material respects, the financial position of Riverside Health System and Obligated Affiliates as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended, in accordance with the basis of accounting described in note 2 to the special-purpose combined financial statements.

Emphasis of Matter

As discussed in note 2 to the special-purpose combined financial statements, Riverside Health System and Obligated Affiliates changed its method of lease recognition as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update No. 2016-02, *Leases*, effective January 1, 2019. Our opinion is not modified with respect to this matter.

Basis of Accounting

We draw attention to note 2, which describes the basis of accounting. The special-purpose combined financial statements are prepared by Riverside Health System and Obligated Affiliates on the basis of the financial reporting provisions of the Amended Master Trust Indenture, which is a basis of accounting other than U.S. generally accepted accounting principles, to comply with the financial reporting provisions of the Amended Master Trust Indenture referred to above. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of the boards of directors and management of Riverside Health System and Obligated Affiliates, the successor Master Trustee under the Amended Master Trust Indenture, and bondholders, and is not intended to be and should not be used by anyone other than these specified parties.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the special-purpose combined financial statements taken as a whole. The supplementary information included in schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the special-purpose combined 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 special-purpose combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the special-purpose combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the special-purpose combined financial statements or to the special-purpose combined 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 special-purpose combined financial statements taken as a whole.

KPMG LLP

May 13, 2020
Chicago, Illinois

**RIVERSIDE HEALTH SYSTEM
AND OBLIGATED AFFILIATES**

Special-Purpose Combined Balance Sheets

December 31, 2019 and 2018

Assets	2019	2018
Current assets:		
Cash and cash equivalents	\$ 72,260,647	81,929,662
Short-term investments	44,453,648	38,311,620
Receivables:		
Patient and resident accounts receivable	39,579,512	41,021,615
Other	953,541	451,848
Total receivables	40,533,053	41,473,463
Inventory of supplies	8,323,372	8,873,945
Prepaid expenses	8,383,491	5,548,530
Current portion of estimated insurance recoveries	1,683,209	1,057,886
Total current assets	175,637,420	177,195,106
Assets whose use is limited or restricted:		
By board of directors for capital improvements and other	282,493,469	246,453,480
Under bond indenture agreements held by trustee	—	5,186,621
Deposits under residency agreements	4,781,910	5,552,660
Investments related to net assets with donor restrictions	3,176,987	5,285,075
Total assets whose use is limited or restricted	290,452,366	262,477,836
Land, buildings, and equipment, net of accumulated depreciation	286,670,030	278,463,630
Other assets:		
Due from Riverside HealthCare Foundation, Inc.	7,075,659	6,818,157
Estimated insurance recoveries	3,779,380	3,587,382
Other assets	680,008	1,280,548
Total other assets	11,535,047	11,686,087
Total assets	\$ 764,294,863	729,822,659

Liabilities and Net Assets	2019	2018
Current liabilities:		
Current installments of long-term debt	\$ 5,595,000	4,080,000
Accounts payable	6,405,337	7,148,437
Accrued expenses	34,489,883	32,455,449
Estimated payables under third-party reimbursement programs	28,950,401	31,684,580
Due to unconsolidated subsidiary	—	245,233
Total current liabilities	<u>75,440,621</u>	<u>75,613,699</u>
Refundable security deposits	71,862	111,152
Refundable advance residency fees	4,781,910	5,552,660
Long-term debt, unamortized bond discount and premium, and deferred financing costs, excluding current installments	120,130,169	145,654,710
Construction payables	3,970,712	2,478,511
Estimated insurance liabilities	25,780,171	24,914,197
Other long-term liabilities	1,517,603	1,410,261
Total liabilities	<u>231,693,048</u>	<u>255,735,190</u>
Net assets:		
Net assets without donor restrictions	529,424,828	468,802,394
Net assets with donor restrictions	3,176,987	5,285,075
Total net assets	<u>532,601,815</u>	<u>474,087,469</u>
Total liabilities and net assets	<u>\$ 764,294,863</u>	<u>729,822,659</u>

See accompanying notes to special-purpose combined financial statements.

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Special-Purpose Combined Statements of Operations

Years ended December 31, 2019 and 2018

	2019	2018
Revenue:		
Patient service revenue	\$ 393,349,386	371,792,363
Resident and health center services revenue	12,741,690	12,296,973
Other revenue	4,462,605	4,861,267
Total revenue and other support	410,553,681	388,950,603
Expenses:		
Salaries and employee benefits	221,692,154	210,843,125
Purchased services and supplies	125,713,354	114,937,326
Depreciation and amortization	31,291,088	28,723,269
Utilities	6,640,333	6,167,931
Professional fees	711,222	1,169,751
Insurance	6,501,599	7,981,781
Interest	5,607,262	6,062,784
Total expenses	398,157,012	375,885,967
Income from operations	12,396,669	13,064,636
Nonoperating gains (losses):		
Investment income (loss), net	43,498,827	(19,304,694)
Change in fair value of derivative instruments	31,206	1,723,328
Other, net	931,356	902,314
Total nonoperating gains (losses), net	44,461,389	(16,679,052)
Revenue and gains in excess (deficient) of expenses and losses	56,858,058	(3,614,416)
Other changes in net assets without donor restrictions:		
Net assets released from restriction for purchases of land, buildings, and equipment	3,764,376	521,120
Increase (decrease) in net assets without donor restrictions	\$ 60,622,434	(3,093,296)

See accompanying notes to special-purpose combined financial statements.

**RIVERSIDE HEALTH SYSTEM
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Special-Purpose Combined Statements of Changes in Net Assets

Years ended December 31, 2019 and 2018

	2019	2018
Net assets without donor restrictions:		
Revenue and gains in excess (deficient) of expenses and losses	\$ 56,858,058	(3,614,416)
Other changes in net assets without donor restrictions:		
Net assets released from restrictions used for the purchase of land, buildings, and equipment	3,764,376	521,120
Increase (decrease) in net assets without donor restrictions	60,622,434	(3,093,296)
Net assets with donor restrictions:		
Contributions for specific purposes	1,540,483	1,364,449
Investment return earned on net assets with donor restrictions	115,805	17,806
Net assets released from restriction for purchases of land, buildings, and equipment	(3,764,376)	(521,120)
(Decrease) increase in net assets with donor restrictions	(2,108,088)	861,135
Change in net assets	58,514,346	(2,232,161)
Net assets at beginning of year	474,087,469	476,319,630
Net assets at end of year	\$ 532,601,815	474,087,469

See accompanying notes to special-purpose combined financial statements.

**RIVERSIDE HEALTH SYSTEM
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Special-Purpose Combined Statements of Cash Flows

Years ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 58,514,346	(2,232,161)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	31,291,088	28,723,269
Earnings from equity interest in unconsolidated subsidiary and joint venture	(711,671)	(729,908)
Cash distributions received from unconsolidated subsidiary and joint venture	1,312,211	753,750
Contributions and investment returns related to net assets with donor restrictions	(1,656,288)	(1,382,255)
Net realized and change in net unrealized gains and losses on investments	(32,879,117)	29,594,173
Change in fair value of derivative instruments	(31,206)	(1,723,328)
Changes in assets and liabilities:		
Patient and resident accounts receivable	1,442,103	3,889,124
Other receivables	(501,693)	1,207,389
Inventory of supplies, prepaid expenses, and other assets	(2,284,388)	(1,366,615)
Accounts payable and accrued expenses	1,046,101	1,581,692
Estimated payables under third-party reimbursement programs	(2,734,179)	2,835,237
Estimated insurance receivables and liabilities	48,653	2,306,232
Refundable security deposits	(39,290)	(24,665)
Refundable advance residency fees	(770,750)	276,000
Other long-term liabilities	138,548	(178,333)
Net cash provided by operating activities	52,184,468	63,529,601
Cash flows from investing activities:		
Sales of short-term investments	18,674,969	22,427,925
Purchases of short-term investments	(24,816,997)	(19,641,352)
Sales of assets whose use is limited or restricted	145,534,236	100,329,034
Purchases of assets whose use is limited or restricted	(140,629,649)	(111,300,994)
Acquisition of land, buildings, and equipment, net	(39,417,029)	(34,248,460)
Change in construction payables	1,492,201	2,372,820
Net cash used in investing activities	(39,162,269)	(40,061,027)
Cash flows from financing activities:		
Repayment of long-term debt	(24,090,000)	(19,822,081)
Contributions and investment returns related to net assets with donor restrictions	1,656,288	1,382,255
Net change in due from Riverside HealthCare Foundation, Inc.	(257,502)	167,992
Net cash used in financing activities	(22,691,214)	(18,271,834)
Net change in cash and cash equivalents	(9,669,015)	5,196,740
Cash and cash equivalents at beginning of year	81,929,662	76,732,922
Cash and cash equivalents at end of year	\$ 72,260,647	81,929,662
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 6,427,933	6,992,884

See accompanying notes to special-purpose combined financial statements.

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Notes to Special-Purpose Combined Financial Statements
December 31, 2019 and 2018

(1) Riverside Health System and Obligated Affiliates

The accompanying special-purpose combined financial statements include the accounts of Riverside Health System (RHS) and its obligated affiliates (obligated affiliates), Riverside Medical Center (Medical Center), Oakside Corporation (Oakside), and Riverside Senior Living Center (RSLC).

RHS, the not-for-profit parent corporation of the Riverside healthcare delivery system, was incorporated during 1982 to support and encourage health and human services by providing management assistance and in all other relevant ways. RHS serves as the parent for Riverside HealthCare Foundation, Inc. (Foundation), which promotes charitable activities through donation, educational programs, and other human services programs. RHS also has a wholly owned subsidiary, Butterfield Service Corporation (Butterfield) (note 12).

The Medical Center operates a short-term general acute care hospital and various community primary and specialty care clinics. The Medical Center is incorporated under the Illinois General Not-for-Profit Corporation Act. Included in the special-purpose combined financial accounts of the Medical Center are the accounts of Riverside Ambulatory Surgery Center (RASC), located in Bourbonnais, Illinois. RHS is the sole corporate member of the Medical Center.

Oakside was incorporated as a not-for-profit corporation in 1982. Oakside provides retail services, including family pharmacy, gift shop, and fitness center services and promotes community participation in charitable, educational, and public service programs. Oakside also operates a health and fitness facility. RHS is the sole corporate member of Oakside.

RSLC was incorporated as a not-for-profit corporation during 1990. RSLC operates a retirement housing community with both independent and assisted living services for senior persons. RSLC also operates a skilled nursing facility. RHS is the sole corporate member of RSLC.

RHS and its obligated affiliates principally provide health and residential care services through their inpatient and outpatient care facilities located in the Kankakee area, and grant credit to patients and residents, substantially all of whom are residents of the service area. Expenses incurred by RHS and its obligated affiliates relate to the provision of healthcare and residential services and related general and administrative activities.

All significant intercompany balances and transactions have been eliminated in combination.

(2) Summary of Significant Accounting Policies

The following accounting policies are utilized in presenting the accompanying special-purpose combined financial statements of RHS and its obligated affiliates.

(a) Presentation

These special-purpose combined financial statements were prepared in accordance with the accounting requirements set forth in the Amended Master Trust Indenture dated as of November 1, 1996 between RHS, the Medical Center, Oakside, RSLC, and Bank of New York Trust Company, N.A., as successor Master Trustee. Pursuant to these requirements, certain affiliated entities of RHS required to be consolidated with RHS in accordance with U.S. generally accepted accounting principles have been excluded from the accompanying special-purpose combined financial statements or are presented on the equity basis of accounting. Accordingly, the accompanying special-purpose combined

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financial statements are not intended to be a presentation in conformity with U.S. generally accepted accounting principles.

(b) Use of Estimates

The preparation of the accompanying special-purpose combined financial statements 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 special-purpose combined financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) Patient Revenue, Resident, and Health Center Service Revenue

Patient, resident, and health center service revenue are reported at the amounts that reflect the consideration to which RHS expects to be entitled in exchange for providing patient, resident, and health center service care. These amounts are due from patients, residents, third-party payors, and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. The Medical Center, RSLC, and Oakside have agreements with third-party payors, which provide for reimbursement at amounts different from their established rates. Contractual adjustments under third-party reimbursement programs represent the difference between billings at list price and the amounts reimbursed by Medicare, Blue Cross, and certain other third-party payors; the difference between billings at list price and the allocated cost of services provided to Medicaid patients; and any differences between estimated retroactive third-party reimbursement settlements for prior years and subsequent final settlements.

Performance obligations are determined based on the nature of the services provided by RHS. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. RHS believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the Medical Center receiving inpatient acute care services or patients and residents receiving outpatient services in the Medical Center, Oakside, and SLC. RHS determines the performance obligation as admission into the hospital, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. RHS measures the performance obligation for resident revenue at the commencement of the services provided to the resident to the point through which care is no longer provided. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our patients and customers in a retail setting (e.g., pharmaceuticals and medical equipment) and RHS does not believe it is required to provide additional goods or services related to that sale.

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RHS determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients and residents in accordance with RHS' policy, and implicit price concessions provided to uninsured patients and residents. RHS determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. RHS determines its estimate of implicit price concessions based on its historical collection experience with this class of patients and residents.

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 and resident care. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer, 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 a decrease of patient service revenue of \$0 and \$45,254, respectively, due to changes in cost report settlements and other adjustments to prior years.

Generally, patients and residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. RHS also provides services to uninsured patients and residents, and offers those uninsured patients and residents a discount, either by policy or law, from standard charges. RHS estimates the transaction price for patients and residents with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. In evaluating the collectibility of patients and residents' accounts receivable, RHS analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the variable consideration. Management regularly reviews data about these major payor sources of revenue in evaluating the variable consideration. RHS uses a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing revenue on an individual contract basis. The portfolios consist of major payor classes for inpatient revenue and major payor classes and types of services provided for outpatient revenue. Based on the historical collection trends, RHS believes that revenue recognized using this approach approximates the revenue that would be recognized if an individual contract approach were used. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient and resident services revenue in the period of the change.

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(d) Revenue and Gains in Excess (Deficient) of Expenses and Losses

The special-purpose combined statements of operations include revenue and gains in excess (deficient) of expenses and losses. Transactions deemed by management to be ongoing, major, or central to the provision of health and residential care services are reported as revenue and expenses. Transactions incidental to the provision of health and residential care services are reported as nonoperating gains and losses. Changes in net assets without donor restrictions that are excluded from revenue and gains in excess (deficient) of expenses and losses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets).

(e) Cash and Cash Equivalents and Short Term Investments

Cash and cash equivalents consist primarily of demand deposits with banks, cash on hand, overnight secured repurchase agreements, and securities with an original term of three months or less when purchased, excluding amounts limited or restricted as to use. Short-term investments consist of securities with an original term of one year or less, excluding cash and cash equivalents and amounts limited or restricted as to use.

(f) Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted include assets set aside by the Medical Center's board of directors (Board) for future capital improvements and other, over which the Board retains control and may, at its discretion, subsequently use for other purposes; assets held by a trustee and limited as to use in accordance with the requirements of bond indenture agreements; donor-restricted investments; and deposits under occupancy agreements with RSLC residents.

Investment income or loss (including realized gains and losses on investments, changes in unrealized gains and losses on trading securities, interest, and dividends) is included in revenue and gains in excess (deficient) of expenses and losses unless the income or loss is restricted by donors, in which case, the investment return is recorded directly to net assets with donor restrictions in accordance with donor intent.

(g) Fair Value

RHS and its obligated affiliates apply the provisions of Accounting Standards Codification (ASC) Subtopic 820-10, *Fair Value Measurement – Overall*, for 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 special-purpose combined financial statements on a recurring basis. ASC Subtopic 820-10 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. ASC Subtopic 820-10 also establishes a framework for measuring fair value and expands disclosures about fair value measurements (note 6).

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RHS and its obligated affiliates apply the provisions of ASC Subtopic 825-10, *Financial Instruments – Overall*. ASC Subtopic 825-10 gives RHS the irrevocable option to report most financial assets and financial liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. RHS and its obligated affiliates' management did not elect to measure any additional eligible financial assets or financial liabilities at fair value subsequent to the adoption of ASC Subtopic 825-10.

RHS has disclosed investments for which fair value is measured using net asset value per share as a practical expedient outside the fair value hierarchy in accordance with ASC Subtopic 820-10.

In March 2016, the Financial Accounting Standards Board issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01). ASU No. 2016-01 eliminates the requirement for not-for-profit organizations to disclose fair value information for financial instruments measured at amortized cost (e.g., debt). RHS and its obligated affiliates elected to early adopt this part of ASU No. 2016-01 in 2016. In accordance with ASC Subtopic 825-10, RHS and its Obligated Affiliates do not disclose the fair value information for financial information measured at amortized cost. The remaining parts of the ASU are effective for the year ending December 31, 2019. There was no effect on the special-purpose combined financial statements.

(h) Derivative Instruments

RHS and its obligated affiliates account for derivatives and hedging activities in accordance with ASC Topic 815, *Derivatives and Hedging*, as amended, which requires that all derivative instruments be recorded on the special-purpose combined balance sheets at their respective fair values.

(i) Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost if purchased or at fair value at the date of donation. Depreciation is provided for over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Interest cost incurred on borrowed funds during the period of construction is capitalized as a component cost of acquiring those assets (note 7).

(j) Inventories

Supplies inventories are stated at the lower of cost or market. Cost is determined on the basis of the most recent purchase price, which approximates the first-in, first-out method.

(k) Gifts, Bequests, and Grants

Unconditional promises to give cash or other assets are reported at fair value at the date the promise is received. All contributions are considered to be available for net assets without donor restrictions unless specifically restricted by donors. Contributions are reported as direct additions to net assets with donor restrictions 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 with donor restrictions are reclassified as net assets without donor restrictions and reported in the special-purpose combined statements of operations as net assets released from restriction. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Donor-restricted contributions whose restrictions are

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met within the same year as received are reported directly within the special-purpose combined statements of operations.

(l) Net Assets with Donor Restrictions

Net assets with donor restrictions are those whose use has been limited by donors to a specific time period or purpose. RHS and its obligated affiliates' net assets with donor restrictions are primarily restricted for land, building, and equipment acquisitions and for permanently donor-restricted contributions, the principal amount of which may not be expended, at both December 31, 2019 and 2018.

ASC Topic 958, *Not-for-Profit Entities*, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA. ASC Topic 958 also enhances disclosures related to both donor-restricted and board-designated endowment funds.

The Foundation holds certain assets contributed for the benefit of the Medical Center and RSLC. Amounts due from the Foundation of \$2,474,452 and \$4,702,189 at December 31, 2019 and 2018, respectively, are restricted by donors for specified programs and the acquisition of property and equipment. Remaining amounts due from the Foundation at December 31, 2019 and 2018 are unrestricted as to use by the Medical Center and RSLC.

(m) Charity Care

The Medical Center, RSLC, and Oakside provide care to patients and residents who meet certain criteria under their charity care policies without charge or at amounts less than their established rates. Because the Medical Center, RSLC, and Oakside do not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

RHS follows the provisions in ASC Subtopic 954-605, *Health Care Entities – Revenue Recognition*. ASC Subtopic 954-605 requires that cost be used as the measurement basis for charity care disclosure purposes and that cost can be identified as direct and indirect costs of providing charity care.

(n) Deferred Financing Costs

Deferred financing costs are amortized using the bonds outstanding method. Bond discount and premium are amortized using the straight-line method over the periods in which the related bonds are outstanding. Debt issuance costs, discounts, and premiums are presented in the balance sheet as a direct deduction from the carrying amount of the debt liability.

(o) Refundable Security Deposits and Refundable Advance Residency Fees

Refundable security deposits and advance residency fees represent fully refundable fees and deposits received from residents of RSLC who have signed occupancy agreements.

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(p) Long-Lived Assets

RHS and its obligated affiliates evaluate long-lived assets for impairment on an annual basis. Long-lived assets are considered to be impaired whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable from future cash flows. Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. When such assets are considered to be impaired, the impairment loss recognized is measured by the amount by which the carrying value of the asset exceeds the fair value of the asset. RHS and its obligated affiliates do not believe that there are any factors or circumstances indicating impairment of its long-lived assets as of December 31, 2019 and 2018.

(q) Income Taxes

RHS and its obligated affiliates account for uncertain tax positions in accordance with ASC Subtopic 740-10, *Income Taxes – Overall*. ASC Subtopic 740-10 addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the special-purpose combined financial statements. Under ASC Subtopic 740-10, RHS and its obligated affiliates must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the special-purpose combined financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. ASC Subtopic 740-10 also provides guidance on derecognition, classification, interest and penalties on income taxes, and accounting in interim periods, and requires increased disclosures. RHS and its obligated affiliates do not have a liability for unrecognized tax benefits.

RHS and its obligated affiliates are separate not-for-profit corporations 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.

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(r) Liquidity and Availability of Resources

Cash and cash equivalents, short-term investments, and patient and resident accounts receivable, net, as reported on the special purpose combined balance sheets at December 31, 2019 and 2018, are the primary liquid resources used by RHS to meet general expenditure needs within the next year. As part of liquidity management, RHS' policy is to structure and manage its financial assets to be available to meet its general expenditure needs. RHS invests cash in excess of daily requirements in short-term investments. As of December 31, 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and capital construction costs not financed with debt, were as follows:

	2019	2018
Cash and cash equivalents	72,260,647	81,929,662
Total receivables	40,533,053	41,473,463
Total investments	334,906,014	300,789,456
Total financial assets	447,699,714	424,192,581
Less: assets unavailable to management without approval	290,452,366	262,477,836
Total financial assets available within one year	157,247,348	161,714,745

To help manage unanticipated liquidity needs, although intended to satisfy long-term obligations, 92% of noncurrent investments at December 31, 2019, could be utilized within the next year if necessary.

(s) Recently Issued Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). Topic 842 requires entities to recognize all leased assets as assets on the balance sheet with a corresponding liability resulting in a gross-up of the balance sheet. The requirements of this statement were effective for RHS and its obligated affiliates on January 1, 2019. In July 2018, the FASB issued an update to its guidance providing companies with the option to adopt the provisions of the standard prospectively without adjusting comparative periods; RHS elected this option.

RHS elected certain relief options offered in Topic 842, including the package of transition practical expedients, the option not to separate lease and nonlease components for certain classes of assets, and the option not to recognize right-of-use assets and lease liabilities that arise from short-term leases (i.e., leases with terms of twelve months or less). RHS did not elect the hindsight practical expedient, which allows entities to use hindsight when determining lease term and impairment of right-of-use assets.

The adoption of Topic 842 did not have an impact on the special purpose combined balance sheet, results of operations, or cash flows. RHS does not have significant lessor or lessee activity.

In November 2016, the FASB issued ASU No. 2016-18, *Restricted Cash* (ASU 2016-18), 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

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equivalents when reconciling beginning and ending balances on the statement of cash flows. ASU No. 2016-18 was effective for RHS and its obligated affiliates for the year ending December 31, 2019. Early adoption of ASU No. 2016-18 is permitted. The adoption of ASU No. 2016-18 did not have an impact on the special-purpose combined financial statements and related disclosures. RHS does not have significant restricted cash.

In June 2018, the FASB issued ASU No. 2018-08 *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update clarify and improve current guidance about whether a transfer of assets is a contribution or an exchange transaction. Additional guidance about when a contribution should be recognized is also included in the amendments. These amendments apply to both resources received by a recipient and given by a resource provider. The new standard was for RHS on January 1, 2019. The adoption of ASU No. 2018-08 did not have an impact on the special-purpose combined financial statements and related disclosures.

(3) Patient, Resident, and Health Center Service Revenue

A summary of the basis of reimbursement with major third-party payors is as follows:

(a) Medicare

The Medical Center is paid for inpatient acute care and outpatient services rendered to Medicare program beneficiaries under prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. The prospectively determined rates are not subject to retroactive adjustment. The Medical Center's payment classification of patients under the prospective payment system and the appropriateness of the patients' admissions are subject to validation reviews.

Certain services rendered to Medicare beneficiaries are reimbursed based upon cost-reimbursement methodologies. The Medical Center is reimbursed at tentative rates with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare fiscal intermediary. As of December 31, 2019, Medicare reimbursement reports have been audited through December 31, 2011.

RSLC is reimbursed by Medicare under a prospective payment system based primarily upon a clinical classification system for Medicare residents.

(b) Medicaid

The Medical Center is paid for inpatient acute care service rendered to Medicaid program beneficiaries under prospectively determined rates-per-discharge and on a per diem basis for psychiatric and rehabilitation services. RSLC is reimbursed on a per diem basis for nursing home services. For inpatient acute care services, payment rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services are reimbursed based upon fee schedules. Medicaid reimbursement may be subject to periodic adjustment, as well as to changes in existing payment methodologies and rates, based on the amount of funding available to the State of Illinois Medicaid program.

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The Medical Center participates in all State of Illinois Hospital Assessment programs. Assessment programs provide hospitals within the State additional Medicaid reimbursement based on funding formulas approved by the Centers for Medicare and Medicaid Services (CMS). The Medical Center has included its reimbursement for the years ended December 31, 2019 and 2018 of \$21,948,228 and \$21,654,714, respectively, within patient service revenue in the accompanying special-purpose combined statements of operations.

The Medical Center included its related assessment tax payments of \$13,683,568 and \$12,357,942 for the years ended December 31, 2019 and 2018, respectively, within purchased services and supplies expense in the accompanying special-purpose combined statements of operations.

(c) Other

The Medical Center has also entered into reimbursement agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements is negotiated by the Medical Center and includes discounts from established charges and prospectively determined per diem rates.

The Medical Center and RSLC grant credit without collateral to their patients and residents, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Medicare	30 %	30 %
Medicaid	12	15
Blue Cross	24	22
Managed care/commercial	18	18
Self-pay and other	16	15
	<u>100 %</u>	<u>100 %</u>

A summary of Medical Center and RSLC utilization based upon patient and resident service revenue for the years ended December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Medicare	53 %	53 %
Medicaid	17	17
Blue Cross	15	16
Managed care/commercial	10	10
Self-pay and other	5	4
	<u>100 %</u>	<u>100 %</u>

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For receivables associated with self-pay patients and residents (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), RHS has determined it has provided implicit price concessions to uninsured patients and residents and patients and residents with other uninsured balances (e.g., pays and deductibles). RHS records this in the period of service on the basis of its past experience, which indicates that many patients and residents are unable or unwilling to pay the portion of their bill for which they are financially responsible. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and residents and the amounts RHS expects to collect based on its collection history with those patients and residents.

Patient service revenue is recognized in the period from these major payor sources, as follows:

	<u>2019</u>	<u>2018</u>
Medicare	\$ 196,215,277	183,311,024
Medicaid	78,401,337	75,558,309
Blue Cross	55,848,992	54,827,313
Managed care/commercial	37,614,876	35,010,212
Self-pay and other	<u>25,268,904</u>	<u>23,085,505</u>
Patient service revenue	<u>\$ 393,349,386</u>	<u>371,792,363</u>
Resident and health center services revenue	12,741,690	12,296,973
Other revenue	<u>4,462,605</u>	<u>4,861,267</u>
Total revenue	<u>\$ 410,553,681</u>	<u>388,950,603</u>

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

	<u>2019</u>	<u>2018</u>
Inpatient	\$ 133,135,325	136,795,124
Outpatient/ambulatory	260,214,061	234,997,239
Senior living center	12,741,690	12,296,973
Other	<u>4,462,605</u>	<u>4,861,267</u>
	<u>\$ 410,553,681</u>	<u>388,950,603</u>

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(4) Charity Care

The Medical Center, RSLC, and Oakside maintain policies whereby patients and residents in need of medical services are treated without regard to their ability to pay for such services. The Medical Center, RSLC, and Oakside maintain records to identify and monitor the level of charity care they provide. These records include the amount of charges foregone for services and supplies furnished under their charity care policies. The following information measures the approximate level of charity care provided at cost in accordance with ASC Subtopic 954-605 and Medical Center's, RSLC's, and Oakside's policies during the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Costs of charity care provided	\$ 3,765,823	3,961,009

The Medical Center provides discounts from charges of 45% to all patients without any form of insurance. In addition, patients may also be eligible for additional discounts from charges based upon certain income criteria.

(5) Investments

A summary of the composition of the RHS and obligated affiliates' investment portfolios at December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Accrued interest	\$ 1,557,806	1,547,233
Short-term investments, consisting primarily of money market funds	5,365,980	3,309,411
Common stock	66,441,809	48,515,948
Mutual equity funds	134,575,408	121,315,016
U.S. Treasury and U.S. government agency securities	36,453,653	38,751,807
Corporate bonds and notes	58,950,001	57,576,798
Limited partnerships	31,561,357	29,773,243
	<u>\$ 334,906,014</u>	<u>300,789,456</u>

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Investments are reported in the accompanying special-purpose combined balance sheets as follows at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Short-term investments	\$ 44,453,648	38,311,620
Assets whose use is limited or restricted:		
By board of directors for capital improvements and other	282,493,469	246,453,480
Under bond indenture agreements held by trustee	—	5,186,621
Deposits under residency agreements	4,781,910	5,552,660
Donor-restricted investments	<u>3,176,987</u>	<u>5,285,075</u>
	<u>\$ 334,906,014</u>	<u>300,789,456</u>

The composition of investment return on RHS and its obligated affiliates' investment portfolios and Riverside Foundation Trust assets for the years ended December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Interest and dividend income, net of fees an expenses	\$ 10,767,784	10,391,771
Net realized gains on sale of investments	7,102,772	3,634,218
Change in net unrealized gains and losses during the holding period	<u>25,776,345</u>	<u>(33,228,391)</u>
Investment return	<u>\$ 43,646,901</u>	<u>(19,202,402)</u>

Investment returns are included in the accompanying special-purpose combined statements of operations and changes in net assets for the years ended December 31, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Nonoperating gains:		
Investment income, net	\$ 43,498,827	(19,304,694)
Other changes in net assets:		
Investment income capitalized on borrowed funds held by trustee	32,269	84,486
Investment return earned on net assets with donor restrictions	<u>115,805</u>	<u>17,806</u>
Investment return	<u>\$ 43,646,901</u>	<u>(19,202,402)</u>

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(6) Fair Value Measurements

(a) Fair Value of Financial Instruments

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

- The carrying amount reported in the special-purpose combined balance sheets for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, accounts payable and accrued expenses, patient and resident accounts receivable, and estimated third-party payor settlements.
- Assets limited as to use: Fair values are estimated based on prices provided by its investment managers, custodian banks, and valuations provided by an independent investment reporting service. Common stocks, quoted mutual funds, and U.S. Treasury obligations are measured using quoted market prices at the reporting date multiplied by the quantity held. Corporate bonds, notes, and U.S. agency securities are measured using other observable inputs. The carrying value equals fair value.
- RHS has two limited partnership investments for which quoted market prices are not available. The two limited partnership investments are the Barings Core Property Fund, L.P. and Grosvenor Institutional Partners, L.P. RHS elected to apply the concepts of ASC Subtopic 820-10 to its alternative investments using net asset value as a practical expedient in estimating fair value; however, it is possible that the redemption rights of certain investments may be restricted by the funds in the future in accordance with the underlying fund agreements. Changes in market conditions and the economic environment may impact the net asset value of the funds and, consequently, the fair value of RHS's interests in the funds. The carrying value equals fair value. The estimated fair value of these investments includes estimates, appraisals, assumptions, and methods provided by external financial advisers and reviewed by RHS.

The investment objective of the Barings Core Property Fund, L.P. is to achieve total returns with reduced risk. This is achieved through a diversified investment fund that primarily comprises stabilized, income-producing equity real estate. There is no additional contractual commitment to fund the Barings Core Property Fund, L.P.

The investment objective of the Grosvenor Institutional Partners, L.P. is to achieve positive returns with low volatility and risk. This is achieved through a multimanager, multistrategy, and diversified investment approach. There is no additional contractual commitment to fund the Grosvenor Institutional Partners, L.P.

- Interest rate swaps: The fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and RHS and its obligated affiliates. The carrying value equals fair value.

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(b) Fair Value Hierarchy

RHS and its obligated affiliates apply ASC Subtopic 820-10 for 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 special-purpose combined financial statements on a recurring basis. ASC Subtopic 820-10 establishes 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 RHS has the ability to access at the measurement date. Level 1 investments include cash and cash equivalents, common stock, and quoted mutual funds.
- 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 2 investments include certain money market funds, corporate obligations, and U.S. Treasury and U.S. government agency securities.
- Level 3 inputs to the valuation methodology are unobservable and significant inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. There were no transfers between levels for the fiscal years ended December 31, 2019 or 2018.

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The following table presents assets and liabilities, including accrued interest, which are measured at fair value on a recurring basis at December 31, 2019:

	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>	<u>Redemption or liquidation</u>	<u>Days notice</u>
Assets:						
Cash and cash equivalents:						
Cash	\$ 72,260,647	72,260,647	—	—	Daily	One
Total cash and cash equivalents	<u>72,260,647</u>	<u>72,260,647</u>	<u>—</u>	<u>—</u>		
Short-term investments, excluding accrued interest of \$131,272:						
Quoted mutual equity funds	19,228,466	19,228,466	—	—	Daily	One
Common stocks	3,195,057	3,195,057	—	—	Daily	One
Money market funds	1,357,398	—	1,357,398	—	Daily	One
U.S. Treasury and U.S. government agency securities	5,876,594	—	5,876,594	—	Daily	One
Corporate bonds and notes	10,090,288	—	10,090,288	—	Daily	One
Limited partnerships:						
Barings Core Property Fund, L.P. (1)	2,327,466	—	—	—	Quarterly	Thirty
Grosvenor Institutional Partners, L.P. (1)	<u>2,247,107</u>	<u>—</u>	<u>—</u>	<u>—</u>	Quarterly	Seventy
Total short-term investments	<u>44,322,376</u>	<u>22,423,523</u>	<u>17,324,280</u>	<u>—</u>		
Assets limited as to use, excluding accrued interest of \$1,426,534:						
Quoted mutual equity funds	115,346,942	115,346,942	—	—	Daily	One
Common stocks	63,246,752	63,246,752	—	—	Daily	One
Money market funds	4,008,582	—	4,008,582	—	Daily	One
U.S. Treasury and U.S. government agency securities	30,577,059	—	30,577,059	—	Daily	One
Corporate bonds and notes	48,859,713	—	48,859,713	—	Daily	One
Limited partnerships:						
Barings Core Property Fund, L.P. (1)	13,730,422	—	—	—	Quarterly	Thirty
Grosvenor Institutional Partners, L.P. (1)	<u>13,256,362</u>	<u>—</u>	<u>—</u>	<u>—</u>	Quarterly	Seventy
Total assets limited as to use	<u>289,025,832</u>	<u>178,593,694</u>	<u>83,445,354</u>	<u>—</u>		
Total assets	<u>\$ 405,608,855</u>	<u>273,277,864</u>	<u>100,769,634</u>	<u>—</u>		
Liabilities:						
Interest rate derivatives	\$ 923,190	—	923,190	—		

(1) Certain investments that are measured at fair value using the net asset value 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 special-purpose combined balance sheets.

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The following table presents assets and liabilities, including accrued interest, which are measured at fair value on a recurring basis at December 31, 2018:

	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>	<u>Redemption or liquidation</u>	<u>Days notice</u>
Assets:						
Cash and cash equivalents:						
Cash	\$ 81,929,662	81,929,662	—	—	Daily	One
Total cash and cash equivalents	<u>81,929,662</u>	<u>81,929,662</u>	<u>—</u>	<u>—</u>		
Short-term investments, excluding accrued interest of \$138,932:						
Quoted mutual equity funds	16,222,368	16,222,368	—	—	Daily	One
Common stocks	2,540,334	2,540,334	—	—	Daily	One
Money market funds	547,955	—	547,955	—	Daily	One
U.S. Treasury and U.S. government agency securities	5,369,971	—	5,369,971	—	Daily	One
Corporate bonds and notes	9,417,605	—	9,417,605	—	Daily	One
Limited partnerships:						
Barings Core Property Fund, L.P. (1)	2,071,893				Quarterly	Thirty
Grosvenor Institutional Partners, L.P. (1)	<u>2,002,562</u>				Quarterly	Seventy
Total short-term investments	<u>38,172,688</u>	<u>18,762,702</u>	<u>15,335,531</u>	<u>—</u>		
Assets limited as to use, excluding accrued interest of \$1,408,301:						
Quoted mutual equity funds	105,092,648	105,092,648	—	—	Daily	One
Common stocks	45,975,614	45,975,614	—	—	Daily	One
Money market funds	2,761,456	—	2,761,456	—	Daily	One
U.S. Treasury and U.S. government agency securities	33,381,836	—	33,381,836	—	Daily	One
Corporate bonds and notes	48,159,193	—	48,159,193	—	Daily	One
Limited partnerships:						
Barings Core Property Fund, L.P. (1)	13,068,037				Quarterly	Thirty
Grosvenor Institutional Partners, L.P. (1)	<u>12,630,751</u>				Quarterly	Seventy
Total assets limited as to use	<u>261,069,535</u>	<u>151,068,262</u>	<u>84,302,485</u>	<u>—</u>		
Total assets	<u>\$ 381,171,885</u>	<u>251,760,626</u>	<u>99,638,016</u>	<u>—</u>		
Liabilities:						
Interest rate derivatives	\$ 954,396	—	954,396	—		

(1) Certain investments that are measured at fair value using the net asset value 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 special-purpose combined balance sheets.

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(7) Land, Buildings, and Equipment

A summary of land, buildings, and equipment at December 31, 2019 and 2018 is as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Cost</u>	<u>Accumulated depreciation</u>
Land	\$ 14,129,363	—	14,042,122	—
Land improvements	10,685,458	5,777,897	10,065,888	5,279,821
Buildings	319,280,065	151,606,754	313,438,165	145,423,079
Equipment	194,787,995	114,830,470	190,287,577	106,754,371
Construction in progress	20,002,270	—	8,087,149	—
	<u>\$ 558,885,151</u>	<u>272,215,121</u>	<u>535,920,901</u>	<u>257,457,271</u>

The Medical Center and RSLC are currently engaged in various construction, renovation, and software implementation projects. Outstanding commitments related to these projects approximate \$18,690,978 at December 31, 2019.

Interest cost is capitalized as a component cost of significant capital projects. Interest income earned on any project-specific borrowed funds is offset against interest cost capitalized. A summary of interest cost capitalized for the years ended December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Gross interest cost capitalized	\$ 611,245	392,100
Investment income on borrowed funds held by trustee	(32,269)	(84,486)
Net interest cost capitalized	<u>\$ 578,976</u>	<u>307,614</u>

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(8) Long-Term Debt

A summary of long-term debt as of December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Revenue bonds, Series 2009, at varying fixed effective-interest rates (7.12% and 6.30% at December 31, 2019 and 2018, respectively), depending on date of maturity and subject to mandatory redemption through 2035, partially advance-refunded in 2016.	\$ —	20,010,000
Revenue bonds, Series 2013, at varying fixed effective-interest rates (4.36% at December 31, 2019 and 2018), depending on date of maturity, and subject to annual mandatory redemption through 2042	32,000,000	32,000,000
Revenue refunding bonds, Series 2015, at variable interest rates determined monthly (6.43% and 4.12% at December 31, 2019 and 2018, respectively) subject to mandatory annual redemption through 2029	12,195,000	14,655,000
Revenue bonds, Series 2016, at varying fixed effective-interest rates (3.61% and 3.61% at December 31, 2019 and 2018, respectively), depending on date of maturity, and subject to annual mandatory redemption through 2045	<u>75,295,000</u>	<u>76,915,000</u>
Total long-term debt	119,490,000	143,580,000
Less:		
Current installments of long-term debt	5,595,000	4,080,000
Unamortized bond discount	—	174,170
Deferred financing costs	1,554,437	2,003,349
Plus:		
Unamortized bond premium	<u>7,789,606</u>	<u>8,332,229</u>
Long-term debt, unamortized bond discount and premium, and deferred financing costs, excluding current installments	<u>\$ 120,130,169</u>	<u>145,654,710</u>

RHS, the Medical Center, Oakside, and RSLC (collectively referred to as the Obligated Group) entered into an Amended Master Trust Indenture (Master Trust Indenture) dated as of November 1, 1996. The purpose of the Master Trust Indenture is to provide a mechanism for the efficient and economical issuance of notes by individual members of the Obligated Group using the collective borrowing capacity and credit rating of the Obligated Group. The Medical Center, Oakside, and RSLC became members of the Obligated Group by executing contribution agreements with RHS pursuant to the Master Trust Indenture. The Master Trust Indenture requires members of the Obligated Group to make principal and interest payments on notes issued for their benefit and to pay such amounts as are otherwise necessary to enable RHS to satisfy other

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obligations issued under the Master Trust Indenture. The obligations of each member of the Obligated Group under its contribution agreement are secured by the unrestricted receivables of the Obligated Group.

On September 13, 2016, the Illinois Finance Authority issued revenue bonds, Series 2016, in the principal amount of \$79,545,000: \$67,460,524 on behalf of the Medical Center, \$10,856,302 on behalf of RSLC, and \$1,228,174 on behalf of Oakside. The loan proceeds of the Series 2016 bonds are secured by direct note obligations issued under the Master Trust Indenture. In addition to the principal amounts issued, RHS received a bond premium of \$7,632,173 as part of the proceeds: \$6,500,794 on behalf of the Medical Center, \$1,010,858 on behalf of RSLC, and \$120,521 on behalf of Oakside. The proceeds from the sale of the Series 2016 bonds were used to pay and reimburse the Obligated Group for a portion of the costs of acquiring, constructing, renovating, remodeling, and equipping certain healthcare facilities, to pay for certain expenses incurred in connection with the issuance of the Series 2016 bonds, and to refund all of the Series 2006C bonds and a portion of the Series 2009 bonds.

On October 14, 2015, the Illinois Finance Authority issued revenue refunding bonds, Series 2015, in the principal amount of \$37,165,000: \$27,665,510 on behalf of the Medical Center, \$5,811,090 on behalf of Oakside, and \$3,688,400 on behalf of RSLC. The loan proceeds of the Series 2015 bonds are secured by direct note obligations issued under the Master Trust Indenture. Interest on the Series 2015 bonds is variable and determined monthly based on 79% of one-month LIBOR plus 0.53%. The proceeds from the sale of the Series 2015 bonds were used by the Obligated Group to advance-refund the Obligated Group's outstanding principal amounts of the Illinois Finance Authority Revenue Bonds, Series 2006A and Illinois Finance Authority Variable Rate Demand Revenue Bonds, Series 2004. In June 2018, RHS retired \$15,705,000 of the Series 2015 bonds relating to the principal years 2023 through 2029.

On May 16, 2013, the Illinois Finance Authority issued revenue bonds, Series 2013, in the principal amount of \$32,000,000: \$24,905,600 on behalf of the Medical Center and \$7,094,400 on behalf of RSLC. The loan proceeds of the Series 2013 bonds are secured by direct note obligations issued under the Master Trust Indenture. In addition to the principal amounts issued, RHS received a bond premium of \$1,887,767 as part of the proceeds: \$1,686,723 on behalf of the Medical Center and \$201,044 on behalf of RSLC. The proceeds from the sale of the Series 2013 bonds were used to pay and reimburse the Obligated Group for a portion of the costs of acquiring, constructing, renovating, remodeling, and equipping certain healthcare facilities and to pay for certain expenses incurred in connection with the issuance of the Series 2013 bonds.

On August 6, 2009, the Illinois Finance Authority issued revenue bonds, Series 2009, in the principal amount of \$66,500,000: \$43,636,238 on behalf of the Medical Center and \$22,863,762 on behalf of RSLC. The loan proceeds of the Series 2009 bonds are secured by direct note obligations issued under the Master Trust Indenture. The proceeds from the sale of the Series 2009 bonds were used to pay and reimburse the Obligated Group for a portion of the costs of acquiring, constructing, renovating, remodeling, and equipping certain healthcare facilities; to establish a debt service reserve fund for the Series 2009 bonds; to advance-refund the Obligated Group's total outstanding principal amount of the Illinois Finance Authority revenue bonds, Series 2006B; to advance-refund a portion of the Obligated Group's outstanding principal amount of the Illinois Finance Authority revenue bonds, Series 2004; and to pay termination costs for a derivative agreement in connection with the Series 2004 bonds. The Obligated Group partially advance-refunded these bonds in September 2016 as part of the 2016 Series financing. In November 2019, RHS repaid the \$20,010,000 outstanding amount of the 2009 Series bonds.

Under the terms of the related Series Bond Indentures, the Medical Center and RSLC are required to maintain certain reserve, construction, and sinking funds with their Bond Trustee. Such funds are restricted

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to pay for capital project costs as well as to provide funds for the repayment of principal and interest on outstanding bonds when due.

Scheduled principal repayments on the long-term debt based on the scheduled redemptions according to the Master Trust Indenture are as follows:

Year ending December 31:		
2020	\$	5,595,000
2021		5,825,000
2022		6,060,000
2023		4,430,000
2024		4,645,000
Thereafter		92,935,000
	\$	119,490,000

(9) Derivative Instruments and Hedging Activities

The Obligated Group has interest-rate-related derivative instruments to manage its exposure on its variable rate debt instruments and does not enter into derivative instruments for any purpose other than risk management purposes. That is, the Obligated Group does not speculate using derivative instruments.

By using derivative financial instruments to hedge exposures to changes in interest rates, the Obligated Group exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparty owes the Obligated Group, which creates credit risk for the Obligated Group. When the fair value of a derivative contract is negative, the Obligated Group owes the counterparty. The Obligated Group minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. The Obligated Group's management also mitigates risk through periodic reviews of their derivative positions in the context of their total blended cost of capital.

On October 14, 2015, the Illinois Finance Authority issued revenue refunding bonds, Series 2015. Interest on the Series 2015 bonds is variable and determined monthly based on 79% of one-month LIBOR plus 0.53%. This debt exposed the Obligated Group to variability in interest payments due to changes in interest rates. Management believed it was prudent to limit the variability of a portion of its interest payments and manage fluctuations in cash flows resulting from interest rate risk. To meet this objective, management entered into an interest rate swap agreement in 2015.

The 2015 interest rate swap agreement does not meet the criteria to qualify for hedge accounting treatment; accordingly, changes in fair value of the swap are recognized as a component of nonoperating gains (losses) in the accompanying special-purpose combined statements of operations. The change in fair value of the swap for the years ended December 31, 2019 and 2018 of \$34,307 and \$1,555,672, respectively, was recognized as a component of nonoperating gains (losses). The fair value of the 2015 interest rate swap agreement of \$1,260,924 and \$1,295,231 at December 31, 2019 and 2018, respectively,

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has been included in other long-term liabilities in the accompanying special-purpose combined balance sheets.

During 2015, the Medical Center entered into an interest rate swap agreement (Basis Swap) with a commercial bank. The Basis Swap has a notional amount of \$25,000,000, which is subject to adjustment according to the terms of the agreement, whereby the Medical Center will receive, on a quarterly basis, 83% of three-month LIBOR and will make quarterly payments equal to the USD-SIMFA Municipal Swap Index rate. The fair value receivable of the Basis Swap of \$337,734 and \$340,835 at December 31, 2019 and 2018, respectively, is included as a component of other long-term liabilities. The change in fair value of \$(3,101) and \$167,656 for the years ended December 31, 2019 and 2018, respectively, was recorded as a component of nonoperating gains (losses).

A summary of outstanding Obligated Group positions under interest rate swap agreements at December 31, 2019 is as follows:

	<u>Notional amount</u>	<u>Maturity date</u>	<u>Rate received</u>	<u>Rate paid</u>
\$	20,915,000	November 15, 2022	57% of one-month LIBOR plus 54 basis points	3.794 %
	25,000,000	November 15, 2035	83% of three-month LIBOR	USD-SIFMA Municipal Swap Index

Payments by the Obligated Group equal to the differential to be paid or received under the interest rate swap agreements are recognized monthly and amounted to \$427,199 and \$517,976 paid and included as a component of interest expense in the accompanying 2019 and 2018 special-purpose combined statements of operations, respectively. On May 4, 2018, RHS terminated \$15,705,000 of the fixed payor swap, in conjunction with the partial termination of the Series 2015 Bonds. This advanced the maturity date from November 15, 2029 to November 15, 2022.

(10) Self-Insurance

(a) Professional and General Liability Insurance

The Medical Center participates in the Illinois Provider Trust (Provider Trust), which was established on a pooled-risk basis to provide primary professional and general liability coverage to member hospitals. The Provider Trust provided primary insurance coverage on an occurrence basis through December 31, 2004. Effective January 1, 2005, the Provider Trust began providing primary insurance coverage on a claims-made basis. Excess liability coverage is currently provided through the Trust on a claims-made basis.

Funding of the Provider Trust is determined by annual actuarial valuations based on member hospitals' loss experience. If the actual loss experience of the Provider Trust exceeds the actuarially projected loss experience, additional contributions to the Provider Trust may be required from the Medical Center. No retroactive assessments were assessed in 2019 or 2018. For the 2019 fiscal year, the Provider Trust committed to refund excess contributions to its members, of which the Medical Center will receive \$961,791. The 2018 fiscal year excess contribution refund was \$1,113,930 and was received in 2019. Total contributions to the Provider Trust amounted to \$2,766,659 and \$1,385,382 for the years ended December 31, 2019 and 2018, respectively, and have been charged to operating

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expenses as the Medical Center's best estimate of professional and general liability cost. The Medical Center also recognizes provisions for the estimated incurred-but-not-reported loss exposures under claims-made basis policies as of each balance sheet date. The Medical Center's gross undiscounted incurred-but-not-reported claim liabilities of \$18,815,718 and \$17,646,223 at December 31, 2019 and 2018, respectively, have been included as components of estimated insurance liabilities in the accompanying special-purpose combined balance sheets. Such estimates were actuarially determined based primarily on the Medical Center's historical claims incurred and reporting experience.

The Provider Trust provided full coverage for primary professional and general liability exposure through December 31, 2006. Beginning January 1, 2007, the Medical Center began retaining the first \$250,000 per claim with a \$1,500,000 annual aggregate. Beginning January 1, 2013, the annual aggregate increased to \$2,000,000. Beginning January 1, 2015, the retention per claim increased to \$1,000,000 and the annual aggregate increased to \$3,000,000. Beginning January 1, 2017, the annual aggregate increased to \$4,000,000. In connection with their self-insured retention, the Medical Center has engaged the services of a professional consultant for actuarial valuations of self-insured funding requirements and claim liability estimates. The amount included in expenses for professional and general liability insurance for 2019 and 2018 was \$2,288,025 and \$3,039,958, respectively, and is included in insurance expense in the special-purpose combined statements of operations.

(b) Workers' Compensation

The Medical Center, RSLC, and Oakside maintain a self-insurance program for workers' compensation coverage. Coverage from commercial insurance carriers is maintained for claims in excess of self-insured retentions. The Medical Center and RSLC's provision for workers' compensation insurance expense includes undiscounted estimates of the ultimate cost of asserted and unasserted claims, as well as claims incurred but not reported as of fiscal year-end. At December 31, 2019 and 2018, the related estimated insurance liabilities are \$3,091,814 and \$3,221,814, respectively. The amount included in employee benefits for 2019 and 2018 was \$1,011,495 and \$1,534,237, respectively, and is included in insurance expense in the special-purpose combined statements of operations.

(c) Employee Health Insurance

The Medical Center, RSLC, and Oakside maintain a self-insurance program for employee healthcare coverage, combining various levels of self-insured retentions and excess coverage. The Medical Center and RSLC's provision for employee health insurance expenses includes estimates of known claims as well as claims incurred but not reported as of fiscal year-end. At December 31, 2019 and 2018, related estimated self-insurance liabilities are \$3,584,753 and \$3,800,813, respectively, and are included as components of estimated insurance liabilities in the accompanying special-purpose combined balance sheets.

(d) Receivable for Insurance Recoveries and Management Estimates

Related to ASU No. 2010-24, the Medical Center and RSLC record separate receivables of \$5,462,589 and \$4,645,268 from gross estimated insurance liabilities as their estimate of insurance recoveries in the 2019 and 2018 special-purpose combined balance sheets, respectively.

Management believes the estimated self-insurance claims liabilities at December 31, 2019 are adequate to cover the ultimate liabilities; however, such estimates may be more or less than the amounts ultimately paid when claims are resolved.

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(11) Pension Plan

RHS and its obligated affiliates sponsor tax-deferred annuity plans under Section 403(b) of the Code and defined-contribution plans under Section 401(a) of the Code. Significant provisions of the plans are as follows:

- Contributions – Employees contribute to the 403(b) plans through salary reductions specified in the participant's salary reduction agreement. RHS and its obligated affiliates, at their sole discretion, may make matching contributions to the 401(a) plans equal to a defined percentage of the participant's contributions.
- Qualifications – Employees are eligible to participate in the 403(b) plans on the first day of any full pay period following their date of hire.
- Vesting – Medical Center employees are fully and immediately vested in the 403(b) plans and the 401(a) plans. RSLC and Oakside employees are fully and immediately vested in the 403(b) Plan and are 100% vested in the 401(a) Plan after three years of service.

Pension expense that is funded on a current basis was approximately \$5,821,000 and \$5,357,800 in 2019 and 2018, respectively, and is included in salaries and employee benefits expense.

(12) Investment in Unconsolidated Subsidiary

RHS holds a 100% equity interest in Butterfield, which is recorded by Oakside on behalf of RHS. The investment in Butterfield is accounted for on the equity method; Oakside recognized its proportional share of Butterfield's net loss of \$0 in 2019 and 2018 as other nonoperating losses with corresponding adjustments in the carrying value of its investment in Butterfield. Oakside has recorded an accumulated stockholder's deficit of \$0 and \$245,233 at December 31, 2019 and 2018, respectively, as due to unconsolidated subsidiary in the accompanying special-purpose combined balance sheets. Butterfield ceased operations on December 31, 2019.

(13) Investment in Joint Venture

Oakside has a 45% ownership interest in Oakside Surgical Institute, LLC (Institute), which operates an orthopedic surgery center. The carrying value of Oakside's investment in the Institute of \$678,497 and \$602,539 at December 31, 2019 and 2018, respectively, is included in other long-term assets in the accompanying special-purpose combined balance sheets. Oakside accounts for this investment under the equity method and recognized its portion of the Institute's 2019 and 2018 income of \$711,671 and \$729,908, respectively, which is included as a component of other net nonoperating gains (losses) in the accompanying special-purpose combined statements of operations. In addition, Oakside received cash distributions of \$630,000 and \$753,750 from the Institute in 2019 and 2018, respectively. Summarized financial information of the Institute as of and for the years ended December 31, 2019 and 2018, respectively, is as follows: total assets – \$1,783,796 and \$1,523,835; total equity – \$1,507,770 and \$1,338,975; total revenue – \$5,025,879 and \$5,320,076; and net income – \$1,581,492 and \$1,622,018.

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(14) Commitments and Contingencies

(a) Medicare and Medicaid Reimbursement

For the years ended December 31, 2019 and 2018, RHS and its obligated affiliates recognized approximately \$196,215,000 and \$183,311,000, respectively, of patient and resident service revenue from services provided to Medicare beneficiaries. Recently enacted healthcare reform and other Medicare legislation may have an adverse effect on RHS and its obligated affiliates' net patient and resident service revenue. Medicaid-payment methodologies and rates may be subject to modification based on the amount of funding available to the State of Illinois Medicaid Program.

The Medical Center has received notices from the Medicare program requiring that they provide Medicare with documentation for claims to carry out the Recovery Audit Contractors (RAC) Program. The Medical Center is responding to these requests. Review of claims through the RAC Program may result in a liability to the Medicare program and could have an adverse effect on the Medical Center's patient service revenue.

(b) Litigation

RHS and its obligated affiliates are subject to complaints, claims, and litigation, which have risen in the normal course of business. In addition, RHS and its obligated affiliates are subject to reviews by various federal and state government agencies to assure compliance with applicable laws, some of which are subject to different interpretations. While the outcome of these suits cannot be determined at this time, management, based on advice from legal counsel, believes that any loss, which may arise from these actions, will not have a material adverse effect on the financial position or results of operations of RHS or its obligated affiliates.

(c) Regulatory Investigations

The U.S. Department of Justice and other federal agencies routinely conduct regulatory investigations and compliance audits of healthcare providers. RHS is subject to these regulatory efforts. Additionally, 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 the Medical Center and other healthcare organizations. RHS maintains a systemwide compliance program and conducts audits and other activities to identify potential compliance issues, including overpayments to government payors. Management is currently unaware of any regulatory matters, which may have a material effect on the RHS and its obligated affiliates' financial position or results of operations.

(d) Property and Sales Tax Exemption Legislation

On June 14, 2012, the governor of Illinois signed into law *Public Act 97-0688* (2012 Hospital Exemption Law), which creates new standards for property and sales tax exemptions for hospitals and hospital affiliates in Illinois. The law establishes new eligibility standards for the issuance of such 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 having a value at least equal to the hospital's estimated property tax liability. Management has not recorded a liability for related property taxes in 2019 or 2018 based upon management's determination of qualified services provided.

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(e) Investment Risks and Uncertainties

RHS 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 and current market conditions, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the accompanying special-purpose combined balance sheets.

(15) Functional Expenses

RHS provides healthcare services to residents within its geographic location. Expenses related to providing these services included in the consolidated statements of operations as of December 31, 2019 and December 31, 2018 are as follows:

	<u>Healthcare services</u>	<u>General and administration</u>	<u>Total</u>
2019			
Salaries and employee benefits	\$ 206,370,020	15,322,134	221,692,154
Purchased services and supplies	116,438,601	9,274,753	125,713,354
Depreciation and amortization	31,291,088	—	31,291,088
Utilities	6,600,247	40,086	6,640,333
Professional fees	711,222	—	711,222
Insurance	6,268,519	233,080	6,501,599
Interest	5,607,262	—	5,607,262
	<u>\$ 373,286,959</u>	<u>24,870,053</u>	<u>398,157,012</u>
2018			
Salaries and employee benefits	\$ 197,020,963	13,822,162	210,843,125
Purchased services and supplies	107,767,387	7,169,939	114,937,326
Depreciation and amortization	28,723,269	—	28,723,269
Utilities	6,096,766	71,165	6,167,931
Professional fees	1,158,552	11,199	1,169,751
Insurance	7,721,613	260,168	7,981,781
Interest	6,062,784	—	6,062,784
	<u>\$ 354,551,334</u>	<u>21,334,633</u>	<u>375,885,967</u>

Some categories of natural class expenses are attributable to more than one activity and require allocation, applied on a consistent basis. Property costs, including depreciation, are allocated on the basis of square footage. Indirect salaries and benefits are allocated on the basis of budgeted full time equivalent employees. Purchased services and supplies are assigned directly to specific activities as expenditures are made.

(16) Subsequent Events

In connection with the preparation of the special-purpose combined financial statements and in accordance with the recently issued ASC Topic 855, *Subsequent Events*, RHS evaluated subsequent events after the special-purpose combined balance sheet date of December 31, 2019 through May 13, 2020, which was the date the special-purpose combined financial statements were issued, and determined no subsequent events requiring recording or disclosure with the exception of the event noted below.

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Subsequent to year-end, a public health emergency of international concern was declared due to the COVID-19 virus. RHS' business and investment values are likely to be impacted by COVID-19. Management does not yet know the full extent of potential impacts on the business but is actively monitoring the situation.

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Combining Schedule – Balance Sheet Information

December 31, 2019

Assets	Riverside Medical Center	Oakside Corporation	Riverside Senior Living Center	Eliminations	Combined
Current assets:					
Cash and cash equivalents	\$ 61,221,480	5,122,752	5,916,415	—	72,260,647
Short-term investments	—	16,775,588	27,678,060	—	44,453,648
Receivables:					
Patient and resident accounts receivable	36,803,939	544,430	2,231,143	—	39,579,512
Other	29,190,326	1,705,211	—	(29,941,996)	953,541
Total receivables	65,994,265	2,249,641	2,231,143	(29,941,996)	40,533,053
Inventory of supplies	7,374,738	918,309	30,325	—	8,323,372
Prepaid expenses	8,184,233	142,414	56,844	—	8,383,491
Current portion of estimated insurance recoveries	1,683,209	—	—	—	1,683,209
Total current assets	144,457,925	25,208,704	35,912,787	(29,941,996)	175,637,420
Assets whose use is limited or restricted:					
By board of directors for capital improvements and other	282,493,469	—	—	—	282,493,469
Deposits under residency agreements	—	—	4,781,910	—	4,781,910
Investments related to net assets with donor restrictions	3,033,174	—	143,813	—	3,176,987
Total assets whose use is limited or restricted	285,526,643	—	4,925,723	—	290,452,366
Land, buildings, and equipment, net of accumulated depreciation	240,360,516	10,168,509	36,141,005	—	286,670,030
Other assets:					
Due from Riverside HealthCare Foundation, Inc.	6,559,060	—	516,599	—	7,075,659
Estimated insurance recoveries	3,779,380	—	—	—	3,779,380
Other assets	36,027	643,981	—	—	680,008
Total other assets	10,374,467	643,981	516,599	—	11,535,047
Total assets	\$ 680,719,551	36,021,194	77,496,114	(29,941,996)	764,294,863

See accompanying independent auditors' report.

Liabilities and Net Assets	Riverside Medical Center	Oakside Corporation	Riverside Senior Living Center	Eliminations	Combined
Current liabilities:					
Current installments of long-term debt	\$ 4,792,468	359,966	442,566	—	5,595,000
Accounts payable	4,281,769	6,716,769	23,491,582	(28,084,783)	6,405,337
Accrued expenses	33,281,528	518,820	2,546,748	(1,857,213)	34,489,883
Estimated payables under third party reimbursement programs	28,950,401	—	—	—	28,950,401
Total current liabilities	71,306,166	7,595,555	26,480,896	(29,941,996)	75,440,621
Refundable security deposits	—	—	71,862	—	71,862
Refundable advance residency fees	—	—	4,781,910	—	4,781,910
Long-term debt, unamortized bond discount and premium, and deferred financing costs, excluding current installments	100,468,307	1,442,432	18,219,430	—	120,130,169
Construction payables	3,970,712	—	—	—	3,970,712
Estimated insurance liabilities	25,780,171	—	—	—	25,780,171
Other long-term liabilities	1,005,956	312,989	198,658	—	1,517,603
Total liabilities	202,531,312	9,350,976	49,752,756	(29,941,996)	231,693,048
Net assets:					
Net assets without donor restrictions	475,155,065	26,670,218	27,599,545	—	529,424,828
Net assets with donor restrictions	3,033,174	—	143,813	—	3,176,987
Total net assets	478,188,239	26,670,218	27,743,358	—	532,601,815
Total liabilities and net assets	\$ 680,719,551	36,021,194	77,496,114	(29,941,996)	764,294,863

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Combining Schedule – Statement of Operations Information

Year ended December 31, 2019

	Riverside Medical Center	Oakside Corporation	Riverside Senior Living Center	Eliminations	Combined
Revenue:					
Patient service revenue	\$ 374,343,121	4,923,703	14,082,562	—	393,349,386
Resident and health center services revenue	—	—	12,741,690	—	12,741,690
Other revenue	4,245,366	413,347	466,045	(662,153)	4,462,605
Total revenue	<u>378,588,487</u>	<u>5,337,050</u>	<u>27,290,297</u>	<u>(662,153)</u>	<u>410,553,681</u>
Expenses:					
Salaries and employee benefits	203,781,776	2,247,475	15,662,903	—	221,692,154
Purchased services and supplies	118,058,584	1,771,971	6,544,952	(662,153)	125,713,354
Depreciation and amortization	28,079,235	509,739	2,702,114	—	31,291,088
Utilities	5,517,007	219,899	903,427	—	6,640,333
Professional fees	711,222	—	—	—	711,222
Insurance	6,151,419	64,401	285,779	—	6,501,599
Interest	4,299,644	158,624	1,148,994	—	5,607,262
Total expenses	<u>366,598,887</u>	<u>4,972,109</u>	<u>27,248,169</u>	<u>(662,153)</u>	<u>398,157,012</u>
Income from operations	<u>11,989,600</u>	<u>364,941</u>	<u>42,128</u>	<u>—</u>	<u>12,396,669</u>
Nonoperating gains:					
Investment losses, net	38,123,741	1,973,380	3,401,706	—	43,498,827
Change in fair value of derivative instruments	17,539	8,361	5,306	—	31,206
Other, net	219,285	712,071	—	—	931,356
Net nonoperating losses, net	<u>38,360,565</u>	<u>2,693,812</u>	<u>3,407,012</u>	<u>—</u>	<u>44,461,389</u>
Revenue and gains in excess of expenses and losses	50,350,165	3,058,753	3,449,140	—	56,858,058
Other changes in net assets without donor restrictions:					
Net assets released from restriction for purchases of land, buildings, and equipment	3,731,463	—	32,913	—	3,764,376
Increase in net assets without donor restrictions	<u>\$ 54,081,628</u>	<u>3,058,753</u>	<u>3,482,053</u>	<u>—</u>	<u>60,622,434</u>

See accompanying independent auditors' report.

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Combining Schedule – Statement of Changes in Net Assets Information
Year ended December 31, 2019

	Riverside Medical Center	Oakside Corporation	Riverside Senior Living Center	Eliminations	Combined
Net assets without donor restrictions:					
Revenue and gains deficient of expenses and losses	\$ 50,350,165	3,058,753	3,449,140	—	56,858,058
Other changes in net assets without donor restrictions:					
Net assets released from restrictions used for the purchase of land, buildings, and equipment	3,731,463	—	32,913	—	3,764,376
Increase in net assets without donor restrictions	54,081,628	3,058,753	3,482,053	—	60,622,434
Net assets with donor restrictions:					
Contributions for specific purposes	1,437,281	—	103,202	—	1,540,483
Investment return earned on net assets with donor restrictions	115,805	—	—	—	115,805
Net assets released from restriction for purchases of land, buildings, and equipment	(3,731,463)	—	(32,913)	—	(3,764,376)
(Decrease) increase in net assets with donor restrictions	(2,178,377)	—	70,289	—	(2,108,088)
Change in net assets	51,903,251	3,058,753	3,552,342	—	58,514,346
Net assets at beginning of year	426,284,988	23,611,465	24,191,016	—	474,087,469
Net assets at end of year	\$ 478,188,239	26,670,218	27,743,358	—	532,601,815

See accompanying independent auditors' report.