



**IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH**

Consolidated Financial Statements

December 31, 2018 and 2017

(With Independent Auditors' Report Thereon)

**IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH**

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Independent Auditors' Report

To the Board of Directors
Iowa Health System and Subsidiaries
d/b/a UnityPoint Health:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Iowa Health System and its subsidiaries d/b/a UnityPoint Health (the System), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Iowa Health System and its subsidiaries d/b/a UnityPoint Health as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

As discussed in Note 1(v) to the consolidated financial statements, the System adopted new accounting guidance for ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matter

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2018 consolidating balance sheets and statements of operations and Affiliated Colleges' balance sheet and statement of operations are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Minneapolis, Minnesota
April 29, 2019

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Consolidated Balance Sheets

December 31, 2018 and 2017

(In thousands)

| | 2018 | 2017 |
|---|--------------|-------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 251,006 | 251,656 |
| Short-term investments | 21,782 | 19,528 |
| Assets limited as to use – required for current liabilities | 16,721 | 14,681 |
| Patient accounts receivable, net | 557,280 | 584,903 |
| Other receivables | 100,486 | 96,806 |
| Inventories | 83,889 | 77,618 |
| Prepaid expenses | 48,085 | 48,288 |
| Total current assets | 1,079,249 | 1,093,480 |
| Assets limited as to use, noncurrent: | | |
| Held by trustee under bond indenture agreements | 2,171 | 1,162 |
| Internally designated | 1,204,365 | 1,263,275 |
| Total assets limited as to use, noncurrent | 1,206,536 | 1,264,437 |
| Property, plant, and equipment, net | 1,843,907 | 1,868,779 |
| Other long-term investments | 958,201 | 1,022,219 |
| Investments in joint ventures and other investments | 152,773 | 147,638 |
| Contributions receivable, net | 89,047 | 94,753 |
| Other | 91,826 | 80,176 |
| Total assets | \$ 5,421,539 | 5,571,482 |
| Current liabilities: | | |
| Current maturities of long-term debt | \$ 62,658 | 154,574 |
| Accounts payable | 198,681 | 179,047 |
| Accrued payroll | 210,985 | 218,975 |
| Accrued interest | 8,752 | 10,215 |
| Estimated settlements due to third-party payors | 92,810 | 91,992 |
| Other current liabilities | 77,897 | 71,057 |
| Total current liabilities | 651,783 | 725,860 |
| Long-term debt, net | 1,042,488 | 1,046,036 |
| Other long-term liabilities | 382,076 | 420,664 |
| Total liabilities | 2,076,347 | 2,192,560 |
| Net assets: | | |
| Without donor restrictions: | | |
| Attributable to UnityPoint Health | 3,125,454 | 3,151,608 |
| Attributable to noncontrolling interest | 31,852 | 36,002 |
| Total without donor restrictions | 3,157,306 | 3,187,610 |
| With donor restrictions: | | |
| Attributable to UnityPoint Health | 187,042 | 190,410 |
| Attributable to noncontrolling interest | 844 | 902 |
| Total with donor restrictions | 187,886 | 191,312 |
| Total net assets | 3,345,192 | 3,378,922 |
| Total liabilities and net assets | \$ 5,421,539 | 5,571,482 |

See accompanying notes to consolidated financial statements.

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2018 and 2017

(In thousands)

| | 2018 | 2017 |
|--|--------------|-------------|
| Unrestricted revenue: | | |
| Net patient service revenue | \$ 4,075,430 | 3,816,086 |
| Other operating revenue | 324,611 | 329,798 |
| Net assets released from restrictions used for operations | 11,420 | 11,315 |
| Total unrestricted revenue | 4,411,461 | 4,157,199 |
| Expenses: | | |
| Salaries and wages | 1,570,724 | 1,513,446 |
| Physician compensation and services | 662,784 | 618,991 |
| Employee benefits | 420,498 | 429,942 |
| Supplies | 725,630 | 662,072 |
| Other expenses | 707,691 | 667,124 |
| Depreciation and amortization | 241,334 | 247,005 |
| Interest | 38,754 | 38,234 |
| Provision for uncollectible accounts | 3,275 | 1,882 |
| Total expenses | 4,370,690 | 4,178,696 |
| Operating income (loss) | 40,771 | (21,497) |
| Nonoperating gains (losses): | | |
| Investment income (loss) | (87,642) | 242,197 |
| Contribution received in affiliations | 34,806 | 41,771 |
| Other, net | 10,636 | (119) |
| Total nonoperating gains (losses), net | (42,200) | 283,849 |
| Revenue over expenses before loss on bond refinancing transactions | (1,429) | 262,352 |
| Loss on bond refinancing transactions | (2,558) | — |
| Excess (deficiency) of revenue over expenses from continuing operations | (3,987) | 262,352 |
| Gain (loss) on discontinued operations | 539 | (32,840) |
| Excess (deficiency) of revenue over expenses | (3,448) | 229,512 |
| Less net income (loss) attributable to noncontrolling interest | 5,979 | (3,701) |
| Excess (deficiency) of revenue over expenses attributable to UnityPoint Health | (9,427) | 233,213 |

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2018 and 2017

(In thousands)

| | 2018 | 2017 |
|---|--------------|-------------|
| Net assets without donor restrictions: | | |
| Excess of revenue over expenses | \$ (9,427) | 233,213 |
| Change in the fair value of interest rate swaps | 1,360 | 2,340 |
| Net assets released from restrictions used for capital expenditures | 10,120 | 11,782 |
| Change in defined benefit pension plan gains and losses and prior costs and credits | (28,895) | 44,795 |
| Contributions of or for acquisition of property and equipment | 261 | 159 |
| Other, net | 427 | 2,615 |
| Increase (decrease) in net assets without donor restrictions, UnityPoint Health | (26,154) | 294,904 |
| Net assets without donor restrictions, noncontrolling interest: | | |
| Excess (deficit) of revenue over expenses | 5,979 | (3,701) |
| Distributions of capital | (6,337) | (7,985) |
| Contributions of capital | (286) | — |
| Net assets released from restrictions used for capital expenditures | 58 | 58 |
| Other | (3,564) | — |
| Decrease in net assets without donor restrictions, noncontrolling interests | (4,150) | (11,628) |
| Net assets with donor restrictions: | | |
| Contributions | 16,901 | 15,243 |
| Contribution received in affiliations | 2,499 | 1,059 |
| Investment income | 2,042 | 6,545 |
| Government grants | 23 | 162 |
| Net assets released from restrictions used for operations | (11,420) | (11,315) |
| Net assets released from restrictions used for capital expenditures | (10,120) | (11,782) |
| Change in net unrealized gains on investments | (6,909) | 6,040 |
| Change in beneficial interest in net assets of affiliate | (1,454) | 12,010 |
| Other, net | 5,070 | 1,730 |
| Increase (decrease) in net assets with donor restrictions, UnityPoint Health | (3,368) | 19,692 |
| Net assets with donor restrictions, noncontrolling interest: | | |
| Net assets released from restrictions used for capital expenditures | (58) | (52) |
| Decrease in net assets with donor restrictions, noncontrolling interests | (58) | (52) |
| Increase (decrease) in net assets | (33,730) | 302,916 |
| Net assets, beginning of year | 3,378,922 | 3,076,006 |
| Net assets, end of year | \$ 3,345,192 | 3,378,922 |

See accompanying notes to consolidated financial statements.

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Consolidated Statements of Cash Flows

Years ended December 31, 2018 and 2017

(In thousands)

| | 2018 | 2017 |
|--|-------------|-------------|
| Operating activities: | | |
| Increase (decrease) in net assets | \$ (33,730) | 302,916 |
| Adjustments to increase (decrease) in net assets: | | |
| Net (gain) loss on investments | 128,398 | (206,132) |
| Net unrealized gains on swaps | (13,887) | (7,845) |
| Restricted contributions, investment income, and government grants received | (7,546) | (10,635) |
| Contributions of or for acquisition of property and equipment | (261) | (159) |
| Depreciation and amortization | 241,334 | 247,005 |
| Change in defined pension plans' liability | 28,895 | (44,795) |
| Contribution received in affiliations | (37,305) | (42,830) |
| Amortization of bond premium and debt issuance costs, net | 6,415 | (1,988) |
| Gain on disposition of assets | (9,020) | (1,238) |
| Equity in earnings of joint ventures | (27,116) | (30,006) |
| Change in beneficial interest in net assets of affiliates | 1,454 | (12,010) |
| Provision for uncollectible accounts | 3,275 | 1,882 |
| Changes in: | | |
| Receivables | 34,449 | (63,651) |
| Inventories, prepaid expenses, and other assets | 1,781 | 19,279 |
| Accounts payable, accrued liabilities, and other liabilities | (41,561) | 9,668 |
| Due to third-party payors | 102 | 10,849 |
| Net cash provided by operating activities | 275,677 | 170,310 |
| Investing activities: | | |
| Capital expenditures | (161,349) | (215,719) |
| Proceeds from sale of assets | 3,381 | 1,643 |
| Decrease in assets limited as to use, net | (8,646) | (29,486) |
| Cash acquired in affiliations | 9,949 | 13,589 |
| Acquisitions, net of cash acquired | — | (39,564) |
| Increase in loans receivable | (14,304) | (206) |
| Increase in short-term investments | (2,144) | (2,804) |
| Decrease in other long-term investments | 13,082 | 55,212 |
| Investments in joint ventures | (7,019) | (2,543) |
| Distributions received from joint ventures | 30,425 | 26,969 |
| Net cash used in investing activities | (136,625) | (192,909) |
| Financing activities: | | |
| Proceeds from issuance of long-term debt | 380,819 | 75,730 |
| Payments of debt | (217,411) | (56,190) |
| Payments of financing costs | (2,162) | (188) |
| Payments on early extinguishment of debt | (308,755) | (12,996) |
| Proceeds from restricted contributions, investment income, and government grants | 7,546 | 10,635 |
| Proceeds from contributions for acquisition of property and equipment | 261 | 159 |
| Net cash provided by (used in) financing activities | (139,702) | 17,150 |
| Decrease in cash and cash equivalents | (650) | (5,449) |
| Cash and cash equivalents, beginning of year | 251,656 | 257,105 |
| Cash and cash equivalents, end of year | \$ 251,006 | 251,656 |

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Consolidated Statements of Cash Flows

Years ended December 31, 2018 and 2017

(In thousands)

| | <u>2018</u> | <u>2017</u> |
|---|-------------|-------------|
| Supplemental cash flow information: | | |
| Interest paid (net of amount capitalized) | \$ 40,218 | 39,340 |
| Capital lease obligations incurred for property and equipment | 9,122 | 2,631 |
| Property and equipment purchases in accounts payable | 7,929 | 15,526 |
| Affiliations: | | |
| Assets acquired, less cash | 75,810 | 92,976 |
| Liabilities assumed | 48,456 | 60,076 |
| Acquisitions: | | |
| Assets acquired, less cash | — | 49,616 |
| Liabilities assumed | — | 10,052 |

See accompanying notes to consolidated financial statements.

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Dollars in thousands)

(1) Nature of Operations and Summary of Significant Accounting Policies

(a) Organization

Iowa Health System is an Iowa nonprofit corporation formed in December 1994. Iowa Health System and its subsidiaries provide inpatient and outpatient care and physician services from twenty-two hospital facilities and various ambulatory service and clinic locations in Iowa, Illinois and Wisconsin. Primary, secondary, and tertiary care services are provided to residents of Iowa, Illinois, Wisconsin, and adjacent states.

Iowa Health System publicly operates as UnityPoint Health (the System). The legal name of the parent remains Iowa Health System, with the UnityPoint Health name reflecting a doing business as (d/b/a). This “d/b/a” name reflects the transformation of clinical processes underway within the System and the adaptation to better address the healthcare needs of communities, including building a model of delivering healthcare that coordinates care around the patient while focusing on improving the quality of care and reducing costs.

(b) Basis of Presentation

The consolidated financial statements include the accounts of UnityPoint Health and its subsidiaries listed below:

- Central Iowa Health System and Subsidiaries (d/b/a UnityPoint Health – Des Moines) (Des Moines)
- Methodist Health Services Corporation and Subsidiaries (Peoria)
- Trinity Regional Health System and Subsidiaries (Rock Island)
- Meriter Health Services, Inc. and Subsidiaries (Madison)
- St. Luke’s Healthcare and Subsidiaries (Cedar Rapids)
- Allen Health Systems, Inc. and Subsidiaries (Waterloo)
- St. Luke’s Health System, Inc. and Subsidiaries (Sioux City)
- Trinity Health Systems, Inc. and Subsidiaries (Fort Dodge)
- Finley Tri-States Health Group, Inc. and Subsidiaries (Dubuque)
- Memorial Hospital Association (Carthage; affiliated as of July 1, 2018)
- Keokuk Health Systems and Subsidiaries, Inc. (Keokuk; affiliated as of January 1, 2017)
- Iowa Physicians Clinic Medical Foundation (d/b/a UnityPoint Clinic)
- UnityPoint at Home

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

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Dollars in thousands)

On January 1, 2017, the System's subsidiary, Methodist Health Services Corporation, became the sole corporate member of Progressive Health Systems, Inc. with assets and liabilities of \$62,512 and \$42,060, respectively. Included in assets is cash of \$4,351.

On January 1, 2017, the System became the sole corporate member of Keokuk Health Services, Inc. with assets and liabilities of \$16,616 and \$18,142, respectively. Included in assets is cash of \$548.

On January 1, 2017, the System's subsidiary, St. Luke's Healthcare, became the sole corporate member of Abbe, Inc. with assets and liabilities of \$31,123 and \$9,848, respectively. Included in assets is cash of \$8,598.

On May 1, 2017, the System's subsidiary, Allen Health Systems, Inc., acquired the assets of Central Iowa Healthcare out of bankruptcy for \$39,571 and assumed certain liabilities as part of the transaction.

On July 1, 2017, the System's subsidiary, Trinity Regional Health System, became the sole corporate member of Center for Alcohol and Drug Services, Inc. with assets and liabilities of \$6,796 and \$857, respectively. Included in assets is cash of \$59.

Physicians Plus Insurance Company (PPIC) had net assets of \$16,366, which were contributed to Quartz Holding Company as of July 1, 2017 as part of an Exchange Agreement. The operating results of PPIC are reported in discontinued operations in the accompanying consolidated statements of operations and changes in net assets for the years ended December 31, 2018 and 2017. PPIC had unrestricted revenue of \$122,214 and expenses of \$130,721 through June 30, 2017.

On January 1, 2018, the System's subsidiary, Central Iowa Health System, became the sole corporate member of Grinnell Regional Medical Center (GRMC) with assets and liabilities of \$32,284 and \$11,699, respectively. Included in assets is cash of \$4,983.

On January 1, 2018, the System's subsidiary, Central Iowa Health System, became the sole corporate member of Eyerly-Ball Community Mental Health Services (Eyerly-Ball) with assets and liabilities of \$2,990 and \$1,386, respectively. Included in assets is cash of \$195.

On July 1, 2018, the System became the sole corporate member of Memorial Hospital Association with assets and liabilities of \$50,487 and \$35,371, respectively. Included in assets is cash of \$4,771.

These transactions were accounted for as acquisitions in accordance with Accounting Standards Codification (ASC) Topic 958-805, *Business Combinations – Not-for-Profit Entities* and assets and liabilities were recorded at fair value.

(c) Noncontrolling Interests

The consolidated financial statements include all assets, liabilities, revenue, and expenses of entities that are controlled by the System and, therefore, consolidated. Noncontrolling interests in the consolidated balance sheets and statements of operations and changes in net assets represent the portion of net assets owned by entities outside the System and the portion of operating results attributed to the noncontrolling ownership interest.

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Dollars in thousands)

(d) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(e) Cash, Cash Equivalents, and Short-Term Investments

Cash equivalents consist of demand deposits, money market funds, and other debt securities with original maturities of three months or less at the date of purchase, other than those included in assets limited as to use or held in brokerage accounts. A portion of these balances are held in a pooled cash management account, with the balances and activity remaining within the respective subsidiaries. Short-term investments consist of debt securities with weighted average maturities between 91 and 365 days of the consolidated balance sheet date, and other debt securitized products, and other investments held as part of deferred compensation arrangements whose distributions will occur within one year.

At times, the System's cash accounts exceeded federally insured limits. Management believes that the institutions where cash accounts are maintained are financially stable and that the credit risk related to deposits is minimal.

(f) Assets Limited as to Use

Assets limited as to use include amounts held by trustees under bond indenture agreements and related documents and assets internally designated by the Board of Directors for identified purposes and over which the Board of Directors retains control and may, at its discretion, subsequently use for other purposes. Amounts required to meet current liabilities are classified as current assets.

(g) Inventories

Inventories consist of supplies and are stated at the lower of cost or market.

(h) Short-Term Investments, Other Long-Term Investments, Investments in Joint Ventures, and Investment Income

Investments in equity securities with readily determinable fair values and all investments in fixed-income securities are measured at fair value in the consolidated balance sheets. The fair values are based on quoted market prices or dealer quotes.

Investments in joint ventures and other affiliates, which are more than 20% and not more than 50% owned, are recorded using the equity method. Other investments are reported at cost, as adjusted for permanent impairment in value, if any.

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Dollars in thousands)

Realized gains and losses from the sale of investments, interest and dividends (except those earned as a function of operations) and unrealized gains and losses on investments classified as trading securities and those carried at fair value pursuant to ASC Topic 825 are reported as nonoperating gains (losses) unless restricted by a donor. Income from investments restricted by donors is included as a component of the change in net assets based upon the nature of the restriction.

The System elected the net asset value as practical expedient option for its alternative investments (including hedge funds and private equity funds) that are primarily limited liability corporations and partnerships. Management has elected this option for the alternative investments because it more accurately reflects the portfolio returns and consolidated financial position of the System. Gains and losses on investments subject to the net asset value option are reported in investment income in nonoperating gains (losses) in the accompanying consolidated statements of operations and changes in net assets.

Refer to notes 5 and 12 for additional disclosures regarding balance sheet line items and fair value of those investments carried under Financial Accounting Standards Board (FASB) ASC Topic 825.

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs), and Level 3 (significant unobservable inputs) are recognized on the actual transfer date.

(i) Property, Plant and Equipment

Property, plant and equipment acquisitions are recorded at cost, less accumulated depreciation. Depreciation is provided primarily using the straight-line method over the estimated useful lives of the assets. Depreciation of assets under capital lease is provided using the straight-line method over the shorter of the lease term or the estimated useful life of the assets. Donated property, plant and equipment are recorded at fair value at the date of donation.

Property, plant, and equipment assets are depreciated on the straight-line method over the following estimated useful lives:

| | |
|--------------------|------------|
| Buildings | 10–40 yrs. |
| Fixed equipment | 5–15 yrs. |
| Moveable equipment | 3–15 yrs. |
| Computer software | 3–10 yrs. |

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Dollars in thousands)

Property, plant, and equipment are stated at cost and is summarized at December 31 as follows:

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|------------------|
| Land | \$ 196,472 | 195,782 |
| Land improvements | 71,405 | 68,361 |
| Buildings, improvements, and fixed equipment | 2,471,925 | 2,344,967 |
| Moveable equipment | <u>1,564,786</u> | <u>1,560,894</u> |
| | 4,304,588 | 4,170,004 |
| Less accumulated depreciation and amortization | <u>2,536,379</u> | <u>2,393,014</u> |
| | 1,768,209 | 1,776,990 |
| Construction/information systems installation in progress | <u>75,698</u> | <u>91,789</u> |
| Net property, plant, and equipment | <u>\$ 1,843,907</u> | <u>1,868,779</u> |

Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of construction in progress, net of interest earned on investments acquired with the proceeds of the borrowing. During 2018 and 2017, the System capitalized \$90 and \$456 of interest expense, respectively.

As of December 31, 2018 and 2017, the System has committed \$156,920 and \$173,260, respectively, for costs related to various construction projects. The System plans to fund the majority of these projects through internal funds, with supplemental debt financing for certain projects.

(j) Asset Retirement Obligation

The System recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred, if a reasonable estimate of the fair value of the obligation can be made. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statements of operations and changes in net assets. Liabilities for such obligations of \$19,979 and \$19,062 are recorded in other long-term liabilities as of December 31, 2018 and 2017, respectively. The year-over-year increase of \$917 is primarily due to the accretion of the liability.

(k) Long-Lived Asset Impairment

The System evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Dollars in thousands)

No asset impairment was recognized during the years ended December 31, 2018 and 2017.

(l) Other Assets

Other assets include certain intangible assets that are stated at cost less accumulated amortization. In addition, other assets include goodwill. The System follows ASU 2014-04, which simplifies the goodwill impairment test. Goodwill is an asset representing the future economic benefits arising from other assets acquired as part of business combinations that are not individually identified and separately recognized. The System has \$37,064 and \$38,437 of goodwill at December 31, 2018 and 2017, respectively. If necessary based on qualitative factors, the System will perform an impairment test of its goodwill and intangible assets using a discounted cash flow method, and any identified impairment loss is recognized as expense. The analysis performed during 2018 and 2017 showed the carrying amount exceeded fair value for two of the System's subsidiaries, and \$1,373 and \$13,102 of impairment was recognized in depreciation and amortization expense in the accompanying consolidated statements of operations and changes in net assets in 2018 and 2017, respectively.

Other intangible assets at December 31, 2018 and 2017 were \$4,205 and \$5,002, respectively, which are subject to amortization.

(m) Net Assets

Net assets are classified into two mutually exclusive classes: without donor restrictions and with donor restrictions. The two classes are based on the presence or absence of donor-imposed restrictions. The release of net assets from donor restrictions is recorded in the period in which the restrictions are met. Contributions with donor-imposed restrictions that are met in the same reporting period are reported as without donor restriction.

Donor-imposed restrictions are generally restricted for capital expenditures, passage of time, or other donor-specified restrictions.

For entities in which the System has less than full ownership but has a controlling interest, a noncontrolling interest is recorded for the portion of net assets controlled by unrelated parties.

(n) Excess (Deficiency) of Revenues over Expenses

Excess (deficiency) of revenues over expenses transactions affecting net assets without donor restrictions are reflected in the consolidated statements of operations and changes in net assets. Consistent with industry practice, the effective portion of derivative instruments qualifying for hedge accounting carried at fair value, changes in defined benefit plans, and contributions of long-lived assets (including assets acquired with donor-restricted cash contributions) are excluded from determination of the excess (deficiency) of revenues over expenses. Transactions with donor restrictions are recorded as additions of operations or deductions to net assets with donor restrictions and are reflected in the consolidated statements of operations and changes in net assets.

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(o) Patient Service Revenue and Accounts Receivable

Patient service revenue is reported at the amount that reflects the consideration to which the System expects to be entitled in exchange for providing patient care. These amounts, representing transaction price, are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the System bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the System. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The System believes that this method provides a reasonable 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 receiving inpatient acute care services. The System measures the performance obligation from admission into the healthcare provider to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and the System does not believe it is required to provide additional goods or services. Because all of its performance obligations relate to contracts with a duration of less than one year, the System has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The System determines the transaction price, which involves significant estimates and judgment, based on standard charges for goods and services provided, reduced by explicit and implicit price concessions, including contractual adjustments provided to third-party payors, discounts provided to uninsured and underinsured patients in accordance with policy, and/or implicit price concessions based on the historical collection experience of patient accounts. The System determines the transaction price associated with services provided to patients who have third-party payor coverage based on reimbursement terms per contractual agreements, discount policies, and historical experience. For uninsured patients who do not qualify for charity care, the System determines the transaction price associated with services on the basis of charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on historical collection experience for applicable patient portfolios. Patients who meet the System's criteria for free care "charity" are provided care without charge; such amounts are not reported as revenue. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are

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included in the determination of the estimated transaction price for providing patient care using the most-likely-outcome method. These settlements are estimated based on the terms of the payment agreements with the payor, correspondence from the payor, and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as new information becomes available or as years are settled or are no longer subject to such audits, reviews, and investigations.

The System 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 and other analyses, the System believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

The percentage of patient service revenue by payor recognized in the years ended December 31 was as follows:

| | <u>2018</u> | <u>2017</u> |
|----------------------|--------------|--------------|
| Medicare | 36 % | 36 % |
| Medicaid | 14 | 14 |
| Wellmark/Blue Cross | 22 | 22 |
| Commercial and other | 28 | 28 |
| Self-pay | — | — |
| | <u>100 %</u> | <u>100 %</u> |

The percentage of patient accounts receivable by payor at December 31 was as follows:

| | <u>2018</u> | <u>2017</u> |
|----------------------|--------------|--------------|
| Medicare | 27 % | 29 % |
| Medicaid | 13 | 16 |
| Wellmark/Blue Cross | 22 | 19 |
| Commercial and other | 34 | 32 |
| Self-pay | 4 | 4 |
| | <u>100 %</u> | <u>100 %</u> |

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The sources of patient service revenue, disaggregated by lines of service, for the years ended December 31 were as follows:

| | 2018 | | | | | | | | | | | |
|-------------------------|---------------------|----------------|----------------|---------------------|-----------------|----------------|----------------|----------------|----------------|---------------|-------------------|------------------|
| | Central Iowa | Madison | Quad Cities | Central Illinois | Cedar Rapids | Waterloo | Sioux City | Fort Dodge | Dubuque | Carthage | Keokuk/ Quincy | Total |
| Service lines: | | | | | | | | | | | | |
| Hospital | \$ 782,100 | 392,180 | 460,186 | 502,816 | 382,924 | 291,742 | 174,576 | 87,834 | 103,779 | 9,643 | 11,550 | 3,199,330 |
| Physician services | 185,525 | 41,798 | 56,775 | 77,234 | 83,485 | 71,964 | 15,511 | 46,954 | 7,756 | 2,894 | 20 | 589,916 |
| Home health and hospice | 71,500 | 10,441 | 33,804 | 16,988 | 17,807 | 21,881 | 11,378 | 16,557 | 4,331 | — | 3,709 | 208,396 |
| Other | 16,640 | 4,661 | 22,948 | (28) | 30,170 | 1,741 | (2,177) | 894 | 1,612 | 1,327 | — | 77,788 |
| | <u>\$ 1,055,765</u> | <u>449,080</u> | <u>573,713</u> | <u>597,010</u> | <u>514,386</u> | <u>387,328</u> | <u>199,288</u> | <u>152,239</u> | <u>117,478</u> | <u>13,864</u> | <u>15,279</u> | <u>4,075,430</u> |

| | 2017 | | | | | | | | | | | |
|-------------------------|-------------------|----------------|----------------|---------------------|-----------------|----------------|----------------|----------------|----------------|----------|-------------------|------------------|
| | Central Iowa | Madison | Quad Cities | Central Illinois | Cedar Rapids | Waterloo | Sioux City | Fort Dodge | Dubuque | Carthage | Keokuk/ Quincy | Total |
| Service lines: | | | | | | | | | | | | |
| Hospital | \$ 696,989 | 349,363 | 463,941 | 488,407 | 372,556 | 264,560 | 167,730 | 90,743 | 103,619 | — | 16,135 | 3,014,043 |
| Physician services | 169,678 | 45,601 | 54,562 | 70,046 | 70,891 | 58,938 | 14,490 | 42,587 | 6,852 | — | 140 | 533,785 |
| Home health and hospice | 70,090 | 12,154 | 30,960 | 17,435 | 15,401 | 18,727 | 12,716 | 15,658 | 4,442 | — | 3,914 | 201,497 |
| Other | 3,776 | 8,922 | 21,299 | (25) | 30,874 | 1,514 | (1,907) | 935 | 1,373 | — | — | 66,761 |
| | <u>\$ 940,533</u> | <u>416,040</u> | <u>570,762</u> | <u>575,863</u> | <u>489,722</u> | <u>343,739</u> | <u>193,029</u> | <u>149,923</u> | <u>116,286</u> | <u>—</u> | <u>20,189</u> | <u>3,816,086</u> |

Other operating revenue primarily includes income from joint ventures, reference lab, retail pharmacy and shared savings revenue from value based contracts with third party payors. Revenue from services recorded as other operating revenue is primarily recognized at the time of service rendered. Other operating revenue for the years ended December 31 was as follows:

| | Central Iowa | Madison | Quad Cities | Central Illinois | Cedar Rapids | Waterloo | Sioux City | Fort Dodge | Dubuque | Carthage | Keokuk/ Quincy | Total |
|------|-----------------|---------|----------------|---------------------|-----------------|----------|---------------|---------------|---------|----------|-------------------|---------|
| 2018 | \$ 97,834 | 22,980 | 32,151 | 48,412 | 31,723 | 42,117 | 27,000 | 12,260 | 8,763 | 894 | 477 | 324,611 |
| 2017 | \$ 86,049 | 52,782 | 29,771 | 50,673 | 31,610 | 35,016 | 22,495 | 12,773 | 6,948 | — | 1,681 | 329,798 |

(p) Charity Care

The System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Amounts determined to be charity care are not reported as revenue.

(q) Contributions and Beneficial Interest in Net Assets

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor-imposed restrictions are considered fulfilled as soon as the stipulated time has expired or the qualifying expenditure has been made. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions.

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Contributions not expected to be collected within a year are recorded at the present value of expected future cash flows using a risk-free interest rate over the term of the contribution. Contributions of property are recorded at fair value when received.

Interests in charitable trusts and perpetual trusts are carried at the present value of expected future cash flows, which approximates fair value. The System's interest in the net assets (the Interest) of certain foundations that raise and hold assets on behalf of the System is accounted for in a manner similar to the equity method. The Interest is recorded at its beneficial interest in the underlying assets, and changes in the Interest are included in the change in net assets. Transfers of assets between these foundations and the System are recognized as increases or decreases in the Interest.

(r) *Estimated Malpractice Costs, Health Insurance, and Workers' Compensation*

An annual estimated provision is accrued for the self-insured portion of medical malpractice, health insurance, and workers' compensation claims and includes an estimate of the ultimate costs for both reported claims and claims incurred but not reported.

Claims liabilities are recorded at the gross amount without consideration of insurance recoveries. Expected recoveries are presented separately as receivables in the consolidated balance sheets.

(s) *Interest Rate Swap Agreements*

The System has entered into various interest rate swap agreements (the Swaps) to reduce the effect of changes in cash flows primarily related to interest rate fluctuations on the System's various variable rate debt.

As described in note 7, the System no longer has any swaps that qualify for hedge accounting, so changes in fair value for all swap agreements are recorded as a component of nonoperating gains (losses) in excess of revenue over expense.

The Swaps are recognized on the consolidated balance sheets at fair value. The net cash payments or receipts under the Swaps are recorded as an increase or decrease to other nonoperating income (loss).

(t) *Income Taxes*

UnityPoint Health and most of its subsidiaries are classified as tax-exempt organizations as described in Sections 501(c)(3) and 501(c)(2) of the Internal Revenue Code (the Code). Tax-exempt organizations are not subject to federal and state income taxes on related income, pursuant to Section 501(a) of the Code. These organizations are subject to federal and state income taxes to the extent they have unrelated business income as described under provisions of Section 511 of the Code.

The System files Form 990 for substantially all of its operating entities in the U.S. federal jurisdiction and is no longer subject to examination by tax authorities for the years before 2015. The System has no material uncertain tax positions.

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Certain subsidiaries are subject to federal and state income taxes. Some of these corporations have accumulated net operating loss carryforwards that are available to offset future taxable income, if any, during the carryforward period. Deferred tax assets and liabilities related to these subsidiaries were not material.

(u) Retirement Plans

Substantially all employees meeting age and length of service requirements participate in defined-contribution plans. Certain subsidiaries also have defined-benefit plans, most of which have been substantially frozen. Pension costs for the defined-benefit plans, which are composed of normal costs and amortization of prior service costs related to defined-benefit plans, are funded currently.

(v) Recently Issued Accounting Standards

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides a single model for recognizing revenue arising from contracts with customers and supersedes current revenue recognition guidance. This ASU requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of goods or services and replaces existing revenue recognition guidance in U.S. GAAP when it becomes effective.

On January 1, 2018, the System adopted ASU 2014-09 following the modified retrospective method of application for the adoption of the guidance to all contracts existing on January 1, 2018, resulting in no impact to the System's existing revenue streams. At the adoption of ASU 2014-09, the majority of what was previously classified as the provision for bad debts (which would have approximated \$127,415 for the year ended December 31, 2018) is now reflected as an implicit price concession (as defined in ASU 2014-09) and therefore is included as a reduction to patient service revenue in the accompanying consolidated statements of operations and changes in net assets. Such amounts were also reclassified in the consolidated statements of cash flows to the change in patient accounts receivable. For changes in credit issues not assessed at the date of service, the System will prospectively recognize those amounts as bad debt expense. Bad debt expense is now included as a component of operating expenses in the accompanying consolidated statements of operations and changes in net assets. For periods prior to the adoption of ASU 2014-09, the provision for bad debts has been presented consistent with the new revenue recognition standards that require it to be presented as a reduction to patient service revenue. Additionally, upon adoption of ASU 2014-09, the allowance for uncollectible accounts of approximately \$86,632 as of December 31, 2017 was reclassified as a component of patient accounts receivable in the accompanying consolidated balance sheets.

The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period. As provided for under the guidance, the System does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less.

The System used a portfolio approach to apply the new model to classes of payors with similar characteristics and analyzed cash collection trends over an appropriate collection look-back period

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depending on the payor. The System also completed an initial assessment of the impact of the new standard on various reimbursement programs that represent variable consideration and concluded that accounting for these programs under the new standard is substantially consistent with the System's historical accounting practices.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize all leases with a term of more than one year on their balance sheet as well as disclose key information about leasing arrangements. The new standard establishes a right of use (ROU) model where a lessee will recognize a ROU asset and lease liability on the balance sheet. All leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the income statement. The new standard is effective for the System beginning January 1, 2019. The System continues to evaluate the standard and currently expects it will have a significant effect on the consolidated balance sheets but no material change to the consolidated statements of operations and changes in net assets.

In August 2016, the FASB issued ASU 2016-14, *Not-for Profit Entities (Topic 958)*, to change the way a not-for-profit entity (NFP) classifies and presents net assets on the face of the financial statements, as well as the information presented in the financial statements and notes about the NFP's liquidity, financial performance, and cash flows. The amendment changes the way an NFP reports classes of net assets, from three classes to two, by eliminating the distinction between resources with permanent restrictions and those with temporary restrictions. The amendment also requires the NFP to provide enhanced disclosure about the nature, amounts and effects of the various types of donor-imposed restrictions the NFP's management of its liquidity to meet short-term demands for cash and the types of resources used and how they are allocated to carrying out the NFP's activities.

On January 1, 2018, the System adopted ASU 2016-14, following the retrospective method of application for the adoption of the guidance. As a result, at the adoption of ASU 2016-14, net assets previously classified as temporarily restricted and permanently restricted (which would have approximated \$112,008 and \$75,878 respectively for the year ended December 31, 2018) are now reflected as net assets with donor restrictions (as defined in ASU 2016-14) in the accompanying consolidated balance sheets. For periods prior to the adoption of ASU 2016-14, net assets previously presented as temporarily restricted and permanently restricted, \$117,169 and \$74,143, respectively, as of December 31, 2017 have been presented as net assets with donor restrictions.

In March of 2017, the FASB issued ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (ASU 2017-07)*. ASU 2017-07 provides guidance on the presentation of the various components of net periodic pension and postretirement benefit cost (net benefit cost). The service cost component will be presented with other employee compensation costs in operating income on the statement of operations. All other components of net benefit cost will be reported separately outside of operating income. The provisions of ASU 2017-07 are effective for annual periods beginning after December 15, 2017. The adoption of the new guidance did not have a material impact on the consolidated financial statements.

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In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, to address consistency in determining whether a transfer of assets is an exchange transaction or a contribution and whether a contribution is conditional. The System will be required to adopt ASU 2018-08 as of January 1, 2019. The System does not expect the standard to have a material effect on the consolidated financial statements.

(2) Charity Care

The System provides charity care and financial assistance discounts for medically necessary healthcare services provided to persons who meet the System's policy. The policy provides a percentage discount to the patient that decreases at gradually higher income levels or higher levels of household net assets. The benchmark, which the income level is compared to, is the Federal Poverty Income Guideline and is updated annually. Patients who are already receiving benefits from certain identified government programs qualify for presumptive eligibility.

The availability of charity care is widely communicated to all patients, and patients are notified prior to receiving services if their treatment does not fall within the guidelines of the policy. Amounts charged for care that is provided to individuals eligible for charity may not be more than the amounts generally billed to individuals who have insurance covering such care. Amounts billed are based on either the best, or an average of the three best, negotiated commercial rates or Medicare rates.

Accounts that are classified by the System as charity care are not reported as patient service revenue. In some cases, the charity care is subsidized by contributions from volunteer organizations or other donors. Charity care subsidies are not material to the consolidated financial statements.

Cost of charity care is calculated by applying hospital specific cost-to-charge ratios to the total amount of charity care deductions from gross revenue. The cost-to-charge ratio is calculated by taking the hospital total expenses and gross charges and applying adjustments to remove the cost of nonpatient care activity, Medicaid provider taxes paid, identifiable community benefit expenses, as well as gross patient charges that are generated for identifiable community benefit services. The amount of charity care provided at cost was \$26,912 and \$22,521 for the years ended December 31, 2018 and 2017, respectively. The expansion of Medicaid coverage, under the provisions of the PPACA, for a large population of previously uninsured patients has had a significant impact on the amount of self-pay charges and resulting charity care provided.

Community benefit is also provided through reduced price services and free programs offered throughout the year. The System provides an array of uncompensated activities and services intended to meet the community health needs. These activities include wellness programs, community education programs and various health screening programs.

(3) Third-Party Reimbursement

As a provider of healthcare services, the System generally grants credit to patients without requiring collateral or other security. The System routinely obtains assignments of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies. These health insurance programs or providers are commonly referred to as third-party payors and include the Medicare and

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Medicaid programs, Wellmark/Blue Cross and various health maintenance and preferred provider organizations.

A major portion of the System's revenue is derived from these third-party payers. Significant changes have been made, and may be made, in certain of these programs, which could have a material, adverse impact on the financial condition of the System. These changes include federal and state laws and regulations, particularly those pertaining to Medicare and Medicaid.

The System has agreements with certain third-party payers that provide for payment of services at amounts that differ from established rates. Third-party payer payment rates vary by payer and include established charges; contracted rates less than established charges; prospectively determined rates per discharge, bundled payment per episode of care, per procedure, or per diem; and retroactively determined cost-based rates.

(a) Medicaid State Plans

The System has operations within states that have enacted a Medicaid State Plan. Under each of these plans, a tax assessment is levied on certain hospital providers in order to provide funding for Medicaid to obtain federal matching funds. A portion of these additional federal funds are then redistributed to participating hospitals through increased Medicaid payments in order to help bring Medicaid reimbursement closer to the cost of providing care. The allocation of these funds to specific health care providers is based primarily on the amount of care provided to Medicaid recipients.

The System's aggregate tax assessment during 2018 and 2017 was \$56,856 and \$54,954, respectively, and is included in operating expenses in the consolidated statements of operations and changes in net assets. Additional Medicaid reimbursement in the same periods was \$114,007 and \$127,494, respectively, and is included in patient service revenue in the consolidated statements of operations and changes in net assets, resulting in a net increase in operating income of \$57,153 and \$72,540 for 2018 and 2017, respectively.

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(4) Functional Expenses

The System provides general health care services, including hospital, physician and home healthcare, and incurs related general and administrative expenses. Expenses related to providing these services for the years ended December 31 were as follows:

| | 2018 | | | | | |
|--------------------------------------|------------------------------|-------------------------------|------------------------------------|----------------|------------------|------------------|
| | Hospital Services | Physician Services | Home Health and Hospice | Other | MG&A | Total |
| Salaries and wages | \$ 729,079 | 152,509 | 53,284 | 80,786 | 555,066 | 1,570,724 |
| Physician compensation and services | 69,692 | 538,360 | 296 | 11,483 | 42,953 | 662,784 |
| Employee benefits | 181,393 | 47,540 | 12,542 | 22,880 | 156,143 | 420,498 |
| Supplies | 535,932 | 54,120 | 11,413 | 94,337 | 29,828 | 725,630 |
| Other expenses | 165,343 | 58,364 | 9,282 | 55,284 | 419,418 | 707,691 |
| Depreciation and amortization | 67,969 | 9,328 | 316 | 4,953 | 158,768 | 241,334 |
| Interest | 1 | 376 | — | 124 | 38,253 | 38,754 |
| Provision for uncollectible accounts | — | — | 560 | 2,244 | 471 | 3,275 |
| | <u>\$ 1,749,409</u> | <u>860,597</u> | <u>87,693</u> | <u>272,091</u> | <u>1,400,900</u> | <u>4,370,690</u> |

| | 2017 | | | | | |
|--------------------------------------|------------------------------|-------------------------------|------------------------------------|----------------|------------------|------------------|
| | Hospital Services | Physician Services | Home Health and Hospice | Other | MG&A | Total |
| Salaries and wages | \$ 702,953 | 147,841 | 55,591 | 70,378 | 536,683 | 1,513,446 |
| Physician compensation and services | 68,087 | 496,438 | (294) | 11,753 | 43,007 | 618,991 |
| Employee benefits | 165,661 | 44,655 | 12,472 | 19,934 | 187,220 | 429,942 |
| Supplies | 494,917 | 54,242 | 10,255 | 81,971 | 20,687 | 662,072 |
| Other expenses | 142,038 | 54,518 | 9,681 | 49,378 | 411,509 | 667,124 |
| Depreciation and amortization | 63,099 | 9,000 | 390 | 17,834 | 156,682 | 247,005 |
| Interest | 9 | 406 | 20 | 109 | 37,690 | 38,234 |
| Provision for uncollectible accounts | — | 5 | 422 | 1,080 | 375 | 1,882 |
| | <u>\$ 1,636,764</u> | <u>807,105</u> | <u>88,537</u> | <u>252,437</u> | <u>1,393,853</u> | <u>4,178,696</u> |

The consolidated financial statements report certain expense categories that are attributable to more than one healthcare service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function are allocated based on revenue.

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(5) Investments

(a) Investment Summary

A summary of short-term investments at December 31 is as follows:

| | <u>2018</u> | <u>2017</u> |
|------------------------------------|------------------|---------------|
| Cash equivalents | \$ 340 | 633 |
| U.S. Treasury obligations | 3,862 | 1,499 |
| U.S. government agency obligations | 200 | — |
| Asset-backed securities: | | |
| Home equity | 53 | — |
| Other | 3,519 | 3,222 |
| Mortgage-backed securities: | | |
| Government | 299 | 37 |
| Nongovernment | 348 | 837 |
| Certificates of deposit | 2,267 | 3,461 |
| Corporate bonds | 6,988 | 5,204 |
| Municipal bonds | 189 | 956 |
| Mutual funds: | | |
| Domestic | 7 | 64 |
| International | 57 | 74 |
| Index | 279 | 224 |
| Equity | 294 | 272 |
| Fixed income | 166 | 428 |
| Other | 2,914 | 2,617 |
| Total short-term investments | <u>\$ 21,782</u> | <u>19,528</u> |

A summary of investments reported as assets limited as to use at December 31 is as follows:

| | <u>2018</u> | <u>2017</u> |
|---|--------------|--------------|
| Held by trustees under bond indenture agreements: | | |
| Cash equivalents | \$ 906 | 1,162 |
| Certificates of deposit | 1,265 | — |
| Mortgage-backed securities | — | — |
| | <u>2,171</u> | <u>1,162</u> |

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| | 2018 | 2017 |
|--|---------------------|------------------|
| Internally designated: | | |
| Cash equivalents | \$ 2,266 | 1,919 |
| U.S. Treasury obligations | 3,616 | 4,341 |
| Certificates of deposit | 880 | — |
| Corporate bonds | 387 | 188 |
| Equity securities: | | |
| Domestic | 13,221 | 13,619 |
| International | 902 | 875 |
| Mutual funds: | | |
| Domestic | 7,694 | 7,582 |
| International | 306,417 | 346,713 |
| Equity | 230,465 | 255,577 |
| Fixed income | 330,485 | 341,778 |
| Alternative funds | 312,109 | 296,253 |
| Hedge funds | — | 2,123 |
| Private equity funds | 12,644 | 6,988 |
| | <u>1,221,086</u> | <u>1,277,956</u> |
| Total assets limited as to use | 1,223,257 | 1,279,118 |
| Less amount required to meet current obligations | <u>16,721</u> | <u>14,681</u> |
| Noncurrent portion of assets limited as to use | <u>\$ 1,206,536</u> | <u>1,264,437</u> |

Assets held by trustee under bond indenture agreements are required to be held in separate trust accounts. A summary of these trust accounts aggregated by their required use at December 31 is as follows:

| | 2018 | 2017 |
|-----------------------|-------------|-------------|
| Debt service accounts | \$ 2,171 | 1,162 |

Internally designated assets are summarized below based on the designation at December 31:

| | 2018 | 2017 |
|-----------------------|---------------------|------------------|
| Capital improvements | \$ 1,183,110 | 1,241,519 |
| Self-insured reserves | <u>37,976</u> | <u>36,437</u> |
| | <u>\$ 1,221,086</u> | <u>1,277,956</u> |

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Investments presented as other long-term investments at December 31 are summarized as follows:

| | <u>2018</u> | <u>2017</u> |
|------------------------------------|-------------------|------------------|
| Cash equivalents | \$ 1,092 | 771 |
| U.S. Treasury obligations | 803 | 5,264 |
| U.S. government agency obligations | 998 | 881 |
| Asset-backed securities: | | |
| Home equity | 4,001 | — |
| Other | — | 2,127 |
| Mortgage-backed securities: | | |
| Government | 658 | — |
| Nongovernment | 1,574 | 1,447 |
| Certificates of deposit | 2,328 | 467 |
| Corporate bonds | 17,235 | 9,334 |
| Municipal bonds | — | 364 |
| Equity securities: | | |
| Domestic | 2,826 | 3,208 |
| International | 79 | — |
| Equity securities – PIF: | | |
| Domestic | 10,098 | 649 |
| Mutual funds: | | |
| Domestic | 12,056 | 14,610 |
| International | 213,977 | 253,683 |
| Emerging markets | — | 758 |
| Index | 5,384 | 4,826 |
| Equity | 169,434 | 192,102 |
| Fixed income | 236,397 | 257,938 |
| Other | 48,050 | 49,615 |
| Alternative funds | 219,659 | 215,299 |
| Hedge funds | — | 1,543 |
| Private equity funds | 8,954 | 5,078 |
| Insurance policies | 1,756 | 1,727 |
| Interest rate swaps (see note 7) | 842 | 528 |
| | <u>958,201</u> | <u>1,022,219</u> |
| Total other long-term investments | \$ <u>958,201</u> | <u>1,022,219</u> |

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The following schedule summarizes the investment return and its classification in the consolidated statements of operations and changes in net assets for the years ended December 31:

| | 2018 | 2017 |
|---|-------------|-------------|
| Investment return: | | |
| Interest and dividends | \$ 37,056 | 50,874 |
| Realized gains on sales of investments | 84,473 | 60,524 |
| Unrealized gains on trading investments | (218,774) | 103,931 |
| Unrealized gains on other-than-trading investments | (6,909) | 6,040 |
| Equity in earnings of joint ventures | 27,116 | 30,006 |
| Change in fair value of investments accounted for under the fair value option of FASB ASC Topic 825 | 12,812 | 35,637 |
| | \$ (64,226) | 287,012 |
| Investment return classification: | | |
| Net assets without donor restrictions: | | |
| Other operating revenue | \$ 28,283 | 32,230 |
| Nonoperating gains – investment income | (87,642) | 242,197 |
| Net assets with donor restrictions | (4,867) | 12,585 |
| | \$ (64,226) | 287,012 |

(b) Alternative Investments

At December 31, 2018 and 2017, 25% and 23%, respectively, of the System's investments was invested in alternative investment vehicles. These investments are included in either internally designated or other long-term investments in the investment summary tables (previously presented) based on the underlying investments. Due to the nature of the alternative investments and the need for the fund managers to execute on long-term strategies, many of the vehicles contain specific lock-up periods, restricted redemption timing, as well as advanced notice of redemption requests.

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Alternative investments that have been estimated using net asset value per share as a practical expedient consist of the following at December 31:

| December 31, 2018 | | | | |
|---|-------------------|-----------------------------|-------------------------------|---------------------------------|
| | Fair value | Unfunded commitments | Redemption frequency | Redemption notice period |
| Diversified property alternative fund | \$ 125,770 | — | Quarterly | 95 Days |
| Structured credit alternative fund | 96,243 | — | Quarterly | 65 Days |
| Diversified private equity alternative fund III | 56,664 | 30,961 | No specific lock-up provision | N/A |
| Diversified private equity alternative fund IV | 11,820 | 62,325 | No specific lock-up provision | N/A |
| Hedge fund segregated portfolio | 166,637 | — | Based on holdings**** | N/A |
| Energy debt alternative fund | 74,687 | — | Semiannual, 3-year lockup* | 95 Days |
| Healthcare private equity fund I | 11,414 | 273 | 10-year lockup** | N/A |
| Healthcare private equity fund II | 4,174 | 4,669 | 10-year lockup** | N/A |
| Health Catalyst | 4,005 | — | No specific lock-up provision | N/A |
| Health Velocity | 1,952 | 8,050 | No specific lock-up provision | N/A |
| | <u>\$ 553,366</u> | <u>106,278</u> | | |

| December 31, 2017 | | | | |
|---|-------------------|-----------------------------|-------------------------------|---------------------------------|
| | Fair value | Unfunded commitments | Redemption frequency | Redemption notice period |
| Diversified property alternative fund | \$ 114,007 | — | Quarterly | 65 Days |
| Structured credit alternative fund | 94,254 | — | Quarterly | 65 Days |
| Diversified private equity alternative fund III | 43,042 | 40,727 | No specific lock-up provision | N/A |
| Diversified private equity alternative fund IV | 716 | 73,271 | No specific lock-up provision | N/A |
| Hedge fund segregated portfolio | 169,033 | — | Based on holdings**** | N/A |
| Special situations alternative fund | 10,510 | — | Liquidation reserve*** | N/A |
| Multi-strategy offshore hedge fund | 3,666 | — | Liquidation reserve*** | N/A |
| Energy debt alternative fund | 79,990 | — | Semiannual, 3-year lockup* | 95 Days |
| Healthcare private equity fund I | 10,204 | 345 | 10-year lockup** | N/A |
| Healthcare private equity fund II | 1,862 | 7,323 | 10-year lockup** | N/A |
| | <u>\$ 527,284</u> | <u>121,666</u> | | |

* Subject to 3-year lockup based on initial subscriptions in the investment, which was set to expire in 2019 (50% available after lock-up period ends and 25% available for each of the following semiannual reporting periods); in 2018, the System recommitted to this fund, which extended the lock-up period. 50% is available at the next redemption window in June 2022, 25% in December 2022, and the remainder in June 2023.

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** Subject to 10-year lockup based on initial subscriptions in the investment, which will expire between 2021 and 2025

*** Funds are held in escrow until July 2018; at that time they will be returned to the System.

**** The liquidity of the Segregated portfolio and the availability for redemptions will be determined based on the liquidity and redemption terms set forth in the underlying funds. As a result, the System's ability to obtain liquidity or redeem participating shares will be limited.

As of December 31, 2018, the alternative investment vehicles consist of six alternative funds and four private equity funds. The investment strategy of the diversified property alternative fund is to invest in income producing real estate properties utilizing a low level of leverage. The two diversified private equity alternative funds have an objective of investing in a diversified set of private equity real estate funds. The structured credit alternative fund is a fixed-income fund with an objective of generating high total returns using a strategy of investing in domestic credit markets, primarily through collateralized debt obligations and other structured credit instruments, such as loan participations and derivative instruments. The hedge fund segregated portfolio has an investment object to produce returns comparable to those of the equity markets over a full market cycle while targeting substantially less volatility than equities by investing in a diversified portfolio of hedge funds. The investment strategy of the energy debt alternative fund is to generate high absolute returns by taking advantage of the energy and related industries, market dislocation, and commodity price volatility, primarily by investing in debt securities, which are purchased or acquired at a significant discount to fair value and/or offer higher coupon rates. The private equity funds have a strategy of investing in early stage companies and entrepreneurs within the healthcare industry. There is no public market for shares in these alternative investment vehicles. The value of the investments in the funds is determined based on the fair values of the underlying investments, as determined by the net asset value per share. This includes Heritage I and II, along with Health Catalyst and Health Velocity, that the System initially invested during 2018. Health Velocity invests in private healthcare industry companies, similar to Heritage I and II. Health Catalyst is a direct investment in the company, which focuses on a data warehouse and analytics solutions.

In situations when investments do not have readily determinable fair values, the fund managers provide the net asset value (NAV) per share, or its equivalent, to the System. The NAV provided by the fund managers is supported by quoted market prices, operating results, balance sheet stability, growth, and other business and market sector fundamentals of the private investment funds. The System previously adopted ASU 2009-12, which provided a practical expedient for certain investments to use net asset value per share to measure fair value. Accordingly, the System uses the NAV as a practical expedient for fair value for each of its alternative investments.

(c) Investments in Joint Ventures

At December 31, 2018 and 2017, investments in joint ventures amounted to \$141,636 and \$138,088, respectively. Other investments also included in this line in the consolidated balance sheets consist primarily of investments reported at cost and real estate held for investment.

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The joint ventures consist of 50 privately held healthcare organizations in which the System's ownership interest ranges from 20% to 50%. The collective financial position of the joint ventures as of and for the years ended December 31 were:

| | <u>2018</u> | <u>2017</u> |
|--------------|-------------|-------------|
| | Unaudited | Unaudited |
| Total assets | \$ 388,645 | 363,418 |
| Total equity | 229,423 | 203,351 |
| Net revenue | 379,621 | 512,475 |
| Net income | 68,740 | 74,570 |

The System's share of earnings on the investments in joint ventures is included in other operating revenue in the consolidated statements of operations and changes in net assets. The System recorded activity related to joint ventures for the years ended December 31 as follows:

| | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|
| Earnings on investments in joint ventures | \$ 27,116 | 30,006 |
| New investments in joint ventures | 7,019 | 2,543 |
| Distributions received from joint ventures | 30,425 | 26,969 |

The System both purchases services and sells services and supplies to several joint ventures. In 2018 and 2017, services purchased from joint ventures totaled \$20,526 and \$17,517, respectively. Services and supplies sold to joint ventures in 2018 and 2017 were \$2,207 and \$1,824, respectively. The System has loaned \$4,500 to a joint venture as of December 31, 2018 and 2017. This loan is interest bearing and carries a rate of interest commensurate with prevailing market rates.

(6) Long-Term Debt

Long-term debt at December 31, 2018 and 2017 is summarized as follows:

| | <u>Payable</u> | <u>Issuance</u> | <u>Interest</u> | | <u>2018</u> | <u>2017</u> |
|----------------------------------|----------------|-----------------|-----------------|----|-------------|-------------|
| | through | type (1) | rate (2) | | | |
| Hospital Facility Revenue Bonds: | | | | | | |
| Series 2018A | 2035 | VRDB | 2.17 % | \$ | 82,330 | — |
| Series 2018B | 2048 | Fixed | 5.00 | | 72,980 | — |
| Series 2018C | 2041 | VRDB | 1.65 | | 57,415 | — |
| Series 2018D | 2041 | VRDB | 1.65 | | 57,415 | — |
| Series 2018E | 2041 | VRDB | 1.61 | | 57,415 | — |
| Series 2018F | 2041 | VRDB | 1.60 | | 57,415 | — |

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| | <u>Payable through</u> | <u>Issuance type (1)</u> | <u>Interest rate (2)</u> | <u>2018</u> | <u>2017</u> |
|--|----------------------------|------------------------------|------------------------------|---------------------|------------------|
| Series 2017A | 2027 | Fixed | 3.15 % | \$ 19,170 | 19,500 |
| Series 2016A | 2035 | Variable | 1.58 | — | 86,230 |
| Series 2016 | 2036 | Fixed | 4.00 | 17,100 | — |
| Series 2016B | 2041 | Variable | 1.55 | — | 51,220 |
| Series 2016C | 2031 | Variable | 1.30 | — | 10,430 |
| Series 2016D | 2046 | Fixed | 4.00%–5.00% | 42,305 | 44,100 |
| Series 2016E | 2046 | Fixed | 4.00%–5.00% | 165,130 | 168,690 |
| Series 2016F | 2041 | Variable | 1.49 | — | 42,500 |
| Series 2016G | 2041 | Variable | 1.68 | — | 42,500 |
| Series 2014A (WHEFA) | 2029 | Fixed | 5.00 | 70,115 | 74,245 |
| Series 2014A | 2019 | Fixed | 3.25 | 6,990 | 7,447 |
| Series 2014B | 2018 | Fixed | 5.00 | 1,772 | 1,875 |
| Series 2014C | 2035 | Fixed | 4.47%–5.00% | 69,145 | 69,145 |
| Series 2013A | 2044 | Fixed | 5.25 | 103,175 | 103,175 |
| Series 2013B | 2039 | VRDB | 1.61%, 1.26% | 74,125 | 75,255 |
| Series 2012A | 2024 | Fixed | 2.16 | 9,300 | 10,850 |
| Series 2012C | 2037 | Fixed | 2.43 | 17,260 | 17,735 |
| Series 2011A | 2021 | Fixed | 3.29 | 19,360 | 25,415 |
| Series 2011 | 2031 | Fixed | 4.40 | 404 | 446 |
| Series 2009D | 2035 | Variable | 1.65 | — | 46,045 |
| Series 2009E | 2039 | Variable | 1.87 | — | 38,100 |
| Series 2005 | 2031 | Fixed | 1.45%–4.00% | 2,745 | 2,890 |
| Series 2005A | 2029 | Fixed | 2.50%–5.625% | — | 87,690 |
| Series 1992A | 2022 | Fixed | 6.00 | 3,880 | 4,720 |
| Total hospital facility revenue bonds | | | | 1,006,946 | 1,030,203 |
| Capital lease obligations net book value: 2018 – \$2,655; 2017 – \$4,256 | 2026 | Fixed | 0%–9.05% | 18,334 | 15,432 |
| Commercial paper | Ongoing | Variable | Various | 22,857 | 80,153 |
| Revolving lines of credit | 2017 | Variable | Various | — | 29,500 |
| Other notes and mortgages | 2022 | Fixed | 1.00%–8.00% | 25,853 | 18,419 |
| | | | | 1,073,990 | 1,173,707 |
| Current maturities | | | | (62,658) | (154,574) |
| Unamortized bond issuance costs | | | | (6,937) | (6,944) |
| Unamortized bond premium | | | | 38,093 | 33,847 |
| Long-term portion | | | | <u>\$ 1,042,488</u> | <u>1,046,036</u> |

(1) Fixed rate, variable rate, or variable rate demand bonds (VRDB)

(2) Variable rates shown as of December 31, 2018 and 2017, respectively, and do not include letter of credit and remarketing fees.

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The Series 2011 Bonds are obligations of one of the System's subsidiaries that were issued prior to their affiliation. The proceeds were used to refund a prior outstanding bond, repay a construction line-of-credit, and fund the remainder of the facility addition. The bond is secured by a first mortgage lien on the facility and a security interest in certain personal property, machinery and equipment. The amount outstanding as of December 31, 2018 and 2017 was \$404 and \$446, respectively.

In August 2014, one of the System's subsidiaries issued tax-exempt Hospital Revenue Bonds, Series 2014A, with an aggregate principal amount not to exceed \$8,250 and taxable Hospital Revenue Bonds, Series 2014B, with an aggregate principal not to exceed \$2,750 through the City of Anamosa, Iowa, to finance a renovation and expansion capital project. Amounts are only reflected as a liability as funds are drawn down. The amounts outstanding at December 31, 2018 were \$6,990 and \$1,772, respectively. The amounts outstanding at December 31, 2017 were \$7,447 and \$1,875, respectively.

The Series 2016 Bonds are obligations of one of the System's subsidiaries that were issued prior to their affiliation with the System, and thus they were the sole obligor under the bond indenture. The debt agreement for the bonds contains loan covenants which require maintaining certain measures of financial performance as long as the bonds are outstanding.

On October 20, 2017, the System issued \$19,500 of direct note obligations, Series 2017A, to retire existing taxable debt, pay costs for renovations and expansion capital projects in Pekin, Illinois, and pay costs of issuance of the bond.

On March 20, 2018, the System issued \$82,330 of variable rate demand refunding revenue bonds, Series 2018A, to refund the Series 2016A bonds, which were direct note obligations.

On November 20, 2018, the System issued \$72,980 of Iowa Finance Authority Revenue Bonds, Series 2018B, which included refinancing a portion of the Series 2005A bonds, and issued new money to finance various capital projects. A portion of the Series 2005A bonds were cash-defeased as a part of this transaction.

On November 20, 2018, the System also issued \$229,660 of Iowa Finance Authority Revenue Bonds, Series 2018C, 2018D, 2018E, and 2018F to refund the Series 2009D, 2009E, 2016B, 2016C, 2016F, and 2016G bonds. The purpose of this deal was to enter into more favorable interest rate terms and refinance the Series 2009D and 2009E bonds, which had credit expirations in 2019.

The Series 2018B, 2018C, 2018D, 2018E, 2018F, 2016D, 2016E, 2014A, 2014C, 2013A, 2013B, and 1992A bonds (collectively, the Bonds) and the Series 2018A, 2017A, 2012A, 2012C, and 2011A direct note obligations (collectively, the Notes) are general obligations of the System and its affiliates. The System is required to meet certain operating and financial ratios contained in the master bond trust indenture, bond insurance agreements, and bank letter of credit agreements (related to the variable rate demand bonds). The Bonds and Notes are subject to the provisions of amended and restated master trust indentures, which generally require monthly or quarterly deposits for principal and interest payments be made and certain funds be maintained by the trustee for interest payment and bond retirement purposes. The Bonds and the Notes are secured by the System's revenue.

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The variable interest rates on substantially all of the bonds are adjusted daily or weekly by remarketing agents. The bonds may be tendered by the bond holders each interest rate period. The System maintains letters of credit that can be drawn on should the Series 2013B, 2018C, 2018D, 2018E, or 2018F variable rate demand bonds not be remarketed. These letters of credit have varying expiration dates with the earliest expiration being 2020 and are renewable, subject to approval and at the option of the providers, through the term of the bonds. Outstanding amounts under the letters of credit are due at the earlier of expiration of the agreement or over a period of three years, commencing after an initial outstanding period of 366 days or more.

On December 1, 2014, the System established a \$200,000 taxable commercial paper program, which had \$22,857 drawn on it as of December 31, 2018 and \$80,153 as of December 31, 2017. During 2018 the System drew down no additional amounts from the commercial paper program and paid down a portion of the amount outstanding. The System's commercial paper program is sold in tranches, with varying maturities of 1 to 270 days so that no more than \$25,000 will mature in any 5-business-day period.

The System maintains separate revolving line-of-credit facilities that provide for revolving credit in an aggregate principal amount of up to \$50,000 each. The interest rates applicable to loans under the credit agreements are based on LIBOR plus certain margins, as defined in the agreements. Additionally, the facilities carry a commitment fee, which is charged on the average daily undrawn portion of the facilities. Both of these credit facilities matures in 2020. These agreements contain various financial covenants that mirror those in the System's master bond trust indenture.

Aggregate annual maturities of long-term debt during the years ending December 31 are as follows:

| | Accelerated maturities with letter of credit expirations | Scheduled maturities based on loan agreements |
|------------|---|--|
| 2019 | \$ 62,658 | 62,658 |
| 2020 | 113,491 | 40,916 |
| 2021 | 148,422 | 41,962 |
| 2022 | 33,965 | 37,255 |
| 2023 | 137,726 | 37,301 |
| Thereafter | <u>577,728</u> | <u>853,898</u> |
| | <u>\$ 1,073,990</u> | <u>1,073,990</u> |

(7) Interest Rate Swaps

The System uses interest rate swap agreements as a risk management strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations.

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The system has no swaps that are currently designated as hedging instruments, and all changes in fair values are recorded as a component of nonoperating gains (losses) in excess (deficiency) of revenue over expenses. Effective January 1, 2018, one Swap that was previously designated as hedged was deemed to no longer be effective. As a result, the cumulative change in fair value of the hedge previously deemed effective of \$(15,036) is being amortized into income over the remaining life of the swap agreement. As of December 31, 2018, \$(14,156) of net unrealized losses remains in net assets to be amortized, and \$880 was amortized into other loss in 2018.

In prior years, other swap agreements previously designated as hedges by the System were deemed to be ineffective. The ineffective portion of these changes in fair value, previously deemed effective, is being amortized into other income (loss) over the remaining life of the swap. As of December 31, 2018 and 2017, \$(272) and \$(333), respectively, of net unrealized losses remain in net assets to be amortized and \$61 and \$61 was amortized into other loss in 2018 and 2017, respectively.

In previous years, the System reduced the notional amount of certain swap agreements by \$58,395 by paying \$8,450 as of the date of the transactions to the counterparty. This fair value remains a component of unrestricted net assets and will be amortized into interest expense over the remaining life of the swap. As of December 31, 2018 and 2017, \$6,745 and \$7,164, respectively, remains in unrestricted net assets to be amortized and \$419 was amortized into interest expense in 2018 and 2017.

The System has provisions within certain interest rate swap agreements that would require it to post collateral should the negative fair value of the agreements exceed certain thresholds that are dependent on the System's credit rating. As of December 31, 2018, the System has not been required to post collateral under these agreements.

The respective fair values of interest rate swaps in an asset-and-liability position for the System were as follows:

| Trade date | Maturity date | Notional amount | System pays | System receives | Fair value | |
|------------|---------------|-----------------|----------------|-------------------------------|--------------------|-----------------|
| | | | | | 2018 | 2017 |
| 2006 | 2030 | \$ 60,000 | 100% of SIFMA* | 68.0% of 10Y LIBOR + 14.3 bps | \$ 842 | 529 |
| 2005 | 2035 | 99,960 | 3.5 % | 62.4% of 3m LIBOR + 29 bps | (11,810) | (15,036) |
| 2006 | 2037 | 129,100 | 3.8 | 61.9% of 1m LIBOR + 31 bps | (25,875) | (31,050) |
| 2006 | 2023 | 37,800 | 3.5 | 61.9% of 1m LIBOR + 31 bps | (2,221) | (3,140) |
| 2005 | 2035 | 49,980 | 3.3 | 62.4% of 1m LIBOR + 29 bps | (5,272) | (6,689) |
| 2008 | 2026 | 16,100 | 3.5 | 63.0% of 1m LIBOR + 30 bps | (1,139) | (1,583) |
| 2008 | 2024 | 9,300 | 3.5 | 63.0% of 1m LIBOR + 30 bps | (504) | (761) |
| 2005 | 2032 | 22,450 | 3.5 | 67.0% of 1m LIBOR | (3,385) | (4,161) |
| | | | | | \$ (49,364) | (61,891) |

* Through February 15, 2017, the System paid 68% of 10Y LIBOR + 14.3 bps. After that date, payment reverted back to the contracted terms, which are stated in the table above.

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The aggregate fair value of the unhedged swap agreements is recorded as long-term investments of \$842 and \$529 and long-term liabilities of \$(50,206) and \$(62,420), including the swap that previously qualified for hedge accounting, as of December 31, 2018 and 2017, respectively. The change in fair value of \$12,527 and \$5,505 is included as a component of other income as of December 31, 2018 and 2017, respectively. The net of what the System pays and receives, is settled monthly or quarterly on each swap agreement and is reported as other income (loss).

The table below presents certain information regarding the System's interest rate swap agreements:

| | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|
| Other long-term investments: | | |
| Fair value of interest rate swap agreement | \$ 842 | 529 |
| Other long-term liabilities: | | |
| Fair value of interest rate swap agreements | (50,206) | (62,420) |
| Net assets without donor restrictions: | | |
| Gain recognized in changes in unrealized gains and losses on interest rate swaps (effective portion) | — | 1,860 |
| Change in unrestricted net assets amortizing into other, net | 941 | 61 |
| Operating expenses: | | |
| Loss recognized in interest expense | — | 419 |
| Nonoperating other, net: | | |
| Gain recognized in income from changes in fair value of interest rate swaps | 12,527 | 5,505 |
| Loss recognized in income from amortization of unrecognized losses in unrestricted net assets | (941) | (61) |

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(8) Liquidity

As part of the System's cash management policy, cash and investments feature a high degree of safety and liquidity to support general expenditures and debt service within one year in the normal course of operations.

The following table represents financial assets available for general expenditures within one year at December 31:

| | 2018 | 2017 |
|---|--------------|-------------|
| Financial assets at December 31: | | |
| Cash and cash equivalents | \$ 251,006 | 251,656 |
| Short-term investments | 21,782 | 19,528 |
| Patient accounts receivable, net | 557,280 | 584,903 |
| Assets limited as to use – required for current liabilities | 16,721 | 14,681 |
| Assets limited as to use, noncurrent: | | |
| Held by trustee under bond indenture agreements | 2,171 | 1,162 |
| Internally designated | 1,204,365 | 1,263,275 |
| Other long-term investments | 958,201 | 1,022,219 |
| Contribution receivable, net | 89,047 | 94,753 |
| Total financial assets | 3,100,573 | 3,252,177 |
| Less amounts not available to be used within one year: | | |
| Funds held by trustee under bond indenture agreements | 2,171 | 1,162 |
| Assets internally designated for self-insured reserves | 37,976 | 36,437 |
| Assets internally designated for capital improvements with liquidity horizons greater than one year | 96,668 | 78,653 |
| Other long-term investments with liquidity horizons greater than one year | 67,848 | 57,161 |
| Assets attributable to noncontrolling interest | 31,852 | 36,002 |
| Donor restricted assets | 187,886 | 191,312 |
| Financial assets not available to be used within one year | 424,401 | 400,727 |
| Financial assets available to meet general expenditures within one year | \$ 2,676,172 | 2,851,450 |

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The System has certain board-designated and donor-restricted assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the table above representing financial assets to meet general expenditures within one year. The System has other assets limited to use under bond indenture agreement, for self-insurance reserves, and for capital expenditures. These assets are limited to use, which are more fully described in notes 5 and 12, and are not available for general expenditure within the next year. The assets internally designated for capital improvements could be made available, if necessary.

As part of the System's pooled cash management plan, cash in excess of daily requirements are invested in short-term investments and money market funds.

The System maintains a \$200 million commercial paper program, as discussed in more detail in note 6. As of December 31, 2018 and 2017, \$177 million and \$120 million remained available on the System's commercial paper program, respectively.

The System maintains separate revolving line of credit facilities that provide for revolving credit in aggregate principal amount of up to \$50,000 each, as discussed in more detail in note 6. As of December 31, 2018 and 2017, \$50 million and \$21 million remained available on the System's revolving line of credit facilities, respectively.

As of December 31, 2018, the System was in compliance with bond covenants. Long-term debt is discussed in more detail in note 6.

(9) Retirement Benefit Plans

(a) Defined-Contribution Retirement Plans

The System has several defined-contribution benefit plans, which are available to substantially all employees meeting age and length of service requirements. Participating employers annually determine the amount, if any, of the System's contributions to the plans. Total benefit expenses under the defined-contribution plans were approximately \$79,012 and \$79,124 for 2018 and 2017, respectively. The System also has deferred compensation plans for certain employees. Total expenses under the deferred compensation plans were \$2,879 and \$3,971 for 2018 and 2017, respectively.

(b) Defined-Benefit Plans

Prior to 2001, substantially all employees of four of the System's subsidiaries were covered by noncontributory defined-benefit pension plans, all of which have subsequently been frozen to new participants or terminated. The System's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the System may determine to be appropriate from time to time.

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The noncontributory defined-benefit plan for Methodist Health Services, Inc. (Methodist Peoria) has been frozen to new participants since 2007. As of December 31, 2012, Methodist Peoria froze its defined-benefit pension plan with regard to accrual of additional benefits by participants in the plan. The noncontributory defined-benefit pension plan for Proctor Health Care (Proctor Peoria) has been frozen with regard to the accrual of additional benefits and new participants since 2008. The unrecognized pension benefit costs in unrestricted net assets were eliminated prior to affiliation for both the Methodist Peoria and Proctor Peoria plans as part of the accounting for the affiliation with the System. Progressive Health Systems, Inc. (Pekin Peoria) has a defined-contribution plan that covers nearly all hospital employees. The board of trustees determines the amount, if any, of contributions to the plan annually. In addition, Pekin Peoria has a noncontributory defined-benefit plan covering all employees who met eligibility requirements. This plan has been curtailed since 2008 and was replaced by the defined-contribution plan. Effective December 31, 2018, the defined-benefit plans for Methodist Peoria and Proctor Peoria were merged into the Pekin Peoria plan and are now referred to as the Central Illinois plan.

Upon the affiliation with Meriter Health Services, Inc. (Madison) during 2014, the System inherited their defined-benefit pension plan. Substantially all of the employees of Madison are eligible to participate in the plan. Benefits under this plan are based primarily on years of service and employees' compensation. As of December 31, 2014, Madison froze the plan for all nonunion-and service union – covered employees. As of December 31, 2015, Madison froze the plan for all nurses' union participants. Subsequent to these dates, no additional benefits will be accrued by the frozen participants in the plan.

During 2017, the plan for UnityPoint Health-Des Moines was terminated and participants received either a lump-sum payment or had annuities purchased on their behalf. As a result of the plan terminating, a settlement expense of \$41,209 was recognized in the consolidated statements of operations and changes in net assets for the year ended December 31, 2017.

The System expects to contribute \$13,304 to the plans in 2018. The System uses a December 31 measurement date for the plans.

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The following tables set forth information about each defined benefit plan:

| | December 31, 2018 | | | | | |
|--|---------------------|-------------------|-----------------|----------|-----------------|----------|
| | Methodist Peoria | Proctor Peoria | Pekin Peoria | Madison | Cedar Rapids | Waterloo |
| Change in benefit obligation: | | | | | | |
| Benefit obligation, beginning of year | \$ 253,354 | 72,061 | 32,868 | 241,273 | 130,808 | 13,044 |
| Service cost | — | — | — | — | — | 656 |
| Interest cost | 10,166 | 2,874 | 1,320 | 9,568 | 5,223 | 527 |
| Actuarial (gain) loss | (18,735) | (6,783) | (3,390) | (10,155) | (4,809) | (1,156) |
| Benefits paid | (10,433) | (3,809) | (5,979) | (3,882) | (6,603) | (242) |
| Effect of settlement | — | — | — | (12,946) | — | — |
| Effect of plan restatement | (233,299) | (64,343) | 297,642 | — | — | — |
| Benefit obligation, end of year | 1,053 | — | 322,461 | 223,858 | 124,619 | 12,829 |
| Change in fair value of plan assets: | | | | | | |
| Fair value of plan assets, beginning of year | 188,496 | 54,150 | 26,464 | 188,382 | 129,867 | 11,764 |
| Actual return on plan assets | (14,341) | (4,259) | (1,924) | (11,447) | (4,875) | (552) |
| Employer contributions | 9,987 | 4,176 | 285 | 32,500 | 5,004 | 300 |
| Benefits paid | (10,433) | (3,809) | (5,979) | (3,882) | (6,603) | (242) |
| Effect of settlement | — | — | — | (12,946) | — | — |
| Effect of plan restatement | (173,709) | (50,258) | 223,967 | — | — | — |
| Fair value of plan assets, end of year | — | — | 242,813 | 192,607 | 123,393 | 11,270 |
| Funded status, end of year | (1,053) | — | (79,648) | (31,251) | (1,226) | (1,559) |
| Accumulated benefit obligation | \$ 1,053 | — | 322,461 | 223,858 | 124,619 | 12,829 |

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| | December 31, 2018 | | | | | |
|--|---------------------|-------------------|-----------------|-----------------|-----------------|----------------|
| | Methodist Peoria | Proctor Peoria | Pekin Peoria | Madison | Cedar Rapids | Waterloo |
| Assets and liabilities recognized in the consolidated balance sheets: | | | | | | |
| Noncurrent liabilities | \$ (1,053) | — | (79,648) | (31,251) | (1,226) | (1,559) |
| | <u>\$ (1,053)</u> | <u>—</u> | <u>(79,648)</u> | <u>(31,251)</u> | <u>(1,226)</u> | <u>(1,559)</u> |
| Amounts recognized in unrestricted net assets but not yet recognized as components of net periodic benefit cost: | | | | | | |
| Net loss | \$ 90 | — | 55,644 | 27,911 | 43,496 | 2,569 |
| Net prior service credit | — | — | — | 1,409 | — | 29 |
| | <u>\$ 90</u> | <u>—</u> | <u>55,644</u> | <u>29,320</u> | <u>43,496</u> | <u>2,598</u> |
| Amounts expected to be recognized within one year: | | | | | | |
| Net loss | \$ — | — | 1,102 | — | 4,310 | 141 |
| Net prior service credit | — | — | — | — | — | 12 |
| | <u>\$ —</u> | <u>—</u> | <u>1,102</u> | <u>—</u> | <u>4,310</u> | <u>153</u> |
| Other changes in plan assets recognized in changes in net assets: | | | | | | |
| Net (gain) loss | \$ (1) | — | 13,551 | 10,854 | 9,222 | 359 |
| Amount recognized due to curtailment | — | — | 318 | — | — | — |
| Amount recognized due to settlement | — | — | — | (1,615) | — | — |
| Amortization of: | | | | | | |
| Net loss | — | — | (431) | — | (3,312) | (118) |
| Prior service credit | — | — | — | (190) | — | (12) |
| Total recognized in changes in net assets | <u>\$ (1)</u> | <u>—</u> | <u>13,438</u> | <u>9,049</u> | <u>5,910</u> | <u>229</u> |

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| | December 31, 2018 | | | | | |
|--|---------------------|-------------------|-----------------|---------|-----------------|----------|
| | Methodist Peoria | Proctor Peoria | Pekin Peoria | Madison | Cedar Rapids | Waterloo |
| Weighted average assumptions used to determine benefit obligations for the year ended December 31, 2018: | | | | | | |
| Discount rate | 4.67 % | N/A | 4.69 % | 4.55 % | 4.69 % | 4.62 % |
| Rate of compensation increase | N/A | N/A | N/A | N/A | N/A | N/A |
| Weighted average assumptions used to determine benefit costs for the year ended December 31, 2018: | | | | | | |
| Discount rate | 4.10 % | N/A | 4.10 % | 4.10 % | 4.10 % | 4.10 % |
| Expected return on plan assets | N/A | N/A | 7.00 | 6.90 | 7.10 | 8.20 |
| Rate of compensation increase | N/A | N/A | N/A | N/A | N/A | N/A |
| Components of net periodic benefit cost: | | | | | | |
| Service cost | \$ — | — | — | — | — | 656 |
| Interest cost | 41 | — | 14,319 | 9,568 | 5,223 | 527 |
| Expected return on plan assets | — | — | (21,933) | (9,562) | (9,156) | (962) |
| Amortization of prior service credit | — | — | — | 190 | — | 12 |
| Amortization of net (gain)/loss | — | — | 431 | — | — | — |
| Recognized net actuarial loss | — | — | — | — | 3,312 | 118 |
| Effect of settlement | — | — | — | 1,615 | — | — |
| Curtailement gain from freezing benefits | — | — | (318) | — | — | — |
| Net periodic benefit cost (benefit) | \$ 41 | — | (7,501) | 1,811 | (621) | 351 |

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The service cost component of \$153 is presented with other employee compensation costs in Employee benefits within operating income on the consolidated statement of operations and changes in net assets for the year ended December 31, 2018. All other components of net benefit cost, which total \$(6,072), are reported separately outside of operating income in Other, net for the year ended December 31, 2018 in the accompanying consolidated financial statements.

| | December 31, 2017 | | | | | | |
|--|-------------------|---------------------|-------------------|-----------------|----------|-----------------|----------|
| | Des Moines | Methodist Peoria | Proctor Peoria | Pekin Peoria | Madison | Cedar Rapids | Waterloo |
| Changes in benefit obligation: | | | | | | | |
| Benefit obligation, beginning of year | \$ 196,587 | 247,265 | 70,299 | 31,866 | 229,646 | 123,943 | 11,559 |
| Service cost | — | — | — | — | — | — | 656 |
| Interest cost | 5,929 | 11,239 | 3,174 | 1,375 | 10,303 | 5,597 | 518 |
| Actuarial (gain) loss | (10,063) | 14,615 | 5,211 | 880 | 12,870 | 7,518 | 750 |
| Benefits paid | (192,453) | (19,765) | (6,623) | (1,253) | (13,145) | (6,250) | (200) |
| Effect of settlement | — | — | — | — | 1,599 | — | (239) |
| Benefit obligation, end of year | — | 253,354 | 72,061 | 32,868 | 241,273 | 130,808 | 13,044 |
| Changes in fair value of plan assets: | | | | | | | |
| Fair value of plan assets, beginning of year | 209,290 | 172,932 | 50,499 | 23,502 | 170,626 | 117,677 | 11,340 |
| Actual return on plan assets | 4,928 | 26,706 | 7,246 | 4,215 | 22,401 | 13,436 | 1,581 |
| Employer contributions | (21,764) | 8,623 | 3,028 | — | 8,500 | 5,004 | 400 |
| Benefits paid | (192,454) | (19,765) | (6,623) | (1,253) | (13,145) | (6,250) | (200) |
| Effect of settlement | — | — | — | — | — | — | (1,357) |
| Fair value of plan assets, end of year | — | 188,496 | 54,150 | 26,464 | 188,382 | 129,867 | 11,764 |
| Funded status, end of year | — | (64,858) | (17,911) | (6,404) | (52,891) | (941) | (1,280) |
| Accumulated benefit obligation | \$ — | 253,354 | 72,061 | 32,868 | 241,273 | 130,808 | 13,044 |

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(Dollars in thousands)

| | December 31, 2017 | | | | | | |
|--|-------------------|---------------------|-------------------|-----------------|-----------------|-----------------|----------------|
| | Des Moines | Methodist Peoria | Proctor Peoria | Pekin Peoria | Madison | Cedar Rapids | Waterloo |
| Liabilities recognized in the consolidated balance sheets: | | | | | | | |
| Noncurrent liabilities | \$ — | (64,859) | (17,911) | (6,404) | (52,891) | (941) | (1,280) |
| | <u>\$ —</u> | <u>(64,859)</u> | <u>(17,911)</u> | <u>(6,404)</u> | <u>(52,891)</u> | <u>(941)</u> | <u>(1,280)</u> |
| Amounts recognized in unrestricted net assets but not yet recognized as components of net periodic benefit cost: | | | | | | | |
| Net loss | \$ — | 24,776 | 19,252 | (1,733) | 18,671 | 37,586 | 2,328 |
| Net prior service credit | — | — | — | — | 1,600 | — | 42 |
| | <u>\$ —</u> | <u>24,776</u> | <u>19,252</u> | <u>(1,733)</u> | <u>20,271</u> | <u>37,586</u> | <u>2,370</u> |
| Amounts expected to be recognized within one year: | | | | | | | |
| Net prior service credit | \$ — | — | 431 | — | — | 3,312 | 118 |
| | <u>\$ —</u> | <u>—</u> | <u>431</u> | <u>—</u> | <u>—</u> | <u>3,312</u> | <u>118</u> |
| Other changes in plan assets recognized in changes in net assets: | | | | | | | |
| Net (gain) loss | \$ — | 2,540 | 2,361 | — | (1,031) | 2,846 | (13) |
| Amount recognized due to settlement | — | — | — | — | 1,600 | — | — |
| Amortization of: | | | | | | | |
| Net loss | — | (20) | (201) | — | — | (3,192) | (155) |
| Prior service credit | — | — | — | — | — | — | (12) |
| Total recognized in changes in net assets | <u>\$ —</u> | <u>2,520</u> | <u>2,160</u> | <u>—</u> | <u>569</u> | <u>(346)</u> | <u>(180)</u> |

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| | December 31, 2017 | | | | | | |
|--|-------------------|------------------|----------------|--------------|---------|--------------|----------|
| | Des Moines | Methodist Peoria | Proctor Peoria | Pekin Peoria | Madison | Cedar Rapids | Waterloo |
| Weighted average assumptions used to determine benefit obligations for the year ended December 31, 2017: | | | | | | | |
| Discount rate | 4.10 % | 4.10 % | 4.10 % | 4.10 % | 4.10 % | 4.10 % | 4.10 % |
| Rate of compensation increase | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Weighted average assumptions used to determine benefit costs for the year ended December 31, 2017: | | | | | | | |
| Discount rate | 4.64 % | 4.64 % | 4.64 % | 4.40 % | 4.64 % | 4.64 % | 4.64 % |
| Expected return on plan assets | 7.00 | 8.50 | 8.00 | 7.00 | 7.00 | 7.10 | 8.20 |
| Rate of compensation increase | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Components of net periodic benefit cost: | | | | | | | |
| Service cost | \$ — | — | 3,174 | — | — | — | 656 |
| Interest cost | 5,929 | 11,239 | (4,397) | 1,375 | 10,303 | 5,597 | 518 |
| Expected return on plan assets | (9,537) | (14,630) | — | (1,602) | (8,501) | (8,764) | (818) |
| Amortization of prior service credit | — | — | 201 | — | — | — | 12 |
| Recognized net actuarial loss | 1,784 | 20 | — | — | — | 3,192 | 155 |
| Effect of settlement | 40,991 | — | — | — | — | — | — |
| Net periodic benefit cost (benefit) | \$ 39,167 | (3,371) | (1,022) | (227) | 1,802 | 25 | 523 |

The System has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

Plan assets are held by bank-administered trust funds, which invest each plan's assets in accordance with the provisions of the plan agreements. The plan agreements permit investment in common stocks, corporate bonds and debentures, U.S. government securities, and other specified investments based on certain target allocation percentages.

Asset allocation is primarily based on a strategy to provide stable earnings while still permitting the plans to recognize potentially higher returns through investment in equity securities and limited exposure to alternative investments. Target asset allocation percentages for 2018 and 2017 were as follows:

| | 2018 | | | | | |
|-------------------------|------------------|----------------|--------------|---------|--------------|----------|
| | Methodist Peoria | Proctor Peoria | Pekin Peoria | Madison | Cedar Rapids | Waterloo |
| Equity securities | 100 % | 100 % | 100 % | 45 % | 23 % | 34 % |
| Fixed income | — | — | — | 40 | 77 | 51 |
| Alternative investments | — | — | — | 15 | — | 15 |

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| | 2017 | | | | | |
|-------------------------|---------------------|-------------------|-----------------|---------|-----------------|----------|
| | Methodist Peoria | Proctor Peoria | Pekin Peoria | Madison | Cedar Rapids | Waterloo |
| Equity securities | 56 % | 55 % | 60 % | 45 % | 22 % | 38 % |
| Fixed income | 29 | 30 | 40 | 40 | 78 | 48 |
| Alternative investments | 15 | 15 | — | 15 | — | 14 |

Plan assets are re-balanced quarterly. At December 31, 2018 and 2017, plan asset allocations are as follows:

| | 2018 | | | | 2017 | | | | | |
|---------------------------|-----------------|--------------|-----------------|--------------|---------------------|-------------------|-----------------|-------------|-----------------|-------------|
| | Pekin Peoria | Madison | Cedar Rapids | Waterloo | Methodist Peoria | Proctor Peoria | Pekin Peoria | Madison | Cedar Rapids | Waterloo |
| Cash equivalents | — % | 2 % | — % | — % | — % | — % | — % | 2 % | — % | — % |
| U.S. Treasury obligations | — | — | 16 | 9 | — | — | — | 6 | 15 | 8 |
| Corporate bonds | — | 5 | — | — | — | — | — | 21 | — | — |
| Equity securities: | | | | | | | | | | |
| Domestic | — | 7 | — | — | — | — | — | 9 | — | — |
| Mutual funds: | | | | | | | | | | |
| Domestic | 33 | — | 8 | 23 | 34 | 31 | 50 | — | 8 | 27 |
| International | 20 | — | 13 | 11 | 23 | 23 | 13 | — | 14 | 13 |
| Equity | — | 20 | — | — | — | — | — | 22 | — | — |
| Fixed income | 30 | 10 | 63 | 42 | 28 | 30 | 37 | 9 | 62 | 38 |
| Other | — | 5 | — | — | — | — | — | 5 | — | — |
| Alternative investments | 12 | 14 | — | 15 | 6 | 6 | — | 16 | 1 | 13 |
| Hedge funds | 5 | 37 | — | — | 9 | 10 | — | 9 | — | — |
| | <u>100 %</u> | <u>100 %</u> | <u>100 %</u> | <u>100 %</u> | <u>100 %</u> | <u>100 %</u> | <u>100 %</u> | <u>99 %</u> | <u>100 %</u> | <u>99 %</u> |

(c) Defined Benefit Plan Assets

The valuation methodologies and inputs used for pension plan assets measured at fair value on a recurring basis, as well as the general classification of pension plan assets pursuant to the valuation hierarchy, are described below. There have been no significant changes in the valuation techniques during the year ended December 31, 2018 or 2017.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets include exchange traded equities and mutual funds as well as cash equivalents held in money market accounts. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified within Level 2 of the valuation hierarchy. Level 2 plan assets include U.S. Treasury obligations and corporate debt. In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy. There are no Level 3 plan assets.

The value of certain plan assets classified as alternative investments is determined using net asset value (or its equivalent) as a practical expedient.

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The following table presents the fair value measurements of the System's pension plans' assets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2018 and 2017:

| | <u>Fair value</u> | <u>Fair value measurements using</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> |
| 2018: | | | | |
| Cash equivalents | \$ 2,480 | 2,480 | — | — |
| U.S. Treasury obligations | 20,201 | 20,201 | — | — |
| Corporate bonds | 8,954 | — | 8,954 | — |
| Equity securities: | | | | |
| Domestic | 14,200 | 14,200 | — | — |
| International | 672 | 672 | — | — |
| Mutual funds: | | | | |
| Domestic | 92,174 | 92,174 | — | — |
| International | 65,194 | 65,194 | — | — |
| Equity | 37,862 | 37,862 | — | — |
| Fixed income | 174,728 | 174,728 | — | — |
| Other | 9,895 | — | 9,895 | — |
| Alternative funds * | 58,631 | — | — | — |
| Hedge funds* | 84,409 | — | — | — |
| Accrued income | 683 | — | — | — |
| | <u>\$ 570,083</u> | <u>407,511</u> | <u>18,849</u> | <u>—</u> |

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| | Fair value | Fair value measurements using | | |
|---------------------------|-------------------|--|---|--|
| | | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| 2017: | | | | |
| Cash equivalents | \$ 3,888 | 3,888 | — | — |
| U.S. Treasury obligations | 31,168 | 31,168 | — | — |
| Corporate bonds | 40,481 | — | 40,481 | — |
| Equity securities: | | | | |
| Domestic | 17,344 | 17,344 | — | — |
| International | 857 | 857 | — | — |
| Mutual funds: | | | | |
| Domestic | 107,382 | 107,382 | — | — |
| International | 79,014 | 79,014 | — | — |
| Equity | 41,163 | 41,163 | — | — |
| Fixed income | 180,764 | 180,764 | — | — |
| Other | 9,395 | — | 9,395 | — |
| Alternative funds * | 49,113 | — | — | — |
| Hedge funds* | 38,552 | — | — | — |
| Accrued income | 2 | — | — | — |
| | <u>\$ 599,123</u> | <u>461,580</u> | <u>49,876</u> | <u>—</u> |

* Certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to amounts presented in the change in fair value of plan assets above.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31, 2018:

| | |
|-----------|-----------|
| 2019 | \$ 40,904 |
| 2020 | 43,761 |
| 2021 | 43,252 |
| 2022 | 44,785 |
| 2023 | 45,397 |
| 2024–2028 | 224,099 |

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(10) Risk Management

The System's hospitals are primarily self-insured for professional and general liability for amounts of \$5,000 per claim (\$3,000 per claim for Methodist Health Services Corporation) and \$30,000 in the aggregate annually. Other entities of the System maintain their professional and general liability coverage primarily on a claims-made basis with no significant deductibles.

The System is primarily self-insured for workers' compensation and employee healthcare claims. Workers' compensation claims individually and in the aggregate that exceed certain amounts are covered by insurance.

Property insurance is maintained with at least 90% replacement value coverage and minimal deductibles. Network security and information privacy insurance as well as business interruption insurance coverage is also maintained by the System.

The System has accrued as other liabilities \$122,742 and \$109,858 for self-insured losses at December 31, 2018 and 2017, respectively. These liabilities are presented on a gross basis, and the expected offsetting insurance recoveries are reported as a receivable. The accrued liabilities are based on management's evaluation of the merits of various claims, historical experience, and consultation with external insurance consultants and actuaries, and these liabilities include estimates for incurred but not reported claims. There can be no assurance that the accrued liabilities will be sufficient for the ultimate amounts that will be paid for claims and settlements. Also, in the ordinary course of business, the System is involved in other litigation and claims, none of which management believes will ultimately result in losses that will adversely affect the System's consolidated net assets or results of operations to a material degree.

Cash and investments have been internally designated to be held for payments of claims, if any, which may result from the self-insured or uninsured portion of liability insurance and workers' compensation claims. At December 31, 2018 and 2017, cash and investments designated for this purpose amounted to \$37,978 and \$36,437, respectively.

(11) Lease Commitments

Certain property and equipment is being leased under long-term noncancelable operating leases. In most cases, management expects that, in the normal course of operations, the leases will be renewed or replaced by other leases. The total rent expense under operating leases for 2018 and 2017 was \$80,410 and \$80,323, respectively.

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The following is a schedule by year of future minimum rental payments required under noncancelable operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2018:

| | | | |
|------------------------------------|--|----|------------|
| 2019 | | \$ | 62,568 |
| 2020 | | | 49,416 |
| 2021 | | | 42,705 |
| 2022 | | | 37,813 |
| 2023 | | | 33,111 |
| Thereafter | | | 125,143 |
| Total minimum payments required | | | \$ 350,756 |

(12) Disclosures about Fair Value of Assets and Liabilities

Fair value is defined 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. An entity must maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in active markets that are not active, or other inputs, that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

(a) Financial Instruments Measured at Fair Value on a Recurring Basis

The valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy, are described below. There have been no significant changes in the valuation techniques during the years ended December 31, 2018 or 2017. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Dollars in thousands)

(b) Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange traded equities and mutual funds, certificates of deposit and cash equivalents held in money market accounts. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified within Level 2 of the valuation hierarchy. Level 2 securities include U.S. Treasury obligations, U.S. government agency obligations, municipal bonds, collateralized mortgage and other collateralized asset obligations, corporate debt, and certain beneficial interest in perpetual trusts. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Level 3 financial instruments include beneficial interest in perpetual trusts, which are discussed below. Inputs and valuation techniques used for these Level 3 interests are described below.

Fair value determinations for Level 3 measurements of securities are the responsibility of management. Management contracts with a pricing specialist to generate fair value estimates on a monthly or quarterly basis. Management challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

(c) Interest Rate Swap Agreements

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

(d) Beneficial Interest in Perpetual Trusts

The fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Trusts that have a definite duration based on the terms of the trust document, and where the System has the ability to redeem the investment for the underlying assets at some future point, are classified within Level 2 of the valuation hierarchy due to the nature of the valuation inputs. For trusts that are perpetual in nature in which the underlying assets will never be available to the System, the interest is classified within Level 3 of the hierarchy.

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Dollars in thousands)

(e) Fair Value Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2018 and 2017:

| | Fair value | 2018 | | |
|------------------------------------|------------|--|---|--|
| | | Fair value measurements using | | |
| | | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Investments: | | | | |
| Cash equivalents | \$ 4,604 | 4,604 | — | — |
| U.S. Treasury obligations | 8,281 | — | 8,281 | — |
| U.S. government agency obligations | 1,198 | — | 1,198 | — |
| Municipal bonds | 189 | — | 189 | — |
| Asset-backed securities: | | | | |
| Home equity | 4,054 | — | 4,054 | — |
| Other | 3,519 | — | 3,519 | — |
| Mortgage-backed securities: | | | | |
| Government | 957 | — | 957 | — |
| Nongovernment | 1,922 | — | 1,922 | — |
| Certificates of deposit | 6,740 | 6,740 | — | — |
| Corporate bonds | 24,610 | — | 24,610 | — |
| Equity securities: | | | | |
| Domestic | 16,047 | 16,047 | — | — |
| International | 981 | 981 | — | — |
| Equity securities – PIF: | | | | |
| Domestic | 10,098 | 10,098 | — | — |
| Mutual funds: | | | | |
| Domestic | 19,757 | 19,757 | — | — |
| International | 520,451 | 520,451 | — | — |
| Emerging markets | — | — | — | — |
| Index | 5,663 | 5,663 | — | — |
| Equity | 400,193 | 400,193 | — | — |
| Fixed income | 567,048 | 567,048 | — | — |
| Other | 50,964 | 50,964 | — | — |

**IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH**

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Dollars in thousands)

| | Fair value | 2018 | | |
|---|---------------------|--|---|--|
| | | Fair value measurements using | | |
| | | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Alternative investments* | \$ 531,768 | — | — | — |
| Hedge funds* | — | — | — | — |
| Private equity funds* | 21,598 | — | — | — |
| Interest rate swap agreements | 842 | — | 842 | — |
| Other items at cost** | 1,756 | — | 1,756 | — |
| Total short-term investments, assets limited as to use and other long-term investments | <u>\$ 2,203,240</u> | <u>1,602,546</u> | <u>47,328</u> | <u>—</u> |
| Beneficial interests in perpetual trusts included in contributions receivable | \$ 19,051 | — | 11,897 | 7,154 |
| Interest rate swap agreements included in other long-term liabilities | (50,206) | — | (50,206) | — |

**IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH**

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Dollars in thousands)

| | Fair value | 2017 | | |
|---|--------------|--|---|--|
| | | Fair value measurements using | | |
| | | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Investments: | | | | |
| Cash equivalents | \$ 4,485 | 4,485 | — | — |
| U.S. Treasury obligations | 11,104 | — | 11,104 | — |
| U.S. government agency obligations | 881 | — | 881 | — |
| Municipal bonds | 1,320 | — | 1,320 | — |
| Asset-backed securities: | | | | |
| Other | 5,349 | — | 5,349 | — |
| Mortgage-backed securities: | | | | |
| Government | 37 | — | 37 | — |
| Nongovernment | 2,284 | — | 2,284 | — |
| Certificates of deposit | 3,928 | 3,928 | — | — |
| Corporate bonds | 14,726 | — | 14,726 | — |
| Equity securities: | | | | |
| Domestic | 16,827 | 16,827 | — | — |
| International | 875 | 875 | — | — |
| Mutual funds: | | | | |
| Domestic | 22,256 | 22,256 | — | — |
| International | 600,470 | 600,470 | — | — |
| Emerging markets | 758 | 758 | — | — |
| Index | 5,050 | 5,050 | — | — |
| Equity | 447,951 | 447,951 | — | — |
| Fixed income | 600,144 | 600,144 | — | — |
| Other | 52,232 | 52,232 | — | — |
| Alternative funds* | 511,552 | — | — | — |
| Hedge funds* | 3,666 | — | — | — |
| Private equity funds* | 12,066 | — | — | — |
| Interest rate swap agreements | 528 | — | 528 | — |
| Other items at cost** | 6,668 | — | 1,727 | — |
| Total short-term investments, assets limited as to use and other long-term investments | \$ 2,325,157 | 1,754,976 | 37,956 | — |
| Beneficial interests in perpetual trusts included in contributions receivable | \$ 20,985 | — | 13,529 | 7,456 |
| Interest rate swap agreements included in other long-term liabilities | (62,419) | — | (62,419) | — |

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Dollars in thousands)

* Certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

** Other items at cost primarily includes insurance policies and accrued interest.

(f) Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated balance sheets using significant unobservable (Level 3) inputs:

| | | Beneficial interest in Perpetual Trusts |
|---|----|--|
| | | <hr/> |
| Balance, December 31, 2016 | \$ | 7,063 |
| Change in beneficial interest in perpetual trusts | | <hr/> 393 |
| Balance, December 31, 2017 | | 7,456 |
| Change in beneficial interest in perpetual trusts | | <hr/> (302) |
| Balance, December 31, 2018 | \$ | <hr/> <hr/> 7,154 |

(g) Goodwill

Goodwill is evaluated for impairment when qualitative events indicate goodwill might be impaired. If the System performs an impairment test, any impairment loss is recognized as expense when it is determined that the carrying amount of the goodwill exceeds its implied fair value. The key inputs used to assess for potential impairment are a qualitative analysis of the applicable reporting unit and a quantitative discounted cash flow analysis. These inputs are classified within Level 3 of the fair value hierarchy.

**IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH**

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Dollars in thousands)

(h) Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements:

| | <u>Fair value</u> | <u>Valuation technique</u> | <u>Adjustment to NAV</u> |
|--|-------------------|--|--------------------------|
| Recurring: | | | |
| Beneficial interests in perpetual trusts | \$ 7,154 | Present value of future distributions expected to be received over term of agreement | N/A |
| Nonrecurring: | | | |
| Goodwill | \$ 37,064 | Discounted cash flow | N/A |

(13) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods as of December 31:

| | <u>2018</u> | <u>2017</u> |
|---|-------------------|----------------|
| Purchase of equipment | \$ 25,849 | 28,869 |
| Indigent care/operations | 60,091 | 47,207 |
| Health education | 12,666 | 16,052 |
| For use in future periods | 13,402 | 25,041 |
| Investments (generally including net investment appreciation and depreciation) to be held in perpetuity (income is unrestricted) | 4,233 | 9,260 |
| Investments (generally including net investment appreciation and depreciation) to be held in perpetuity (income is restricted for various purposes as directed by the donors) | 71,645 | 64,883 |
| Total with donor restrictions | <u>\$ 187,886</u> | <u>191,312</u> |

The portion of restricted net assets that have restrictions on the usage of income include restrictions for the support of operations, capital and equipment, education, patient assistance and research.

Net assets released from restrictions were \$21,540 and \$23,097 in 2018 and 2017 respectively. Net assets were released from restriction by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors including support of operations, capital and equipment, education, patient and employee assistance, and research.

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Dollars in thousands)

(14) Related-Party Transactions

The System purchases a variety of services and products, including leases, from companies affiliated with members of the Boards of Directors of the System and/or its subsidiaries. Services and products purchased from these affiliated companies during 2018 and 2017 totaled \$21,587 and \$22,896, respectively. In addition, the System purchases services from several joint ventures and sells services and supplies to several joint ventures in which the System is also an investor.

The System has recorded receivables for amounts held by nonconsolidated foundations on behalf of the System of \$50,700 and \$54,932 as of December 31, 2018 and 2017, respectively. Contributions received from nonconsolidated foundations and other related parties were \$4,654 and \$7,219 in 2018 and 2017, respectively.

The System believes these transactions are consummated under commercially reasonable business arrangements.

(15) Commitments and Contingencies

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Government activity has increased with respect to investigations and allegations concerning possible violations of regulations by health care providers, which could result in the imposition of significant fines and penalties as well as significant repayments of previously billed and collected revenues for patient services. The System has a corporate compliance plan intended to meet federal guidelines. As a part of this plan, the System performs periodic internal reviews of its compliance with laws and regulations. As part of the System's compliance efforts, the System investigates and attempts to resolve and remedy all reported or suspected incidents of material noncompliance with applicable laws, regulations or policies on a timely basis. The System believes that these compliance programs and procedures lead to substantial compliance with current laws and regulations.

The System is in various stages of responding to inquiries and investigations by regulators. These various inquiries and investigations could result in fines and/or financial penalties, which could be material. At this time, the System is unable to estimate the possible liability, if any, that may be incurred as a result of these inquiries and investigations, but the System does not believe it would materially affect the financial position of the System.

Guarantees

The System has guaranteed \$21,796 and \$27,507, which is outstanding at December 31, 2018 and 2017, respectively, relating to long-term debt for the construction of a family practice residency program education facility, a managed facility's building project, and debt related to joint ventures. For 2018 and 2017, no payments on these guarantees were made.

**IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH**

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

(Dollars in thousands)

(16) Subsequent Events

Subsequent events have been evaluated through April 29, 2019, which is the date the consolidated financial statements were issued.

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Consolidating Balance Sheet

December 31, 2018

(In thousands)

| Assets | UPHDM | MHSC | TRHS | MHS | SLHC | AHS | SLHS | THS | TRI-ST | KHS | MHA | UPC | UPAH | UPH | Eliminations | Consolidated |
|---|---------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|---------------|----------------|---------------|------------------|--------------------|------------------|
| Current assets: | | | | | | | | | | | | | | | | |
| Cash and cash equivalents | \$ 31,672 | 21,143 | 31,700 | 36,213 | 41,375 | 8,364 | 11,138 | 4,595 | 6,188 | 1,824 | 4,666 | — | 3,812 | 48,318 | (2) | 251,006 |
| Short-term investments | 2,969 | 3,051 | 1,878 | 1,823 | 4,847 | 957 | 360 | 299 | 340 | — | 100 | — | 181 | 4,977 | — | 21,782 |
| Assets limited as to use – required for current liabilities | 5,281 | — | 4,410 | — | 2,696 | 1,993 | 1,396 | 485 | — | 7 | 454 | — | — | — | (1) | 16,721 |
| Patient accounts receivable, net | 119,384 | 94,131 | 54,727 | 41,934 | 60,470 | 45,135 | 26,358 | 15,103 | 17,952 | 2,898 | 6,213 | 39,344 | 33,625 | — | 6 | 557,260 |
| Other receivables | 14,157 | 11,169 | 2,584 | 6,153 | 3,156 | 4,528 | 1,098 | 3,640 | 1,057 | — | 437 | 4,001 | 1,498 | 46,978 | 30 | 100,486 |
| Inventories | 17,440 | 10,765 | 11,816 | 3,200 | 8,402 | 9,043 | 4,367 | 2,942 | 2,421 | 1,266 | 354 | 4,379 | 7,494 | — | — | 83,889 |
| Prepaid expenses | 3,623 | 2,419 | 1,814 | 1,213 | 3,079 | 1,462 | 883 | 308 | 543 | 107 | 350 | 2,121 | 484 | 29,680 | (1) | 48,085 |
| Due from affiliates | 7,757 | 5,498 | 4,007 | 25 | 4,038 | 9,581 | 2,457 | 1,499 | 2,116 | 45 | 24 | 29,480 | 1,700 | 141,481 | (209,708) | — |
| Total current assets | 202,283 | 148,176 | 112,936 | 90,561 | 128,063 | 81,063 | 48,057 | 28,871 | 30,617 | 6,147 | 12,598 | 79,325 | 48,794 | 271,434 | (209,676) | 1,079,249 |
| Assets limited as to use, noncurrent: | | | | | | | | | | | | | | | | |
| Held by trustee under bond indenture agreements | — | — | — | — | — | — | — | — | — | — | 1,474 | — | — | 697 | — | 2,171 |
| Internally designated | 676,564 | 8,043 | 171,942 | — | 159,188 | 1,163 | 44,437 | 60,184 | 80,843 | 170 | 1,831 | — | — | — | — | 1,204,365 |
| Total assets limited as to use, noncurrent | 676,564 | 8,043 | 171,942 | — | 159,188 | 1,163 | 44,437 | 60,184 | 80,843 | 170 | 3,305 | — | — | 697 | — | 1,206,536 |
| Property, plant and equipment, net | 314,687 | 322,882 | 196,787 | 259,283 | 179,264 | 157,336 | 72,614 | 69,094 | 79,132 | 5,595 | 27,340 | 36,238 | 7,545 | 116,111 | (1) | 1,843,907 |
| Other long-term investments | 69,907 | 237,577 | 19,362 | 350,460 | 44,396 | 148,549 | 2,329 | 15,831 | 1,355 | — | 5,080 | 34,175 | 9,785 | 19,394 | 1 | 958,201 |
| Investments in joint ventures and other investments | 72,538 | 11,323 | 13,448 | 67,151 | 14,062 | 4,588 | 22,786 | 6,109 | 3,238 | — | — | — | — | 31,331 | (96,329) | 152,773 |
| Contributions receivable, net | 9,311 | 12,005 | 1,580 | 223 | 40,474 | 4,522 | 5,226 | 3,164 | 10,938 | — | 151 | 40 | 1,412 | — | 1 | 89,047 |
| Other | 741 | 21,274 | 38,202 | 816 | 1,076 | 2,809 | 405 | 217 | 86 | — | 10 | 248 | (4) | 25,967 | (21) | 91,826 |
| Due from affiliates | — | — | — | — | — | — | — | — | — | — | — | 16,834 | — | 736,964 | (753,798) | — |
| Total assets | \$ 1,346,031 | 761,280 | 554,257 | 768,494 | 566,523 | 400,030 | 195,854 | 183,470 | 206,209 | 11,912 | 49,142 | 167,032 | 69,230 | 1,201,898 | (1,059,823) | 5,421,539 |
| Liabilities and Net Assets | | | | | | | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | | | | | | | |
| Current maturities of long-term debt | \$ 963 | 6,512 | 2,551 | 495 | 603 | 381 | 461 | — | — | 4,187 | 1,446 | 711 | — | 44,348 | — | 62,658 |
| Accounts payable | 35,374 | 23,029 | 20,066 | 24,354 | 15,188 | 14,121 | 10,038 | 3,193 | 4,101 | 5,048 | 2,264 | 6,112 | 8,769 | 27,024 | — | 198,681 |
| Accrued payroll | 24,597 | 9,466 | 10,783 | 22,081 | 15,476 | 9,090 | 3,731 | 4,251 | 4,151 | 1,434 | 1,106 | 32,478 | 6,007 | 66,309 | 5 | 210,985 |
| Accrued interest | 3 | 80 | — | — | 29 | 5 | — | — | — | (1) | 65 | — | — | 8,571 | — | 8,752 |
| Estimated settlements due to third-party payers | 11,437 | 57,958 | 5,064 | 1,900 | 5,273 | 2,834 | 2,291 | 1,621 | 894 | 48 | 421 | — | 171 | 2,898 | — | 92,810 |
| Due to affiliates | 18,686 | 43,457 | 14,486 | 11,060 | 10,235 | 17,190 | 13,510 | 3,991 | 2,956 | 4,186 | 74 | 11,592 | 2,859 | 55,432 | (209,714) | — |
| Other current liabilities | 12,505 | 20,588 | 7,930 | 1,367 | 5,975 | 5,328 | 3,442 | 1,780 | 1,349 | 177 | 226 | 11,671 | 2,149 | 3,251 | 159 | 77,897 |
| Total current liabilities | 103,565 | 161,110 | 60,880 | 61,257 | 52,779 | 48,949 | 33,473 | 14,836 | 13,451 | 15,079 | 5,602 | 62,564 | 19,955 | 207,833 | (209,550) | 651,783 |
| Long-term debt, net | 3,071 | 13,055 | 3,692 | 694 | 8,712 | 1,844 | 561 | — | — | 372 | 29,490 | 6,055 | — | 974,942 | — | 1,042,488 |
| Other long-term liabilities | 28,503 | 122,197 | 17,149 | 38,728 | 11,132 | 18,013 | 8,299 | 14,282 | 1,856 | — | — | 54,813 | 1,320 | 65,788 | (4) | 382,076 |
| Due to affiliates | 90,024 | 115,741 | 136,355 | 177,204 | 68,448 | 98,562 | 31,370 | 11,300 | 16,365 | 8,429 | — | — | — | — | (753,798) | — |
| Total liabilities | 225,163 | 412,103 | 218,076 | 277,883 | 141,071 | 167,368 | 73,703 | 40,418 | 31,672 | 23,880 | 35,092 | 123,432 | 21,275 | 1,248,563 | (963,352) | 2,076,347 |
| Net assets (deficit): | | | | | | | | | | | | | | | | |
| Unrestricted: | | | | | | | | | | | | | | | | |
| Attributable to UnityPoint Health | 1,073,974 | 319,044 | 295,324 | 483,425 | 380,562 | 213,025 | 112,976 | 134,469 | 163,579 | (12,000) | 13,769 | 43,420 | 45,191 | (46,713) | (94,591) | 3,125,454 |
| Attributable to noncontrolling interest | — | — | 29,856 | — | (267) | — | 2,264 | — | — | — | — | — | — | — | (1) | 31,852 |
| Total unrestricted | 1,073,974 | 319,044 | 325,180 | 483,425 | 380,295 | 213,025 | 115,240 | 134,469 | 163,579 | (12,000) | 13,769 | 43,420 | 45,191 | (46,713) | (94,592) | 3,157,306 |
| Temporarily restricted: | | | | | | | | | | | | | | | | |
| Attributable to UnityPoint Health | 46,894 | 30,133 | 11,001 | 7,186 | 44,313 | 19,637 | 6,911 | 8,583 | 10,958 | 32 | 281 | 180 | 2,764 | 48 | (1,879) | 187,042 |
| Attributable to noncontrolling interest | — | — | — | — | 844 | — | — | — | — | — | — | — | — | — | — | 844 |
| Total temporarily restricted | 46,894 | 30,133 | 11,001 | 7,186 | 45,157 | 19,637 | 6,911 | 8,583 | 10,958 | 32 | 281 | 180 | 2,764 | 48 | (1,879) | 187,886 |
| Total net assets (deficit) | 1,120,868 | 349,177 | 336,181 | 490,611 | 425,452 | 232,662 | 122,151 | 143,052 | 174,537 | (11,968) | 14,050 | 43,600 | 47,955 | (46,665) | (96,471) | 3,345,192 |
| Total liabilities and net assets | \$ 1,346,031 | 761,280 | 554,257 | 768,494 | 566,523 | 400,030 | 195,854 | 183,470 | 206,209 | 11,912 | 49,142 | 167,032 | 69,230 | 1,201,898 | (1,059,823) | 5,421,539 |

Definitions:
 UPHDM – UnityPoint Health – Des Moines and Subsidiaries (Des Moines)
 MHSC – Methodist Health Services Corp. and Subsidiaries (Peoria)
 TRHS – Trinity Regional Health System and Subsidiaries (Rock Island)
 MHS – Meriter Health Services, Inc. and Subsidiaries (Madison)
 SLHC – St. Luke's Healthcare and Subsidiaries (Cedar Rapids)
 AHS – Allen Health Systems, Inc. and Subsidiaries (Waterloo)
 SLHS – St. Luke's Health System, Inc. and Subsidiaries (Sioux City)
 THS – Trinity Health Systems, Inc. and Subsidiaries (Fort Dodge)
 TRI-ST – Finley Tri-States Health Group, Inc. and Subsidiaries (Dubuque)
 KHS – Keokuk Health Systems, Inc. and Subsidiaries (Keokuk)
 MHA – Memorial Hospital Association and Subsidiaries (Carthage)
 UPC – UnityPoint Clinic
 UPAH – UnityPoint at Home
 UPH – UnityPoint Health (Parent)

See accompanying independent auditors' report.

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Consolidating Statement of Operations

Year ended December 31, 2018

(In thousands)

| | UPHDM | MHSC | TRHS | MHS | SLHC | AHS | SLHS | THS | TRI-ST | KHS | MHA | UPC | UPAH | UPH | Eliminations | Consolidated |
|---|--------------|---------|---------|----------|---------|----------|---------|---------|---------|---------|--------|-----------|---------|---------|--------------|--------------|
| Unrestricted revenue: | | | | | | | | | | | | | | | | |
| Net patient service revenue | \$ 1,055,766 | 597,010 | 573,713 | 449,080 | 514,386 | 387,328 | 199,288 | 152,239 | 117,478 | 13,535 | 13,865 | 339,488 | 182,009 | 1,744 | (521,499) | 4,075,430 |
| Other operating revenue | 88,496 | 44,302 | 30,409 | 21,192 | 28,550 | 37,521 | 25,462 | 9,089 | 7,495 | 390 | 894 | 55,442 | 4,748 | 406,175 | (435,554) | 324,611 |
| Net assets released from restrictions used for operations | 5,630 | 1,987 | 455 | 215 | 1,080 | 1,166 | — | 390 | 410 | 53 | 13 | 60 | 683 | 22 | (744) | 11,420 |
| Total unrestricted revenue | 1,149,892 | 643,299 | 604,577 | 470,487 | 544,016 | 426,015 | 224,750 | 161,718 | 125,383 | 13,978 | 14,772 | 394,990 | 187,440 | 407,941 | (957,797) | 4,411,461 |
| Expenses: | | | | | | | | | | | | | | | | |
| Salaries and wages | 377,964 | 195,880 | 195,914 | 166,363 | 184,410 | 132,942 | 71,218 | 56,026 | 44,487 | 8,530 | 5,295 | 112,622 | 80,390 | 130,461 | (191,778) | 1,570,724 |
| Physician compensation and services | 195,665 | 111,338 | 87,775 | 41,767 | 75,040 | 73,266 | 29,505 | 34,467 | 11,166 | 1,890 | 2,860 | 222,644 | 803 | 1,139 | (226,541) | 662,784 |
| Employee benefits | 100,886 | 49,102 | 49,017 | 52,576 | 51,833 | 35,816 | 18,285 | 16,169 | 13,215 | 1,950 | 1,373 | 32,807 | 20,967 | 30,183 | (53,681) | 420,498 |
| Supplies | 211,687 | 92,252 | 109,467 | 73,462 | 84,522 | 77,269 | 35,908 | 21,031 | 15,807 | 3,381 | 1,291 | 36,316 | 62,095 | 648 | (99,506) | 725,630 |
| Other expenses | 199,671 | 150,864 | 126,415 | 96,067 | 113,350 | 83,894 | 51,872 | 33,224 | 33,676 | 5,839 | 2,912 | 94,855 | 28,170 | 147,816 | (460,934) | 707,691 |
| Depreciation and amortization | 38,801 | 31,910 | 24,341 | 21,454 | 21,757 | 21,916 | 9,038 | 6,865 | 7,757 | 934 | 1,455 | 6,161 | 1,659 | 55,107 | (7,821) | 241,334 |
| Interest | 5,361 | 5,389 | 7,462 | 7,600 | 3,784 | 4,799 | 2,172 | 714 | 907 | 565 | 552 | 372 | 205 | 34,049 | (35,177) | 38,754 |
| Provision for uncollectible accounts | 1,219 | 133 | 268 | 231 | 305 | 357 | 531 | 165 | 7 | 27 | — | 3 | 2,572 | 28 | (2,569) | 3,275 |
| Total expenses | 1,131,254 | 636,868 | 600,659 | 459,520 | 535,001 | 430,259 | 218,529 | 168,661 | 127,022 | 23,116 | 15,738 | 505,780 | 196,861 | 399,429 | (1,078,007) | 4,370,690 |
| Operating income (loss) | 18,638 | 6,431 | 3,918 | 10,967 | 9,015 | (4,244) | 6,221 | (6,943) | (1,639) | (9,138) | (966) | (110,790) | (9,421) | 8,512 | 120,210 | 40,771 |
| Nonoperating gains (losses): | | | | | | | | | | | | | | | | |
| Investment income (loss) | (33,982) | (8,065) | (8,091) | (14,822) | (8,271) | (6,112) | (2,358) | (2,894) | (3,487) | 5 | (63) | (267) | (211) | 496 | 480 | (87,642) |
| Contribution received in affiliations | 19,962 | — | 1 | — | — | — | — | — | — | — | 14,843 | — | — | — | — | 34,806 |
| Other, net | (33) | 8,243 | (22) | (2,242) | 621 | 297 | — | — | (209) | — | (38) | — | — | 4,018 | 1 | 10,636 |
| Total nonoperating gains (losses), net | (14,053) | 178 | (8,112) | (17,064) | (7,650) | (5,815) | (2,358) | (2,894) | (3,696) | 5 | 14,742 | (267) | (211) | 4,514 | 481 | (42,200) |
| Revenue over (under) expenses before loss on bond refinancing transactions | 4,585 | 6,609 | (4,194) | (6,097) | 1,365 | (10,059) | 3,863 | (9,837) | (5,335) | (9,133) | 13,776 | (111,057) | (9,632) | 13,026 | 120,691 | (1,429) |
| Loss on bond refinancing transactions | — | — | — | — | — | — | — | — | — | — | — | — | — | (2,558) | — | (2,558) |
| Excess (Deficiency) of revenues over expenses from continuing operations | 4,585 | 6,609 | (4,194) | (6,097) | 1,365 | (10,059) | 3,863 | (9,837) | (5,335) | (9,133) | 13,776 | (111,057) | (9,632) | 10,468 | 120,691 | (3,987) |
| Gain on discontinued operations | — | — | — | — | — | — | — | — | — | — | — | — | — | 539 | — | 539 |
| Excess (Deficiency) of revenues over expenses | 4,585 | 6,609 | (4,194) | (6,097) | 1,365 | (10,059) | 3,863 | (9,837) | (5,335) | (9,133) | 13,776 | (111,057) | (9,632) | 11,007 | 120,691 | (3,448) |
| Less net income (loss) attributable to noncontrolling interest | — | — | (3,851) | — | 55 | — | (2,182) | — | — | — | — | — | — | — | (1) | (5,979) |
| Excess (Deficiency) of revenues over expenses attributable to UnityPoint Health | \$ 4,585 | 6,609 | (8,045) | (6,097) | 1,420 | (10,059) | 1,681 | (9,837) | (5,335) | (9,133) | 13,776 | (111,057) | (9,632) | 11,007 | 120,690 | (9,427) |

Definitions:
 UPHDM – UnityPoint Health – Des Moines and Subsidiaries (Des Moines)
 MHSC – Methodist Health Services Corp. and Subsidiaries (Peoria)
 TRHS – Trinity Regional Health System and Subsidiaries (Rock Island)
 MHS – Meriter Health Services, Inc. and Subsidiaries (Madison)
 SLHC – St. Luke's Healthcare and Subsidiaries (Cedar Rapids)
 AHS – Allen Health Systems, Inc. and Subsidiaries (Waterloo)
 SLHS – St. Luke's Health System, Inc. and Subsidiaries (Sioux City)

THS – Trinity Health Systems, Inc. and Subsidiaries (Fort Dodge)
 TRI-ST – Finley Tri-States Health Group, Inc. and Subsidiaries (Dubuque)
 KHS – Keokuk Health Systems, Inc. and Subsidiaries (Keokuk)
 MHA – Memorial Hospital Association and Subsidiaries (Carthage)
 UPC – UnityPoint Clinic
 UPAH – UnityPoint at Home
 UPH – UnityPoint Health (Parent)

See accompanying independent auditors' report.

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

UnityPoint Health – Des Moines and Subsidiaries (Des Moines)

Consolidating Balance Sheet

December 31, 2018

(In thousands)

| Assets | UPHDM | CIHC | UPHF | CIHP | EB | GRMC | UPC | UPAH | Eliminations | Consolidated |
|---|--------------|-------------|-------------|-------------|-----------|-------------|------------|-------------|---------------------|---------------------|
| Current assets: | | | | | | | | | | |
| Cash and cash equivalents | \$ — | 27,467 | 975 | 12 | 884 | 2,334 | — | — | — | 31,672 |
| Short-term investments | — | 2,958 | 1 | — | — | 10 | — | — | — | 2,969 |
| Assets limited as to use – required for current liabilities | — | 5,281 | — | — | — | — | — | — | — | 5,281 |
| Patient accounts receivable, net | — | 112,845 | — | — | 726 | 5,813 | — | — | — | 119,384 |
| Other receivables | — | 13,478 | 14 | 55 | 200 | 410 | — | — | — | 14,157 |
| Inventories | — | 15,831 | 81 | — | — | 1,528 | — | — | — | 17,440 |
| Prepaid expenses | — | 3,068 | 49 | 18 | 188 | 300 | — | — | — | 3,623 |
| Due from affiliates | — | 10,807 | 926 | 24,926 | — | — | — | — | (28,902) | 7,757 |
| Total current assets | — | 191,735 | 2,046 | 25,011 | 1,998 | 10,395 | — | — | (28,902) | 202,283 |
| Assets limited as to use, noncurrent: | | | | | | | | | | |
| Internally designated | — | 581,673 | 94,891 | — | — | — | — | — | — | 676,564 |
| Total assets limited as to use, noncurrent | — | 581,673 | 94,891 | — | — | — | — | — | — | 676,564 |
| Property, plant and equipment, net | | | | | | | | | | |
| Other long-term investments | — | 279,424 | 9 | 19,632 | 1,274 | 14,348 | — | — | — | 314,687 |
| Investments in joint ventures and other investments | — | 10,416 | 55,050 | — | — | 4,441 | — | — | — | 69,907 |
| Contributions receivable, net | — | 53,643 | 10 | — | — | — | 29,093 | 32,171 | (42,379) | 72,538 |
| Other | — | — | 8,793 | — | 24 | 494 | — | — | — | 9,311 |
| Due from affiliates | — | 737 | — | — | 1 | 2 | — | — | 1 | 741 |
| Total assets | \$ — | 1,125,036 | 160,799 | 44,643 | 3,297 | 29,680 | 29,093 | 32,171 | (78,688) | 1,346,031 |
| Liabilities and Net Assets | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | |
| Current maturities of long-term debt | \$ — | 286 | — | — | 130 | 547 | — | — | — | 963 |
| Accounts payable | — | 33,800 | 121 | 53 | 13 | 1,387 | — | — | — | 35,374 |
| Accrued payroll | — | 20,535 | 259 | 7 | 646 | 3,150 | — | — | — | 24,597 |
| Accrued interest | — | 3 | — | — | — | — | — | — | — | 3 |
| Estimated settlements due to third-party payers | — | 10,876 | — | — | — | 561 | — | — | — | 11,437 |
| Due to affiliates | — | 45,886 | 1,345 | 179 | — | 178 | — | — | (28,902) | 18,686 |
| Other current liabilities | — | 11,226 | 2 | 864 | 169 | 244 | — | — | — | 12,505 |
| Total current liabilities | — | 122,612 | 1,727 | 1,103 | 958 | 6,067 | — | — | (28,902) | 103,565 |
| Long-term debt, net | | | | | | | | | | |
| Other long-term liabilities | — | 2,036 | — | — | 383 | 652 | — | — | — | 3,071 |
| Due to affiliates | — | 25,987 | 569 | — | — | 1,947 | — | — | — | 28,503 |
| Total liabilities | — | 90,024 | 2,535 | 1,393 | — | 3,480 | — | — | (7,408) | 90,024 |
| Total liabilities | — | 240,659 | 4,831 | 2,496 | 1,341 | 12,146 | — | — | (36,310) | 225,163 |
| Net assets: | | | | | | | | | | |
| Total without donor restrictions | — | 841,644 | 111,508 | 42,147 | 1,956 | 16,219 | 28,953 | 31,547 | — | 1,073,974 |
| Total with donor restrictions | — | 42,733 | 44,460 | — | — | 1,315 | 140 | 624 | (42,378) | 46,894 |
| Total net assets | — | 884,377 | 155,968 | 42,147 | 1,956 | 17,534 | 29,093 | 32,171 | (42,378) | 1,120,868 |
| Total liabilities and net assets | \$ — | 1,125,036 | 160,799 | 44,643 | 3,297 | 29,680 | 29,093 | 32,171 | (78,688) | 1,346,031 |

Definitions:

UPHDM – UnityPoint Health – Des Moines
CIHC – Central Iowa Hospital Corporation
UPHF – UnityPoint Health Foundation
CIHP – Central Iowa Health Properties Corporation

EB – Eyerly Ball Mental Health Services
GRMC – Grinnell Regional Medical Center
UPC – UnityPoint Clinic, UPHDM portion
UPAH – UnityPoint at Home, UPHDM portion

See accompanying independent auditors' report

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

UnityPoint Health – Des Moines and Subsidiaries (Des Moines)

Consolidating Statement of Operations

Year ended December 31, 2018

(In thousands)

| | UPHDM | CIHC | UPHF | CIHP | EB | GRMC | UPC | UPAH | Eliminations | Consolidated |
|---|-------|----------|----------|-------|--------|---------|----------|---------|--------------|--------------|
| Unrestricted revenue: | | | | | | | | | | |
| Net patient service revenue | \$ — | 774,459 | — | — | 11,936 | 45,583 | 153,938 | 69,865 | (15) | 1,055,766 |
| Other operating revenue | — | 64,475 | 1,216 | 6,172 | 1,045 | 2,019 | 22,421 | 3,049 | (11,901) | 88,496 |
| Net assets released from restrictions used for operations | — | 4,955 | 278 | — | — | 178 | 2 | 217 | — | 5,630 |
| Total unrestricted revenue | — | 843,889 | 1,494 | 6,172 | 12,981 | 47,780 | 176,361 | 73,131 | (11,916) | 1,149,892 |
| Expenses: | | | | | | | | | | |
| Salaries and wages | — | 274,544 | 1,987 | 79 | 7,607 | 17,550 | 45,666 | 30,531 | — | 377,964 |
| Physician compensation and services | — | 97,575 | — | — | 127 | 6,548 | 96,864 | 310 | (5,759) | 195,665 |
| Employee benefits | — | 70,846 | 342 | 24 | 2,054 | 6,694 | 13,335 | 7,605 | (14) | 100,886 |
| Supplies | — | 156,360 | 582 | 4 | 203 | 10,085 | 18,507 | 25,947 | (1) | 211,687 |
| Other expenses | — | 143,497 | 1,133 | 2,306 | 2,416 | 7,785 | 38,195 | 10,454 | (6,115) | 199,671 |
| Depreciation and amortization | — | 30,994 | 5 | 1,565 | 131 | 2,251 | 3,134 | 721 | — | 38,801 |
| Interest | — | 4,724 | — | — | 28 | 192 | 363 | 81 | (27) | 5,361 |
| Provision for uncollectible accounts | — | 215 | — | 1 | — | — | — | 1,003 | — | 1,219 |
| Total expenses | — | 778,755 | 4,049 | 3,979 | 12,566 | 51,105 | 216,064 | 76,652 | (11,916) | 1,131,254 |
| Operating income (loss) | — | 65,134 | (2,555) | 2,193 | 415 | (3,325) | (39,703) | (3,521) | — | 18,638 |
| Nonoperating gains (losses): | | | | | | | | | | |
| Investment income (loss) | — | (25,434) | (8,086) | — | 2 | (263) | (110) | (91) | — | (33,982) |
| Contribution received in affiliations | — | (1) | — | — | 1,603 | 18,360 | — | — | — | 19,962 |
| Other, net | — | — | (8) | — | — | (25) | — | — | — | (33) |
| Total nonoperating gains (losses), net | — | (25,435) | (8,094) | — | 1,605 | 18,072 | (110) | (91) | — | (14,053) |
| Excess (Deficiency) of revenues over expenses | \$ — | 39,699 | (10,649) | 2,193 | 2,020 | 14,747 | (39,813) | (3,612) | — | 4,585 |

Definitions:

UPHDM – UnityPoint Health – Des Moines
CIHC – Central Iowa Hospital Corporation
UPHF – UnityPoint Health Foundation
CIHP – Central Iowa Health Properties Corporation

EB – Eyerly Ball Mental Health Services
GRMC – Grinnell Regional Medical Center
UPC – UnityPoint Clinic, UPHDM portion
UPAH – UnityPoint at Home, UPHDM portion

See accompanying independent auditors' report

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH
Methodist Health Services Corporation and Subsidiaries (Peoria)
Consolidating Balance Sheet
December 31, 2018
(In thousands)

| Assets | MHSC | MMCI | MS | MMCF | PHC | PH | Belcrest | Hult | PHS | HP | PPHS | PMH | PPH | PCL | Eliminations | Consolidated |
|---|-----------------|----------------|----------------|---------------|---------------|----------------|-----------------|--------------|-----------------|--------------|-------------|---------------|----------------|----------------|---------------------|---------------------|
| Current assets: | | | | | | | | | | | | | | | | |
| Cash and cash equivalents | \$ 1,612 | 7,475 | 183 | 1,946 | — | 3,250 | 179 | 540 | 240 | 1 | — | 5,138 | 435 | 144 | — | 21,143 |
| Short-term investments | 62 | 227 | 11 | — | — | 190 | 6 | — | 12 | — | — | 2,511 | 26 | 6 | — | 3,051 |
| Patient accounts receivable, net | 63 | 58,364 | — | — | — | 19,443 | 1,459 | — | 1,221 | — | — | 11,827 | 1,754 | — | — | 94,131 |
| Other receivables | 318 | 3,349 | 148 | — | — | 2,948 | (1) | 158 | — | — | — | 4,242 | 1 | 6 | — | 11,169 |
| Inventories | — | 6,222 | — | — | — | 2,281 | 792 | — | — | — | — | 1,380 | 90 | — | — | 10,765 |
| Prepaid expenses | — | 1,525 | 72 | 16 | — | 343 | — | 8 | — | 8 | — | 339 | 107 | 1 | — | 2,419 |
| Due from affiliates | 260 | 45,835 | 13,516 | 3 | 3,478 | 31,864 | 3,530 | 42 | 609 | 2 | — | 7,417 | 253 | 1,686 | (102,997) | 5,498 |
| Total current assets | 2,315 | 122,997 | 13,930 | 1,965 | 3,478 | 60,319 | 5,965 | 748 | 2,082 | 11 | — | 32,854 | 2,666 | 1,843 | (102,997) | 148,176 |
| Assets limited as to use, noncurrent: | | | | | | | | | | | | | | | | |
| Internally designated | — | 4,844 | — | 2,954 | — | — | — | — | — | — | — | 245 | — | — | — | 8,043 |
| Total assets limited as to use, noncurrent | — | 4,844 | — | 2,954 | — | — | — | — | — | — | — | 245 | — | — | — | 8,043 |
| Property, plant and equipment, net | 24 | 153,730 | 89,668 | — | — | 37,185 | 184 | 1,030 | 431 | — | — | 21,767 | 1,184 | 17,679 | — | 322,882 |
| Other long-term investments | 102 | 208,381 | 18 | 27,675 | — | 312 | 10 | 726 | 19 | — | — | 281 | 43 | 10 | — | 237,577 |
| Investments in joint ventures and other investments | 812 | 43,709 | — | 185 | 17,617 | — | — | — | — | — | — | — | — | — | (51,000) | 11,323 |
| Contributions receivable, net | — | 5,716 | — | 19 | — | 6,181 | — | 89 | — | — | — | — | — | — | — | 12,005 |
| Other | 964 | 5,549 | — | — | — | 5,876 | 1 | 1 | — | — | — | 8,851 | 31 | 1 | — | 21,274 |
| Total assets | \$ 4,217 | 544,926 | 103,616 | 32,798 | 21,095 | 109,873 | 6,160 | 2,594 | 2,532 | 11 | — | 63,998 | 3,924 | 19,533 | (153,997) | 761,280 |
| Liabilities and Net Assets | | | | | | | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | | | | | | | |
| Current maturities of long-term debt | \$ — | 6,245 | — | — | — | — | — | — | — | — | — | 267 | — | — | — | 6,512 |
| Accounts payable | 84 | 13,831 | 275 | 1 | — | 5,365 | 103 | 17 | 44 | — | — | 2,652 | 648 | 9 | — | 23,029 |
| Accrued payroll | 20 | 7,170 | — | 1 | — | 1,225 | 39 | 2 | (5) | — | — | 890 | 144 | — | — | 9,486 |
| Accrued interest | — | 80 | — | — | — | — | — | — | — | — | — | — | — | — | — | 80 |
| Estimated settlements due to third-party payers | — | 45,267 | — | — | — | 8,284 | — | — | — | — | — | 4,407 | — | — | — | 57,958 |
| Due to affiliates | 1,384 | 41,895 | 24,642 | 324 | 5 | 4,778 | 20,099 | 301 | 25,145 | 805 | — | 14,490 | 10,600 | 1,986 | (102,997) | 43,457 |
| Other current liabilities | — | 10,635 | 1,553 | 39 | — | 3,101 | 85 | 27 | 47 | 1 | — | 4,408 | 42 | 650 | — | 20,588 |
| Total current liabilities | 1,488 | 125,123 | 26,470 | 365 | 5 | 22,753 | 20,326 | 347 | 25,231 | 806 | — | 27,114 | 11,434 | 2,645 | (102,997) | 161,110 |
| Long-term debt, net | — | 12,974 | — | — | — | — | — | — | — | — | — | 81 | — | — | — | 13,055 |
| Other long-term liabilities | — | 86,928 | — | 95 | — | 20,006 | — | — | — | — | — | 15,170 | — | — | — | 122,197 |
| Due to affiliates | — | 75,730 | — | — | — | 13,040 | — | — | — | — | — | 8,206 | — | 18,765 | — | 115,741 |
| Total liabilities | 1,488 | 300,753 | 26,470 | 460 | 5 | 55,799 | 20,326 | 347 | 25,231 | 806 | — | 50,571 | 11,434 | 21,410 | (102,997) | 412,103 |
| Net assets (deficit): | | | | | | | | | | | | | | | | |
| Total without donor restrictions | 2,729 | 220,503 | 77,147 | 14,592 | 21,090 | 47,699 | (14,166) | 2,158 | (22,699) | (795) | — | 13,427 | (7,510) | (1,877) | (33,254) | 319,044 |
| Total with donor restrictions | — | 23,669 | — | 17,746 | — | 6,375 | — | 89 | — | — | — | — | — | — | (17,746) | 30,133 |
| Total net assets (deficit) | 2,729 | 244,172 | 77,147 | 32,338 | 21,090 | 54,074 | (14,166) | 2,247 | (22,699) | (795) | — | 13,427 | (7,510) | (1,877) | (51,000) | 349,177 |
| Total liabilities and net assets | \$ 4,217 | 544,926 | 103,616 | 32,798 | 21,095 | 109,873 | 6,160 | 2,594 | 2,532 | 11 | — | 63,998 | 3,924 | 19,533 | (153,997) | 761,280 |

Definitions:
MHSC – Methodist Health Services Corporation
MMCI – Methodist Medical Center of Illinois
MS – Methodist Services, Inc.
MMCF – Methodist Medical Center Foundation
PHC – Proctor Health Care, Inc.
PH – Proctor Hospital
Belcrest – Belcrest Services, Ltd.
Hult – Hult Center for Healthy Living
PHS – Proctor Health Systems
HP – HealthPlus, Inc.
PPHS – Progressive Health Systems
PMH – Pekin Memorial Hospital
PPH – Pekin ProHealth, Inc.
PCL – Park Court Limited

See accompanying independent auditors' report

IOWA HEALTH SYSTEM AND SUBSIDIARIES
db/a UNITYPOINT HEALTH
Methodist Health Services Corporation and Subsidiaries (Peoria)
Consolidating Statement of Operations
Year ended December 31, 2018
(In thousands)

| | MHSC | MMCI | MS | MMCF | PHC | PH | Belcrest | Hult | PHS | HP | PPHS | PMH | PPH | PCL | Eliminations | Consolidated |
|---|--------|---------|--------|-------|-----|---------|----------|-------|---------|------|------|--------|---------|-------|--------------|--------------|
| Unrestricted revenue: | | | | | | | | | | | | | | | | |
| Net patient service revenue | \$ 760 | 393,688 | — | — | — | 121,614 | 6,309 | — | 9,561 | — | — | 57,258 | 7,820 | — | — | 597,010 |
| Other operating revenue | 1,101 | 34,005 | 12,960 | 3,149 | — | 2,342 | 69 | 945 | 228 | — | — | 609 | 1,755 | 1,462 | (14,323) | 44,302 |
| Net assets released from restrictions used for operations | — | 375 | — | 1,037 | — | 375 | — | 200 | — | — | — | — | — | — | — | 1,987 |
| Total unrestricted revenue | 1,861 | 428,068 | 12,960 | 4,186 | — | 124,331 | 6,378 | 1,145 | 9,789 | — | — | 57,867 | 9,575 | 1,462 | (14,323) | 643,299 |
| Expenses: | | | | | | | | | | | | | | | | |
| Salaries and wages | 827 | 134,621 | — | 259 | — | 31,315 | 2,711 | 657 | 2,436 | — | — | 19,779 | 3,275 | — | — | 195,880 |
| Physician compensation and services | 223 | 87,039 | — | — | — | 2,561 | 2,980 | — | 8,446 | — | — | 1,601 | 8,524 | — | (36) | 111,338 |
| Employee benefits | 139 | 35,375 | 20 | 60 | — | 7,342 | 621 | 158 | 575 | — | — | 4,050 | 762 | — | — | 49,102 |
| Supplies | 7 | 56,954 | 67 | 9 | — | 21,834 | 1,276 | 63 | 528 | — | — | 8,829 | 2,684 | 1 | — | 92,252 |
| Other expenses | 639 | 93,923 | 8,404 | 1,414 | — | 32,692 | 2,249 | 315 | 2,175 | 29 | — | 19,422 | 2,827 | 1,062 | (14,287) | 150,864 |
| Depreciation and amortization | 8 | 17,259 | 4,778 | — | — | 5,416 | 30 | 84 | 114 | — | — | 3,303 | 225 | 693 | — | 31,910 |
| Interest | 3 | 3,613 | — | — | — | 757 | — | — | — | — | — | 395 | — | 621 | — | 5,389 |
| Provision for uncollectible accounts | — | 48 | 85 | — | — | — | — | — | — | — | — | — | — | — | — | 133 |
| Total expenses | 1,846 | 428,832 | 13,354 | 1,742 | — | 101,917 | 9,867 | 1,277 | 14,274 | 29 | — | 57,379 | 18,297 | 2,377 | (14,323) | 636,868 |
| Operating income (loss) | 15 | (764) | (394) | 2,444 | — | 22,414 | (3,489) | (132) | (4,485) | (29) | — | 488 | (8,722) | (915) | — | 6,431 |
| Nonoperating gains (losses): | | | | | | | | | | | | | | | | |
| Investment income (loss) | 20 | (7,270) | (9) | (994) | — | 124 | 1 | (50) | 15 | — | — | 141 | (38) | (5) | — | (8,065) |
| Other, net | — | 6,609 | — | — | — | 1,137 | — | — | — | — | — | 497 | — | — | — | 8,243 |
| Total nonoperating gains (losses), net | 20 | (661) | (9) | (994) | — | 1,261 | 1 | (50) | 15 | — | — | 638 | (38) | (5) | — | 178 |
| Excess (Deficiency) of revenues over expenses | \$ 35 | (1,425) | (403) | 1,450 | — | 23,675 | (3,488) | (182) | (4,470) | (29) | — | 1,126 | (8,760) | (920) | — | 6,609 |

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PMH – Pekin Memorial Hospital
PPH – Pekin ProHealth, Inc.
PCL – Park Court Limited

See accompanying independent auditors' report

IOWA HEALTH SYSTEM AND SUBSIDIARIES
db/a UNITYPOINT HEALTH

Trinity Regional Health System and Subsidiaries (Rock Island)

Consolidating Balance Sheet

December 31, 2018

(In thousands)

| Assets | TRHS | TMC | THF | THE | TM | UPC | UPAH | Eliminations | Consolidated |
|---|------------------|----------------|---------------|--------------|---------------|--------------|--------------|---------------------|---------------------|
| Current assets: | | | | | | | | | |
| Cash and cash equivalents | \$ — | 16,399 | 1,512 | 1,068 | 12,721 | — | — | — | 31,700 |
| Short-term investments | — | 944 | 99 | 64 | 771 | — | — | — | 1,878 |
| Assets limited as to use – required for current liabilities | — | 4,410 | — | — | — | — | — | — | 4,410 |
| Patient accounts receivable, net | — | 47,128 | — | 395 | 7,204 | — | — | — | 54,727 |
| Other receivables | 6 | 2,298 | — | 42 | 238 | — | — | — | 2,584 |
| Inventories | — | 10,526 | — | 192 | 1,098 | — | — | — | 11,816 |
| Prepaid expenses | 58 | 1,575 | 56 | — | 125 | — | — | — | 1,814 |
| Due from affiliates | 750 | 6,958 | 1 | — | 355 | — | — | (4,057) | 4,007 |
| Total current assets | 814 | 90,238 | 1,668 | 1,761 | 22,512 | — | — | (4,057) | 112,936 |
| Assets limited as to use, noncurrent: | | | | | | | | | |
| Internally designated | 20,723 | 142,238 | — | — | 8,981 | — | — | — | 171,942 |
| Total assets limited as to use, noncurrent | 20,723 | 142,238 | — | — | 8,981 | — | — | — | 171,942 |
| Property, plant, and equipment, net | — | 171,195 | — | 95 | 25,497 | — | — | — | 196,787 |
| Other long-term investments | — | 7,418 | 8,547 | 104 | 3,293 | — | — | — | 19,362 |
| Investments in joint ventures and other investments | 1,432 | 14,645 | — | — | — | 5,197 | 1,947 | (9,773) | 13,448 |
| Contributions receivable, net | — | 164 | 1,341 | — | 75 | — | — | — | 1,580 |
| Other | 95 | 38,077 | — | — | 29 | — | — | 1 | 38,202 |
| Due from affiliates | — | 10,921 | — | — | — | — | — | (10,921) | — |
| Total assets | \$ 23,064 | 474,896 | 11,556 | 1,960 | 60,387 | 5,197 | 1,947 | (24,750) | 554,257 |
| Liabilities and Net Assets | | | | | | | | | |
| Current liabilities: | | | | | | | | | |
| Current maturities of long-term debt | \$ — | 2,396 | — | — | 155 | — | — | — | 2,551 |
| Accounts payable | 664 | 17,392 | 22 | 87 | 1,901 | — | — | — | 20,066 |
| Accrued payroll | 2,177 | 7,739 | (54) | 55 | 866 | — | — | — | 10,783 |
| Estimated settlements due to third-party payers | — | 4,279 | — | — | 785 | — | — | — | 5,064 |
| Due to affiliates | 329 | 13,330 | 1,904 | 799 | 2,181 | — | — | (4,057) | 14,486 |
| Other current liabilities | 1,203 | 6,220 | 19 | (131) | 618 | — | — | 1 | 7,930 |
| Total current liabilities | 4,373 | 51,356 | 1,891 | 810 | 6,506 | — | — | (4,056) | 60,880 |
| Long-term debt, net | — | 1,102 | — | — | 2,590 | — | — | — | 3,692 |
| Other long-term liabilities | 1,158 | 14,932 | 71 | 1 | 987 | — | — | — | 17,149 |
| Due to affiliates | — | 127,010 | — | — | 20,266 | — | — | (10,921) | 136,355 |
| Total liabilities | 5,531 | 194,400 | 1,962 | 811 | 30,349 | — | — | (14,977) | 218,076 |
| Net assets (deficit): | | | | | | | | | |
| Without donor restrictions: | | | | | | | | | |
| Attributable to UnityPoint Health | 17,533 | 241,830 | (41) | 1,149 | 29,247 | 5,197 | 1,901 | (1,492) | 295,324 |
| Attributable to noncontrolling interest | — | 29,856 | — | — | — | — | — | — | 29,856 |
| Total without donor restrictions | 17,533 | 271,686 | (41) | 1,149 | 29,247 | 5,197 | 1,901 | (1,492) | 325,180 |
| With donor restrictions: | | | | | | | | | |
| Attributable to UnityPoint Health | — | 8,810 | 9,635 | — | 791 | — | 46 | (8,281) | 11,001 |
| Attributable to noncontrolling interest | — | — | — | — | — | — | — | — | — |
| Total with donor restrictions | — | 8,810 | 9,635 | — | 791 | — | 46 | (8,281) | 11,001 |
| Total net assets | 17,533 | 280,496 | 9,594 | 1,149 | 30,038 | 5,197 | 1,947 | (9,773) | 336,181 |
| Total liabilities and net assets | \$ 23,064 | 474,896 | 11,556 | 1,960 | 60,387 | 5,197 | 1,947 | (24,750) | 554,257 |

Definitions:

TRHS – Trinity Regional Health System
TMC – Trinity Medical Center
THF – Trinity Health Foundation
THE – Trinity Health Enterprises, Inc.

TM – Trinity Muscatine
UPC – UnityPoint Clinic, TRHS portion
UPAH – UnityPoint at Home, TRHS portion

See accompanying independent auditors' report

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Trinity Regional Health System and Subsidiaries (Rock Island)

Consolidating Statement of Operations

Year ended December 31, 2018

(In thousands)

| | <u>TRHS</u> | <u>TMC</u> | <u>THF</u> | <u>THE</u> | <u>TM</u> | <u>UPC</u> | <u>UPAH</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|---|-------------------|----------------|----------------|--------------|---------------|-----------------|----------------|---------------------|---------------------|
| Unrestricted revenue: | | | | | | | | | |
| Net patient service revenue | \$ — | 432,557 | — | 3,264 | 47,985 | 56,559 | 33,397 | (49) | 573,713 |
| Other operating revenue | (763) | 25,185 | 21 | (123) | 2,954 | 6,472 | 334 | (3,671) | 30,409 |
| Net assets released from restrictions used for operations | — | 319 | 109 | — | 18 | 3 | 6 | — | 455 |
| Total unrestricted revenue | <u>(763)</u> | <u>458,061</u> | <u>130</u> | <u>3,141</u> | <u>50,957</u> | <u>63,034</u> | <u>33,737</u> | <u>(3,720)</u> | <u>604,577</u> |
| Expenses: | | | | | | | | | |
| Salaries and wages | — | 142,310 | 622 | 790 | 15,604 | 20,625 | 15,963 | — | 195,914 |
| Physician compensation and services | — | 42,659 | — | — | 7,656 | 38,733 | 119 | (1,392) | 87,775 |
| Employee benefits | — | 34,944 | 138 | 202 | 3,661 | 6,198 | 4,093 | (219) | 49,017 |
| Supplies | — | 85,167 | 42 | 2,602 | 5,552 | 6,108 | 10,012 | (16) | 109,467 |
| Other expenses | — | 98,289 | 418 | 297 | 9,841 | 16,275 | 4,151 | (2,856) | 126,415 |
| Depreciation and amortization | — | 20,850 | — | 33 | 2,451 | 858 | 149 | — | 24,341 |
| Interest | — | 6,577 | — | — | 848 | 3 | 35 | (1) | 7,462 |
| Provision for uncollectible accounts | — | (18) | — | — | — | — | 286 | — | 268 |
| Total expenses | <u>—</u> | <u>430,778</u> | <u>1,220</u> | <u>3,924</u> | <u>45,613</u> | <u>88,800</u> | <u>34,808</u> | <u>(4,484)</u> | <u>600,659</u> |
| Operating income (loss) | <u>(763)</u> | <u>27,283</u> | <u>(1,090)</u> | <u>(783)</u> | <u>5,344</u> | <u>(25,766)</u> | <u>(1,071)</u> | <u>764</u> | <u>3,918</u> |
| Nonoperating gains (losses): | | | | | | | | | |
| Investment income (loss) | (738) | (6,637) | (344) | 20 | (311) | (45) | (36) | — | (8,091) |
| Contribution received in affiliations | — | 1 | — | — | — | — | — | — | 1 |
| Other, net | — | (22) | — | — | — | — | — | — | (22) |
| Total nonoperating gains (losses), net | <u>(738)</u> | <u>(6,658)</u> | <u>(344)</u> | <u>20</u> | <u>(311)</u> | <u>(45)</u> | <u>(36)</u> | <u>—</u> | <u>(8,112)</u> |
| Excess (Deficiency) of revenues over expenses | <u>(1,501)</u> | <u>20,625</u> | <u>(1,434)</u> | <u>(763)</u> | <u>5,033</u> | <u>(25,811)</u> | <u>(1,107)</u> | <u>764</u> | <u>(4,194)</u> |
| Less net loss attributable to noncontrolling interest | <u>—</u> | <u>(3,851)</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(3,851)</u> |
| Excess (Deficiency) of revenues over expenses attributable to UnityPoint Health | <u>\$ (1,501)</u> | <u>16,774</u> | <u>(1,434)</u> | <u>(763)</u> | <u>5,033</u> | <u>(25,811)</u> | <u>(1,107)</u> | <u>764</u> | <u>(8,045)</u> |

Definitions:

TRHS – Trinity Regional Health System
TMC – Trinity Medical Center
THF – Trinity Health Foundation
THE – Trinity Health Enterprises, Inc.

TM – Trinity Muscatine
UPC – UnityPoint Clinic, TRHS portion
UPAH – UnityPoint at Home, TRHS portion

See accompanying independent auditors' report.

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Meriter Health System, Inc. and Subsidiaries (Madison)

Consolidating Balance Sheet

December 31, 2018

(In thousands)

| Assets | MHS | MH | MF | MMS | UPAH | Eliminations | Consolidated |
|---|------------------|----------------|---------------|---------------|--------------|---------------------|---------------------|
| Current assets: | | | | | | | |
| Cash and cash equivalents | \$ 1,013 | 32,454 | 1,981 | 765 | — | — | 36,213 |
| Short-term investments | — | 1,823 | — | — | — | — | 1,823 |
| Patient accounts receivable, net | — | 41,209 | — | 725 | — | — | 41,934 |
| Other receivables | 76 | 3,837 | 314 | 1,926 | — | — | 6,153 |
| Inventories | — | 3,200 | — | — | — | — | 3,200 |
| Prepaid expenses | — | 944 | — | 269 | — | — | 1,213 |
| Due from affiliates | 219 | 225,095 | 17 | 10,911 | — | (236,217) | 25 |
| Total current assets | <u>1,308</u> | <u>308,562</u> | <u>2,312</u> | <u>14,596</u> | <u>—</u> | <u>(236,217)</u> | <u>90,561</u> |
| Assets limited as to use, noncurrent: | | | | | | | |
| Internally designated | — | — | — | — | — | — | — |
| Total assets limited as to use, noncurrent | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Property, plant, and equipment, net | — | 257,969 | — | 1,824 | — | (510) | 259,283 |
| Other long-term investments | 5,450 | 318,582 | 20,251 | 6,177 | — | — | 350,460 |
| Investments in joint ventures and other investments | 5,133 | 76,258 | — | 4,296 | (714) | (17,822) | 67,151 |
| Contributions receivable, net | — | — | 223 | — | — | — | 223 |
| Other | — | — | — | 815 | — | 1 | 816 |
| Total assets | <u>\$ 11,891</u> | <u>961,371</u> | <u>22,786</u> | <u>27,708</u> | <u>(714)</u> | <u>(254,548)</u> | <u>768,494</u> |
| Liabilities and Net Assets | | | | | | | |
| Current liabilities: | | | | | | | |
| Current maturities of long-term debt | \$ — | 495 | — | — | — | — | 495 |
| Accounts payable | 81 | 22,811 | 664 | 861 | — | — | 24,417 |
| Accrued payroll | 607 | 19,849 | 33 | 1,592 | — | (63) | 22,018 |
| Estimated settlements due to third-party payers | — | 1,900 | — | — | — | — | 1,900 |
| Due to affiliates | 592 | 237,269 | 215 | 9,169 | — | (236,185) | 11,060 |
| Other current liabilities | — | 1,233 | (1) | 133 | — | 2 | 1,367 |
| Total current liabilities | <u>1,280</u> | <u>283,557</u> | <u>911</u> | <u>11,755</u> | <u>—</u> | <u>(236,246)</u> | <u>61,257</u> |
| Long-term debt, net | — | 694 | — | — | — | — | 694 |
| Other long-term liabilities | 1,425 | 30,928 | 78 | 6,297 | — | — | 38,728 |
| Due to affiliates | — | 177,204 | — | — | — | — | 177,204 |
| Total liabilities | <u>2,705</u> | <u>492,383</u> | <u>989</u> | <u>18,052</u> | <u>—</u> | <u>(236,246)</u> | <u>277,883</u> |
| Net assets (deficit): | | | | | | | |
| Total without donor restrictions | 9,186 | 464,124 | 11,046 | 9,656 | (714) | (9,873) | 483,425 |
| Total with donor restrictions | — | 4,864 | 10,751 | — | — | (8,429) | 7,186 |
| Total net assets | <u>9,186</u> | <u>468,988</u> | <u>21,797</u> | <u>9,656</u> | <u>(714)</u> | <u>(18,302)</u> | <u>490,611</u> |
| Total liabilities and net assets | <u>\$ 11,891</u> | <u>961,371</u> | <u>22,786</u> | <u>27,708</u> | <u>(714)</u> | <u>(254,548)</u> | <u>768,494</u> |

Definitions:

MHS – Meriter Health Services, Inc.
MH – Meriter Hospital, Inc.
MF – Meriter Foundation, Inc.
MMS – Meriter Management Services
UPAH – UnityPoint at Home, MHS portion

See accompanying independent auditors' report

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Meriter Health System, Inc. and Subsidiaries (Madison)

Consolidating Statement of Operations

Year ended December 31, 2018

(In thousands)

| | <u>MHS</u> | <u>MH</u> | <u>MF</u> | <u>MMS</u> | <u>UPAH</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|---|---------------|-----------------|--------------|---------------|----------------|---------------------|---------------------|
| Unrestricted revenue: | | | | | | | |
| Net patient service revenue | \$ — | 433,650 | — | 16,942 | 10,440 | (11,952) | 449,080 |
| Other operating revenue | 3,459 | 23,961 | 1,478 | 9,304 | 243 | (17,253) | 21,192 |
| Net assets released from restrictions used for operations | — | 190 | 25 | — | — | — | 215 |
| Total unrestricted revenue | <u>3,459</u> | <u>457,801</u> | <u>1,503</u> | <u>26,246</u> | <u>10,683</u> | <u>(29,205)</u> | <u>470,487</u> |
| Expenses: | | | | | | | |
| Salaries and wages | 2,220 | 148,835 | 411 | 9,694 | 5,203 | — | 166,363 |
| Physician compensation and services | — | 41,764 | — | 3 | — | — | 41,767 |
| Employee benefits | 511 | 47,008 | 129 | 3,004 | 1,924 | — | 52,576 |
| Supplies | 1 | 66,485 | 8 | 3,476 | 3,492 | — | 73,462 |
| Other expenses | 806 | 113,699 | 1,112 | 8,519 | 930 | (28,999) | 96,067 |
| Depreciation and amortization | — | 21,049 | — | 351 | 54 | — | 21,454 |
| Interest | — | 7,588 | — | — | 12 | — | 7,600 |
| Provision for uncollectible accounts | — | — | — | — | 231 | — | 231 |
| Total expenses | <u>3,538</u> | <u>446,428</u> | <u>1,660</u> | <u>25,047</u> | <u>11,846</u> | <u>(28,999)</u> | <u>459,520</u> |
| Operating income (loss) | <u>(79)</u> | <u>11,373</u> | <u>(157)</u> | <u>1,199</u> | <u>(1,163)</u> | <u>(206)</u> | <u>10,967</u> |
| Nonoperating gains (losses): | | | | | | | |
| Investment income (loss) | 194 | (14,495) | (603) | 101 | (19) | — | (14,822) |
| Other, net | 40 | (2,039) | (5) | (238) | — | — | (2,242) |
| Total nonoperating gains (losses), net | <u>234</u> | <u>(16,534)</u> | <u>(608)</u> | <u>(137)</u> | <u>(19)</u> | <u>—</u> | <u>(17,064)</u> |
| Excess (Deficiency) of revenues over expenses | <u>\$ 155</u> | <u>(5,161)</u> | <u>(765)</u> | <u>1,062</u> | <u>(1,182)</u> | <u>(206)</u> | <u>(6,097)</u> |

Definitions

MHS – Meriter Health Services, Inc.
 MH – Meriter Hospital, Inc.
 MF – Meriter Foundation, Inc.
 MMS – Meriter Management Services
 UPAH – UnityPoint at Home, MHS portion

See accompanying independent auditors' report

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

St. Luke's Healthcare and Subsidiaries (Cedar Rapids)

Consolidating Balance Sheet

December 31, 2018

(In thousands)

| Assets | SLMH | CARE | JRMC | ABBE | UPC | UPAH | Eliminations | Consolidated |
|---|-------------|-------------|-------------|-------------|------------|-------------|---------------------|---------------------|
| Current assets: | | | | | | | | |
| Cash and cash equivalents | \$ 11,771 | 3,482 | 22,183 | 3,939 | — | — | — | 41,375 |
| Short-term investments | 1,858 | — | 1,235 | 1,754 | — | — | — | 4,847 |
| Assets limited as to use - required for current liabilities | 2,696 | — | — | — | — | — | — | 2,696 |
| Patient accounts receivable, net | 52,517 | 604 | 4,872 | 2,477 | — | — | — | 60,470 |
| Other receivables | 2,948 | — | 183 | 25 | — | — | — | 3,156 |
| Inventories | 8,013 | — | 399 | — | — | — | — | 8,402 |
| Prepaid expenses | 2,840 | 28 | 53 | 158 | — | — | — | 3,079 |
| Due from affiliates | 13,968 | 3,431 | 281 | 5 | — | — | (13,647) | 4,038 |
| Total current assets | 96,611 | 7,545 | 29,196 | 8,358 | — | — | (13,647) | 128,063 |
| Assets limited as to use, noncurrent: | | | | | | | | |
| Internally designated | 159,188 | — | — | — | — | — | — | 159,188 |
| Total assets limited as to use, noncurrent | 159,188 | — | — | — | — | — | — | 159,188 |
| Property, plant and equipment, net | 150,086 | 3,213 | 19,631 | 6,334 | — | — | — | 179,264 |
| Other long-term investments | 32,631 | — | 2,643 | 9,122 | — | — | — | 44,396 |
| Investments in joint ventures and other investments | 13,564 | — | — | — | 7,296 | 688 | (7,486) | 14,062 |
| Contributions receivable, net | 38,461 | — | 1,728 | 285 | — | — | — | 40,474 |
| Other | 948 | — | 34 | 94 | — | — | — | 1,076 |
| Due from affiliates | 923 | — | — | — | — | — | (923) | — |
| Total assets | \$ 492,412 | 10,758 | 53,232 | 24,193 | 7,296 | 688 | (22,056) | 566,523 |
| Liabilities and Net Assets | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Current maturities of long-term debt | \$ — | — | 583 | 20 | — | — | — | 603 |
| Accounts payable | 12,903 | 387 | 1,320 | 578 | — | — | — | 15,188 |
| Accrued payroll | 12,516 | 569 | 1,211 | 1,180 | — | — | — | 15,476 |
| Accrued interest | — | — | 29 | — | — | — | — | 29 |
| Estimated settlements due to third-party payers | 4,860 | — | 413 | — | — | — | — | 5,273 |
| Due to affiliates | 17,430 | — | 6,444 | 8 | — | — | (13,647) | 10,235 |
| Other current liabilities | 5,403 | — | 297 | 275 | — | — | — | 5,975 |
| Total current liabilities | 53,112 | 956 | 10,297 | 2,061 | — | — | (13,647) | 52,779 |
| Long-term debt, net | — | — | 8,156 | 556 | — | — | — | 8,712 |
| Other long-term liabilities | 11,029 | — | — | 103 | — | — | — | 11,132 |
| Due to affiliates | 69,371 | — | — | — | — | — | (923) | 68,448 |
| Total liabilities | 133,512 | 956 | 18,453 | 2,720 | — | — | (14,570) | 141,071 |
| Net assets (deficit): | | | | | | | | |
| Without donor restrictions: | | | | | | | | |
| Attributable to UnityPoint Health | 317,505 | 9,802 | 33,056 | 21,153 | 7,256 | (724) | (7,486) | 380,562 |
| Attributable to noncontrolling interest | (267) | — | — | — | — | — | — | (267) |
| Total with donor restrictions | 317,238 | 9,802 | 33,056 | 21,153 | 7,256 | (724) | (7,486) | 380,295 |
| With donor restrictions: | | | | | | | | |
| Attributable to UnityPoint Health | 40,818 | — | 1,723 | 320 | 40 | 1,412 | — | 44,313 |
| Attributable to noncontrolling interest | 844 | — | — | — | — | — | — | 844 |
| Total with donor restrictions | 41,662 | — | 1,723 | 320 | 40 | 1,412 | — | 45,157 |
| Total net assets (deficit) | 358,900 | 9,802 | 34,779 | 21,473 | 7,296 | 688 | (7,486) | 425,452 |
| Total liabilities and net assets | \$ 492,412 | 10,758 | 53,232 | 24,193 | 7,296 | 688 | (22,056) | 566,523 |

Definitions

SLMH - St. Luke's Methodist Hospital
CARE - STL Care Company
JRMC - Jones Regional Medical Center

ABBE - Abbe, Inc.
UPC - UnityPoint Clinic, SLHC portion
UPAH - UnityPoint at Home, SLHC portion

See accompanying independent auditors' report

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

St. Luke's Healthcare and Subsidiaries (Cedar Rapids)

Consolidating Statement of Operations

Year ended December 31, 2018

(In thousands)

| | <u>SLMH</u> | <u>CARE</u> | <u>JRMC</u> | <u>ABBE</u> | <u>UPC</u> | <u>UPAH</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|---|------------------|---------------|---------------|---------------|-----------------|----------------|---------------------|---------------------|
| Unrestricted revenue: | | | | | | | | |
| Net patient service revenue | \$ 373,446 | 11,999 | 34,633 | 24,973 | 53,176 | 16,825 | (666) | 514,386 |
| Other operating revenue | 28,334 | 218 | 655 | 3,546 | 11,554 | 175 | (15,932) | 28,550 |
| Net assets released from restrictions used for operations | 787 | — | 54 | — | 49 | 190 | — | 1,080 |
| Total unrestricted revenue | <u>402,567</u> | <u>12,217</u> | <u>35,342</u> | <u>28,519</u> | <u>64,779</u> | <u>17,190</u> | <u>(16,598)</u> | <u>544,016</u> |
| Expenses: | | | | | | | | |
| Salaries and wages | 125,324 | 6,439 | 10,182 | 15,883 | 20,221 | 6,441 | (80) | 184,410 |
| Physician compensation and services | 34,252 | 34 | 6,643 | — | 38,127 | 113 | (4,129) | 75,040 |
| Employee benefits | 34,588 | 1,108 | 3,502 | 5,053 | 5,807 | 1,775 | — | 51,833 |
| Supplies | 66,449 | 1,782 | 3,132 | 796 | 5,321 | 7,055 | (13) | 84,522 |
| Other expenses | 90,066 | 2,336 | 7,448 | 5,746 | 16,704 | 3,407 | (12,357) | 113,350 |
| Depreciation and amortization | 18,040 | 340 | 1,793 | 665 | 779 | 140 | — | 21,757 |
| Interest | 3,414 | — | 333 | 37 | 3 | 17 | (20) | 3,784 |
| Provision for uncollectible accounts | 37 | — | — | 54 | — | 214 | — | 305 |
| Total expenses | <u>372,170</u> | <u>12,039</u> | <u>33,033</u> | <u>28,234</u> | <u>86,962</u> | <u>19,162</u> | <u>(16,599)</u> | <u>535,001</u> |
| Operating income (loss) | <u>30,397</u> | <u>178</u> | <u>2,309</u> | <u>285</u> | <u>(22,183)</u> | <u>(1,972)</u> | <u>1</u> | <u>9,015</u> |
| Nonoperating gains (losses): | | | | | | | | |
| Investment income (loss) | (8,126) | 11 | 283 | (374) | (52) | (13) | — | (8,271) |
| Other, net | 621 | — | — | — | — | — | — | 621 |
| Total nonoperating gains (losses), net | <u>(7,505)</u> | <u>11</u> | <u>283</u> | <u>(374)</u> | <u>(52)</u> | <u>(13)</u> | <u>—</u> | <u>(7,650)</u> |
| Excess (Deficiency) of revenues over expenses | <u>22,892</u> | <u>189</u> | <u>2,592</u> | <u>(89)</u> | <u>(22,235)</u> | <u>(1,985)</u> | <u>1</u> | <u>1,365</u> |
| Less net income attributable to noncontrolling interest | 55 | — | — | — | — | — | — | 55 |
| Excess (Deficiency) of revenues over expenses attributable to UnityPoint Health | <u>\$ 22,947</u> | <u>189</u> | <u>2,592</u> | <u>(89)</u> | <u>(22,235)</u> | <u>(1,985)</u> | <u>1</u> | <u>1,420</u> |

Definitions

MHS – Meriter Health Services, Inc.
 MH – Meriter Hospital, Inc.
 MF – Meriter Foundation, Inc.
 MMS – Meriter Management Services
 UPAH – UnityPoint at Home, MHS portion

ABBE – Abbe, Inc.
 UPC – UnityPoint Clinic, SLHC portion
 UPAH – UnityPoint at Home, SLHC portion

See accompanying independent auditors' report

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Allen Health Systems, Inc. and Subsidiaries (Waterloo)

Consolidating Balance Sheet

December 31, 2018

(In thousands)

| Assets | AHS | AMH | MFAH | AC | Marshalltown | BHGMHC | UPC | UPAH | Eliminations | Consolidated |
|---|------------------|----------------|---------------|---------------|---------------------|---------------|----------------|--------------|---------------------|---------------------|
| Current assets: | | | | | | | | | | |
| Cash and cash equivalents | \$ — | 3,755 | 2,925 | 525 | 29 | 1,130 | — | — | — | 8,364 |
| Short-term investments | — | 745 | 129 | — | — | 83 | — | — | — | 957 |
| Assets limited as to use – required for current liabilities | — | 1,993 | — | — | — | — | — | — | — | 1,993 |
| Patient accounts receivable, net | — | 35,994 | — | — | 8,856 | 285 | — | — | — | 45,135 |
| Other receivables | — | 2,265 | — | (282) | 2,459 | 86 | — | — | — | 4,528 |
| Inventories | — | 7,145 | — | — | 1,898 | — | — | — | — | 9,043 |
| Prepaid expenses | — | 1,151 | 16 | 123 | 163 | 9 | — | — | — | 1,462 |
| Due from affiliates | 8,626 | 21,393 | — | 9,122 | — | 99 | — | — | (29,659) | 9,581 |
| Total current assets | <u>8,626</u> | <u>74,441</u> | <u>3,070</u> | <u>9,488</u> | <u>13,405</u> | <u>1,692</u> | <u>—</u> | <u>—</u> | <u>(29,659)</u> | <u>81,063</u> |
| Assets limited as to use, noncurrent: | | | | | | | | | | |
| Internally designated | — | 1,163 | — | — | — | — | — | — | — | 1,163 |
| Total assets limited as to use, noncurrent | <u>—</u> | <u>1,163</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>1,163</u> |
| Property, plant, and equipment, net | | | | | | | | | | |
| Other long-term investments | — | 118,874 | — | — | 36,420 | 2,042 | — | — | — | 157,336 |
| Investments in joint ventures and other investments | 39,571 | 6,791 | 653 | 10,967 | 1,102 | — | (1,093) | 3,811 | (57,214) | 4,588 |
| Contributions receivable, net | — | — | 4,006 | — | 516 | — | — | — | — | 4,522 |
| Other | — | 1,789 | — | 718 | 302 | — | — | — | — | 2,809 |
| Total assets | <u>\$ 48,197</u> | <u>339,315</u> | <u>18,985</u> | <u>21,173</u> | <u>51,745</u> | <u>4,770</u> | <u>(1,093)</u> | <u>3,811</u> | <u>(86,873)</u> | <u>400,030</u> |
| Liabilities and Net Assets | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | |
| Current maturities of long-term debt | \$ — | — | — | — | 337 | 44 | — | — | — | 381 |
| Accounts payable | — | 9,755 | 6 | 62 | 4,293 | 5 | — | — | — | 14,121 |
| Accrued payroll | — | 6,973 | 40 | 212 | 1,643 | 222 | — | — | — | 9,090 |
| Accrued interest | — | — | — | — | 5 | — | — | — | — | 5 |
| Estimated settlements due to third-party payers | — | 2,397 | — | — | 437 | — | — | — | — | 2,834 |
| Due to affiliates | 6,754 | 24,088 | 27 | 188 | 14,758 | 1,034 | — | — | (29,659) | 17,190 |
| Other current liabilities | — | 4,258 | — | 2 | 1,070 | (1) | — | — | (1) | 5,328 |
| Total current liabilities | <u>6,754</u> | <u>47,471</u> | <u>73</u> | <u>464</u> | <u>22,543</u> | <u>1,304</u> | <u>—</u> | <u>—</u> | <u>(29,660)</u> | <u>48,949</u> |
| Long-term debt, net | | | | | | | | | | |
| Other long-term liabilities | — | — | — | — | 1,484 | 360 | — | — | — | 1,844 |
| Due to affiliates | 37,846 | 14,628 | 51 | 762 | 1,996 | 576 | — | — | — | 18,013 |
| Total liabilities | <u>44,600</u> | <u>122,815</u> | <u>124</u> | <u>1,226</u> | <u>26,023</u> | <u>2,240</u> | <u>—</u> | <u>—</u> | <u>(29,660)</u> | <u>167,368</u> |
| Net assets (deficit): | | | | | | | | | | |
| Total without donor restrictions | 3,597 | 209,608 | 1,063 | 9,020 | 24,431 | 2,368 | (1,093) | 3,602 | (39,571) | 213,025 |
| Total with donor restrictions | — | 6,892 | 17,798 | 10,927 | 1,291 | 162 | — | 209 | (17,642) | 19,637 |
| Total net assets | <u>3,597</u> | <u>216,500</u> | <u>18,861</u> | <u>19,947</u> | <u>25,722</u> | <u>2,530</u> | <u>(1,093)</u> | <u>3,811</u> | <u>(57,213)</u> | <u>232,662</u> |
| Total liabilities and net assets | <u>\$ 48,197</u> | <u>339,315</u> | <u>18,985</u> | <u>21,173</u> | <u>51,745</u> | <u>4,770</u> | <u>(1,093)</u> | <u>3,811</u> | <u>(86,873)</u> | <u>400,030</u> |

Definitions:

AHS – Allen Health System
AMH – Allen Memorial Hospital Corporation
MFAH – Memorial Foundation of Allen Hospital
AC – Allen College

Marshalltown – Marshalltown Hospital
BHGMHC – Black Hawk-Grundy Mental Health Center
UPC – UnityPoint Clinic, AHS portion
UPAH – UnityPoint at Home, AHS portion

See accompanying independent auditors' report

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Allen Health Systems, Inc. and Subsidiaries (Waterloo)

Consolidating Statement of Operations

Year ended December 31, 2018

(In thousands)

| | <u>AHS</u> | <u>AMH</u> | <u>MFAH</u> | <u>AC</u> | <u>Marshalltown</u> | <u>BHGMHC</u> | <u>UPC</u> | <u>UPAH</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|---|--------------|----------------|--------------|---------------|---------------------|---------------|-----------------|---------------|---------------------|---------------------|
| Unrestricted revenue: | | | | | | | | | | |
| Net patient service revenue | \$ — | 251,779 | — | — | 60,438 | 4,054 | 49,996 | 21,803 | (742) | 387,328 |
| Other operating revenue | 1,338 | 19,452 | 5 | 11,822 | 5,081 | 853 | 8,502 | 666 | (10,198) | 37,521 |
| Net assets released from restrictions used for operations | — | 497 | 8 | 573 | — | 36 | 2 | 50 | — | 1,166 |
| Total unrestricted revenue | <u>1,338</u> | <u>271,728</u> | <u>13</u> | <u>12,395</u> | <u>65,519</u> | <u>4,943</u> | <u>58,500</u> | <u>22,519</u> | <u>(10,940)</u> | <u>426,015</u> |
| Expenses: | | | | | | | | | | |
| Salaries and wages | — | 73,908 | 426 | 6,254 | 24,283 | 2,130 | 16,363 | 9,578 | — | 132,942 |
| Physician compensation and services | — | 28,465 | — | 67 | 15,168 | 1,731 | 31,239 | 70 | (3,474) | 73,266 |
| Employee benefits | — | 19,975 | 99 | 1,472 | 6,573 | 725 | 4,743 | 2,265 | (36) | 35,816 |
| Supplies | — | 57,070 | 6 | 125 | 8,193 | 32 | 4,525 | 7,329 | (11) | 77,269 |
| Other expenses | — | 53,499 | 211 | 2,637 | 14,305 | 392 | 15,529 | 3,402 | (6,081) | 83,894 |
| Depreciation and amortization | — | 16,412 | — | — | 4,148 | 108 | 1,060 | 188 | — | 21,916 |
| Interest | 1,338 | 3,357 | — | — | 1,397 | 19 | 2 | 24 | (1,338) | 4,799 |
| Provision for uncollectible accounts | — | 2 | — | 50 | 56 | — | — | 249 | — | 357 |
| Total expenses | <u>1,338</u> | <u>252,688</u> | <u>742</u> | <u>10,605</u> | <u>74,123</u> | <u>5,137</u> | <u>73,461</u> | <u>23,105</u> | <u>(10,940)</u> | <u>430,259</u> |
| Operating income (loss) | <u>—</u> | <u>19,040</u> | <u>(729)</u> | <u>1,790</u> | <u>(8,604)</u> | <u>(194)</u> | <u>(14,961)</u> | <u>(586)</u> | <u>—</u> | <u>(4,244)</u> |
| Nonoperating gains (losses): | | | | | | | | | | |
| Investment income (loss) | — | (6,020) | (110) | — | 94 | (21) | (38) | (17) | — | (6,112) |
| Other, net | — | 304 | (7) | — | — | — | — | — | — | 297 |
| Total nonoperating gains (losses), net | <u>—</u> | <u>(5,716)</u> | <u>(117)</u> | <u>—</u> | <u>94</u> | <u>(21)</u> | <u>(38)</u> | <u>(17)</u> | <u>—</u> | <u>(5,815)</u> |
| Excess (Deficiency) of revenues over expenses | <u>\$ —</u> | <u>13,324</u> | <u>(846)</u> | <u>1,790</u> | <u>(8,510)</u> | <u>(215)</u> | <u>(14,999)</u> | <u>(603)</u> | <u>—</u> | <u>(10,059)</u> |

Definitions

| | |
|--|---|
| AHS – Allen Health System | Marshalltown – Marshalltown Hospital |
| AMH – Allen Memorial Hospital Corporation | BHGMHC – Black Hawk-Grundy Mental Health Center |
| MFAH – Memorial Foundation of Allen Hospital | UPC – UnityPoint Clinic, AHS portion |
| AC – Allen College | UPAH – UnityPoint at Home, AHS portion |

See accompanying independent auditors' report

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH
St. Luke's Health System, Inc. and Subsidiaries (Sioux City)

Consolidating Balance Sheet

December 31, 2018

(In thousands)

| Assets | SLHS | SLRMC | SLHR | PACE | UPC | UPAH | Eliminations | Consolidated |
|---|------------------|----------------|-----------------|--------------|------------|--------------|---------------------|---------------------|
| Current assets: | | | | | | | | |
| Cash and cash equivalents | \$ 1,375 | 6,395 | 775 | 2,593 | — | — | — | 11,138 |
| Short-term investments | 70 | 140 | 26 | 124 | — | — | — | 360 |
| Assets limited as to use – required for current liabilities | — | 1,396 | — | — | — | — | — | 1,396 |
| Patient accounts receivable, net | — | 25,785 | 437 | 161 | — | — | (25) | 26,358 |
| Other receivables | 5 | 1,093 | — | — | — | — | — | 1,098 |
| Inventories | — | 4,343 | 24 | — | — | — | — | 4,367 |
| Prepaid expenses | — | 849 | — | 34 | — | — | — | 883 |
| Due from affiliates | 3,559 | 52,872 | 380 | — | — | — | (54,354) | 2,457 |
| Total current assets | <u>5,009</u> | <u>92,873</u> | <u>1,642</u> | <u>2,912</u> | <u>—</u> | <u>—</u> | <u>(54,379)</u> | <u>48,057</u> |
| Assets limited as to use, noncurrent: | | | | | | | | |
| Internally designated | — | 44,437 | — | — | — | — | — | 44,437 |
| Total assets limited as to use, noncurrent | <u>—</u> | <u>44,437</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>44,437</u> |
| Property, plant, and equipment, net | 8,521 | 59,486 | 1,068 | 3,539 | — | — | — | 72,614 |
| Other long-term investments | 114 | 1,969 | 42 | 204 | — | — | — | 2,329 |
| Investments in joint ventures and other investments | 12,226 | 185 | — | — | 706 | 9,669 | — | 22,786 |
| Contributions receivable, net | — | 5,226 | — | — | — | — | — | 5,226 |
| Other | — | 405 | — | — | — | — | — | 405 |
| Total assets | <u>\$ 25,870</u> | <u>204,581</u> | <u>2,752</u> | <u>6,655</u> | <u>706</u> | <u>9,669</u> | <u>(54,379)</u> | <u>195,854</u> |
| Liabilities and Net Assets | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Current maturities of long-term debt | \$ — | 461 | — | — | — | — | — | 461 |
| Accounts payable | 23 | 8,358 | 71 | 1,611 | — | — | (25) | 10,038 |
| Accrued payroll | — | 3,531 | 89 | 111 | — | — | — | 3,731 |
| Estimated settlements due to third-party payers | — | 1,778 | — | 513 | — | — | — | 2,291 |
| Due to affiliates | 3,034 | 13,108 | 51,075 | 647 | — | — | (54,354) | 13,510 |
| Other current liabilities | 349 | 2,953 | 136 | 4 | — | — | — | 3,442 |
| Total current liabilities | <u>3,406</u> | <u>30,189</u> | <u>51,371</u> | <u>2,886</u> | <u>—</u> | <u>—</u> | <u>(54,379)</u> | <u>33,473</u> |
| Long-term debt, net | — | 561 | — | — | — | — | — | 561 |
| Other long-term liabilities | — | 8,128 | 171 | — | — | — | — | 8,299 |
| Due to affiliates | 5,340 | 26,030 | — | — | — | — | — | 31,370 |
| Total liabilities | <u>8,746</u> | <u>64,908</u> | <u>51,542</u> | <u>2,886</u> | <u>—</u> | <u>—</u> | <u>(54,379)</u> | <u>73,703</u> |
| Net assets (deficit): | | | | | | | | |
| Without donor restrictions | | | | | | | | |
| Attributable to UnityPoint Health | 16,060 | 131,562 | (48,790) | 3,769 | 706 | 9,669 | — | 112,976 |
| Attributable to noncontrolling interest | — | 2,264 | — | — | — | — | — | 2,264 |
| Total without donor restrictions | <u>16,060</u> | <u>133,826</u> | <u>(48,790)</u> | <u>3,769</u> | <u>706</u> | <u>9,669</u> | <u>—</u> | <u>115,240</u> |
| With donor restrictions | | | | | | | | |
| Attributable to UnityPoint Health | 1,064 | 5,847 | — | — | — | — | — | 6,911 |
| Total with donor restrictions | <u>1,064</u> | <u>5,847</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>6,911</u> |
| Total net assets | <u>17,124</u> | <u>139,673</u> | <u>(48,790)</u> | <u>3,769</u> | <u>706</u> | <u>9,669</u> | <u>—</u> | <u>122,151</u> |
| Total liabilities and net assets | <u>\$ 25,870</u> | <u>204,581</u> | <u>2,752</u> | <u>6,655</u> | <u>706</u> | <u>9,669</u> | <u>(54,379)</u> | <u>195,854</u> |

Definitions:

SLHS – St. Luke's Health System
SLRMC – St. Luke's Regional Medical Center
SLHR – St. Luke's Health Resources

PACE – Souixland PACE
UPC – UnityPoint Clinic, SLHS portion
UPAH – UnityPoint at Home, SLHS portion

See accompanying independent auditors' report.

**IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH**

St. Luke's Health System, Inc. and Subsidiaries (Sioux City)

Consolidating Statement of Operations

Year ended December 31, 2018

(In thousands)

| | <u>SLHS</u> | <u>SLRMC</u> | <u>SLHR</u> | <u>PACE</u> | <u>UPC</u> | <u>UPAH</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|---|---------------|----------------|--------------|---------------|----------------|---------------|---------------------|---------------------|
| Unrestricted revenue: | | | | | | | | |
| Net patient service revenue | \$ — | 174,576 | 4,149 | — | 11,362 | 11,378 | (2,177) | 199,288 |
| Premium revenue | — | — | — | — | — | — | — | — |
| Other operating revenue | 2,987 | 5,321 | 615 | 16,956 | 2,073 | 99 | (2,589) | 25,462 |
| Total unrestricted revenue | <u>2,987</u> | <u>179,897</u> | <u>4,764</u> | <u>16,956</u> | <u>13,435</u> | <u>11,477</u> | <u>(4,766)</u> | <u>224,750</u> |
| Expenses: | | | | | | | | |
| Salaries and wages | — | 58,900 | 1,720 | 3,214 | 3,526 | 3,858 | — | 71,218 |
| Physician compensation and services | — | 19,849 | 1,594 | 657 | 8,045 | — | (640) | 29,505 |
| Employee benefits | — | 14,840 | 458 | 934 | 1,006 | 1,047 | — | 18,285 |
| Supplies | 2 | 30,335 | 318 | 151 | 1,010 | 4,092 | — | 35,908 |
| Other expenses | 1,012 | 39,476 | 648 | 10,775 | 2,694 | 1,393 | (4,126) | 51,872 |
| Depreciation and amortization | 1,107 | 7,401 | 132 | 141 | 118 | 139 | — | 9,038 |
| Interest | 336 | 1,823 | — | — | 1 | 12 | — | 2,172 |
| Provision for uncollectible accounts | — | 38 | — | 150 | — | 343 | — | 531 |
| Total expenses | <u>2,457</u> | <u>172,662</u> | <u>4,870</u> | <u>16,022</u> | <u>16,400</u> | <u>10,884</u> | <u>(4,766)</u> | <u>218,529</u> |
| Operating income (loss) | <u>530</u> | <u>7,235</u> | <u>(106)</u> | <u>934</u> | <u>(2,965)</u> | <u>593</u> | <u>—</u> | <u>6,221</u> |
| Nonoperating gains (losses): | | | | | | | | |
| Investment income (loss) | 14 | (2,377) | 5 | 18 | (9) | (9) | — | (2,358) |
| Total nonoperating gains (losses), net | <u>14</u> | <u>(2,377)</u> | <u>5</u> | <u>18</u> | <u>(9)</u> | <u>(9)</u> | <u>—</u> | <u>(2,358)</u> |
| Excess (Deficiency) of revenues over expenses | 544 | 4,858 | (101) | 952 | (2,974) | 584 | — | 3,863 |
| Less net income (loss) attributable to noncontrolling interest | — | (2,182) | — | — | — | — | — | (2,182) |
| Excess (Deficiency) of revenues over expenses attributable to UnityPoint Health | <u>\$ 544</u> | <u>2,676</u> | <u>(101)</u> | <u>952</u> | <u>(2,974)</u> | <u>584</u> | <u>—</u> | <u>1,681</u> |

Definitions:

SLHS – St. Luke's Health System
SLRMC – St. Luke's Regional Medical Center
SLHR – St. Luke's Health Resources

PACE – Souixland PACE
UPC – UnityPoint Clinic, SLHS portion
UPAH – UnityPoint at Home, SLHS portion

See accompanying independent auditors' report.

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH
Trinity Health Systems, Inc. and Subsidiaries (Fort Dodge)
Consolidating Balance Sheet
December 31, 2018
(In thousands)

| Assets | THS | TRMC | THF | TBC | TPG | BMHC | TP ACO | UPC | UPAH | Eliminations | Consolidated |
|---|------------------|----------------|---------------|---------------|----------------|--------------|---------------|--------------|--------------|---------------------|---------------------|
| Current assets: | | | | | | | | | | | |
| Cash and cash equivalents | \$ 277 | 1,468 | 101 | 1,412 | 90 | 1,247 | — | — | — | — | 4,595 |
| Short-term investments | 17 | 128 | 3 | 86 | — | 65 | — | — | — | — | 299 |
| Assets limited as to use – required for current liabilities | — | 485 | — | — | — | — | — | — | — | — | 485 |
| Patient accounts receivable, net | — | 14,460 | — | — | (1) | 644 | — | — | — | — | 15,103 |
| Other receivables | 130 | 1,846 | — | — | — | 1,664 | — | — | — | — | 3,640 |
| Inventories | — | 2,942 | — | — | — | — | — | — | — | — | 2,942 |
| Prepaid expenses | — | 303 | — | — | — | 5 | — | — | — | — | 308 |
| Due from affiliates | 1,696 | 9,237 | — | 10,894 | 1,377 | 165 | 955 | — | — | (22,825) | 1,499 |
| Total current assets | 2,120 | 30,869 | 104 | 12,392 | 1,466 | 3,790 | 955 | — | — | (22,825) | 28,871 |
| Assets limited as to use, noncurrent: | | | | | | | | | | | |
| Internally designated | — | 44,063 | — | 16,121 | — | — | — | — | — | — | 60,184 |
| Total assets limited as to use, noncurrent | — | 44,063 | — | 16,121 | — | — | — | — | — | — | 60,184 |
| Property, plant, and equipment, net | 143 | 68,498 | — | — | — | 453 | — | — | — | — | 69,094 |
| Other long-term investments | 464 | 358 | 2,225 | 140 | 12,537 | 107 | — | — | — | — | 15,831 |
| Investments in joint ventures and other investments | 36,461 | 21,180 | — | — | — | 12 | — | 2,401 | 3,704 | (57,649) | 6,109 |
| Contributions receivable, net | — | — | 3,164 | — | — | — | — | — | — | — | 3,164 |
| Other | — | 61 | — | — | 1 | 154 | — | — | — | 1 | 217 |
| Total assets | \$ 39,188 | 165,029 | 5,493 | 28,653 | 14,004 | 4,516 | 955 | 2,401 | 3,704 | (80,473) | 183,470 |
| Liabilities and Net Assets | | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | | |
| Accounts payable | \$ 2 | 3,095 | 6 | — | 42 | 48 | — | — | — | — | 3,193 |
| Accrued payroll | 380 | 3,777 | 13 | — | — | 81 | — | — | — | — | 4,251 |
| Estimated settlements due to third-party payers | — | 1,028 | — | — | 142 | 451 | — | — | — | — | 1,621 |
| Due to affiliates | 213 | 16,844 | 159 | 70 | 7,171 | 1,346 | 1,013 | — | — | (22,825) | 3,991 |
| Other current liabilities | 14 | 1,763 | (1) | — | — | 2 | — | — | 1 | 1 | 1,780 |
| Total current liabilities | 609 | 26,507 | 177 | 70 | 7,355 | 1,928 | 1,013 | — | 1 | (22,824) | 14,836 |
| Other long-term liabilities | 443 | 1,278 | — | — | 12,527 | 34 | — | — | — | — | 14,282 |
| Due to affiliates | — | 11,300 | — | — | — | — | — | — | — | — | 11,300 |
| Total liabilities | 1,052 | 39,085 | 177 | 70 | 19,882 | 1,962 | 1,013 | — | 1 | (22,824) | 40,418 |
| Net assets (deficit): | | | | | | | | | | | |
| Total without donor restrictions | 38,136 | 118,229 | 15,089 | 12,462 | (5,878) | 2,542 | (58) | 2,401 | 3,230 | (51,684) | 134,469 |
| Total with donor restrictions | — | 7,715 | 6,348 | — | — | 12 | — | — | 473 | (5,965) | 8,583 |
| Total net assets | 38,136 | 125,944 | 21,437 | 12,462 | (5,878) | 2,554 | (58) | 2,401 | 3,703 | (57,649) | 143,052 |
| Total liabilities and net assets | \$ 39,188 | 165,029 | 21,614 | 12,532 | 14,004 | 4,516 | 955 | 2,401 | 3,704 | (80,473) | 183,470 |

Definitions:

| | |
|--|--|
| THS – Trinity Health Systems | BMHC – Berryhill Mental Health Clinic |
| TRMC – Trinity Regional Medical Center | TP ACO – Trinity Pioneer ACO |
| THF – Trinity Health Foundation | UPC – UnityPoint Clinic, THS portion |
| TBC – Trinity Building Corporation | UPAH – UnityPoint at Home, THS portion |
| TPG – Trimark Physicians Group | |

See accompanying independent auditors' report

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a **UNITYPOINT HEALTH**

Trinity Health Systems, Inc. and Subsidiaries (Fort Dodge)

Consolidating Statement of Operations

Year ended December 31, 2018

(In thousands)

| | <u>THS</u> | <u>TRMC</u> | <u>THF</u> | <u>TBC</u> | <u>TPG</u> | <u>BMHC</u> | <u>TP ACO</u> | <u>UPC</u> | <u>UPAH</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|---|-----------------|----------------|----------------|--------------|------------|--------------|---------------|----------------|----------------|---------------------|---------------------|
| Unrestricted revenue: | | | | | | | | | | | |
| Net patient service revenue | \$ — | 116,267 | — | — | 645 | 4,332 | — | 14,453 | 16,557 | (15) | 152,239 |
| Other operating revenue | 3,256 | 8,159 | 328 | (109) | 95 | 1,098 | — | 2,197 | 162 | (6,097) | 9,089 |
| Net assets released from restrictions used for operations | — | 160 | 26 | — | — | 1 | — | 4 | 199 | — | 390 |
| Total unrestricted revenue | 3,256 | 124,586 | 354 | (109) | 740 | 5,431 | — | 16,654 | 16,918 | (6,112) | 161,718 |
| Expenses: | | | | | | | | | | | |
| Salaries and wages | 2,531 | 38,735 | 229 | (6) | — | 1,909 | 1 | 4,907 | 7,720 | — | 56,026 |
| Physician compensation and services | — | 23,767 | — | — | — | 1,618 | — | 9,261 | 183 | (362) | 34,467 |
| Employee benefits | 717 | 11,582 | 59 | — | (1) | 597 | 1 | 1,246 | 1,968 | — | 16,169 |
| Supplies | 4 | 15,366 | 11 | 1 | (19) | 24 | — | 845 | 4,799 | — | 21,031 |
| Other expenses | 114 | 29,127 | 255 | 21 | 255 | 745 | — | 5,393 | 3,063 | (5,749) | 33,224 |
| Depreciation and amortization | 56 | 6,245 | — | — | — | 96 | — | 212 | 256 | — | 6,865 |
| Interest | — | 692 | — | — | — | — | — | 1 | 21 | — | 714 |
| Provision for uncollectible accounts | — | 11 | — | (96) | — | — | — | — | 250 | — | 165 |
| Total expenses | 3,422 | 125,525 | 554 | (80) | 235 | 4,989 | 2 | 21,865 | 18,260 | (6,111) | 168,661 |
| Operating income (loss) | (166) | (939) | (200) | (29) | 505 | 442 | (2) | (5,211) | (1,342) | (1) | (6,943) |
| Nonoperating gains (losses): | | | | | | | | | | | |
| Investment income (loss) | (8) | (1,915) | (972) | 21 | — | 18 | — | (13) | (25) | — | (2,894) |
| Total nonoperating gains (losses), net | (8) | (1,915) | (972) | 21 | — | 18 | — | (13) | (25) | — | (2,894) |
| Excess (Deficiency) of revenues over expenses | \$ (174) | (2,854) | (1,172) | (8) | 505 | 460 | (2) | (5,224) | (1,367) | (1) | (9,837) |

Definitions:

THS – Trinity Health Systems
TRMC – Trinity Regional Medical Center
THF – Trinity Health Foundation
TBC – Trinity Building Corporation
TPG – Trimark Physicians Group

BMHC – Berryhill Mental Health Clinic
TP ACO – Trinity Pioneer ACO
UPC – UnityPoint Clinic, THS portion
UPAH – UnityPoint at Home, THS portion

See accompanying independent auditors' report

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Finley Tri-States Health Group, Inc. and Subsidiaries (Dubuque)

Consolidating Balance Sheet

December 31, 2018

(In thousands)

| Assets | <u>TRI-ST</u> | <u>Finley</u> | <u>VNA</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|---|---------------|----------------|--------------|---------------------|---------------------|
| Current assets: | | | | | |
| Cash and cash equivalents | \$ — | 5,947 | 241 | — | 6,188 |
| Short-term investments | — | 340 | — | — | 340 |
| Patient accounts receivable, net | — | 17,919 | 33 | — | 17,952 |
| Other receivables | — | 779 | 278 | — | 1,057 |
| Inventories | — | 2,421 | — | — | 2,421 |
| Prepaid expenses | — | 543 | — | — | 543 |
| Due from affiliates | — | 2,124 | 1 | (9) | 2,116 |
| Total current assets | <u>—</u> | <u>30,073</u> | <u>553</u> | <u>(9)</u> | <u>30,617</u> |
| Assets limited as to use, noncurrent: | | | | | |
| Internally designated | — | 80,843 | — | — | 80,843 |
| Total assets limited as to use, noncurrent | <u>—</u> | <u>80,843</u> | <u>—</u> | <u>—</u> | <u>80,843</u> |
| Property, plant, and equipment, net | — | 79,098 | 34 | — | 79,132 |
| Other long-term investments | — | 1,355 | — | — | 1,355 |
| Investments in joint ventures and other investments | 14 | 3,224 | — | — | 3,238 |
| Contributions receivable, net | — | 9,087 | 1,851 | — | 10,938 |
| Other | — | 85 | 1 | — | 86 |
| Total assets | <u>\$ 14</u> | <u>203,765</u> | <u>2,439</u> | <u>(9)</u> | <u>206,209</u> |
| Liabilities and Net Assets | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ — | 4,090 | 11 | — | 4,101 |
| Accrued payroll | — | 4,017 | 134 | — | 4,151 |
| Estimated settlements due to third-party payers | — | 894 | — | — | 894 |
| Due to affiliates | — | 2,899 | 66 | (9) | 2,956 |
| Other current liabilities | — | 1,349 | — | — | 1,349 |
| Total current liabilities | <u>—</u> | <u>13,249</u> | <u>211</u> | <u>(9)</u> | <u>13,451</u> |
| Other long-term liabilities | — | 1,856 | — | — | 1,856 |
| Due to affiliates | — | 16,365 | — | — | 16,365 |
| Total liabilities | <u>—</u> | <u>31,470</u> | <u>211</u> | <u>(9)</u> | <u>31,672</u> |
| Net assets: | | | | | |
| Total without donor restrictions | 14 | 163,203 | 362 | — | 163,579 |
| Total with donor restrictions | — | 9,092 | 1,866 | — | 10,958 |
| Total net assets | <u>14</u> | <u>172,295</u> | <u>2,228</u> | <u>—</u> | <u>174,537</u> |
| Total liabilities and net assets | <u>\$ 14</u> | <u>203,765</u> | <u>2,439</u> | <u>(9)</u> | <u>206,209</u> |

Definitions:

TRI-ST – Finley Tri-States Health Group, Inc.
Finley – The Finley Hospital
VNA – Visiting Nurse Association

See accompanying independent auditors' report

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Finley Tri-States Health Group, Inc. and Subsidiaries (Dubuque)

Consolidating Statement of Operations

Year ended December 31, 2018

(In thousands)

| | <u>TRI-ST</u> | <u>Finley</u> | <u>VNA</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|---|---------------|----------------|--------------|---------------------|---------------------|
| Unrestricted revenue: | | | | | |
| Net patient service revenue | \$ — | 117,432 | 46 | — | 117,478 |
| Other operating revenue | — | 4,898 | 2,597 | — | 7,495 |
| Net assets released from restrictions used for operations | — | 260 | 150 | — | 410 |
| Total unrestricted revenue | <u>—</u> | <u>122,590</u> | <u>2,793</u> | <u>—</u> | <u>125,383</u> |
| Expenses: | | | | | |
| Salaries and wages | — | 42,718 | 1,769 | — | 44,487 |
| Physician compensation and services | — | 11,166 | — | — | 11,166 |
| Employee benefits | — | 12,647 | 568 | — | 13,215 |
| Supplies | — | 15,743 | 64 | — | 15,807 |
| Other expenses | — | 33,337 | 339 | — | 33,676 |
| Depreciation and amortization | — | 7,747 | 10 | — | 7,757 |
| Interest | — | 907 | — | — | 907 |
| Provision for uncollectible accounts | — | 7 | — | — | 7 |
| Total expenses | <u>—</u> | <u>124,272</u> | <u>2,750</u> | <u>—</u> | <u>127,022</u> |
| Operating income (loss) | <u>—</u> | <u>(1,682)</u> | <u>43</u> | <u>—</u> | <u>(1,639)</u> |
| Nonoperating gains (losses): | | | | | |
| Investment income (loss) | — | (3,491) | 4 | — | (3,487) |
| Other, net | — | (209) | — | — | (209) |
| Total nonoperating gains (losses), net | <u>—</u> | <u>(3,700)</u> | <u>4</u> | <u>—</u> | <u>(3,696)</u> |
| Excess (Deficiency) of revenues over expenses | <u>\$ —</u> | <u>(5,382)</u> | <u>47</u> | <u>—</u> | <u>(5,335)</u> |

Definitions:

TRI-ST – Finley Tri-States Health Group, Inc.

Finley – The Finley Hospital

VNA – Visiting Nurse Association

See accompanying independent auditors' report

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Keokuk Health Systems, Inc. and Subsidiaries (Keokuk)

Consolidating Balance Sheet

December 31, 2018

(In thousands)

| Assets | KAH | TSMG | KAME | KAHF | Eliminations | Consolidated |
|---|------------------|----------------|--------------|-------------|---------------------|---------------------|
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 1,066 | 216 | 395 | 147 | — | 1,824 |
| Assets limited as to use – required for current liabilities | 7 | — | — | — | — | 7 |
| Patient accounts receivable, net | 2,435 | — | 463 | — | — | 2,898 |
| Inventories | 949 | — | 317 | — | — | 1,266 |
| Prepaid expenses | 90 | — | 17 | — | — | 107 |
| Due from affiliates | 4,277 | — | — | — | (4,232) | 45 |
| Total current assets | <u>8,824</u> | <u>216</u> | <u>1,192</u> | <u>147</u> | <u>(4,232)</u> | <u>6,147</u> |
| Assets limited as to use, noncurrent: | | | | | | |
| Internally designated | 170 | — | — | — | — | 170 |
| Total assets limited as to use, noncurrent | <u>170</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>170</u> |
| Property, plant, and equipment, net | 3,388 | 440 | 1,767 | — | — | 5,595 |
| Total assets | <u>\$ 12,382</u> | <u>656</u> | <u>2,959</u> | <u>147</u> | <u>(4,232)</u> | <u>11,912</u> |
| Liabilities and Net Assets | | | | | | |
| Current liabilities: | | | | | | |
| Current maturities of long-term debt | \$ 4,029 | 5 | 153 | — | — | 4,187 |
| Accounts payable | 4,824 | — | 224 | — | — | 5,048 |
| Accrued payroll | 900 | — | 534 | — | — | 1,434 |
| Accrued interest | — | — | (1) | — | — | (1) |
| Estimated settlements due to third-party payers | 48 | — | — | — | — | 48 |
| Due to affiliates | 4,186 | 3,836 | 393 | 3 | (4,232) | 4,186 |
| Other current liabilities | 95 | — | 82 | — | — | 177 |
| Total current liabilities | <u>14,082</u> | <u>3,841</u> | <u>1,385</u> | <u>3</u> | <u>(4,232)</u> | <u>15,079</u> |
| Long-term debt, net | (158) | — | 530 | — | — | 372 |
| Due to affiliates | 8,429 | — | — | — | — | 8,429 |
| Total liabilities | <u>22,353</u> | <u>3,841</u> | <u>1,915</u> | <u>3</u> | <u>(4,232)</u> | <u>23,880</u> |
| Net assets (deficit): | | | | | | |
| Total without donor restrictions | (9,982) | (3,185) | 1,044 | 123 | — | (12,000) |
| Total with donor restrictions | 11 | — | — | 21 | — | 32 |
| Total net assets (deficit) | <u>(9,971)</u> | <u>(3,185)</u> | <u>1,044</u> | <u>144</u> | <u>—</u> | <u>(11,968)</u> |
| Total liabilities and net assets | <u>\$ 12,382</u> | <u>656</u> | <u>2,959</u> | <u>147</u> | <u>(4,232)</u> | <u>11,912</u> |

Definitions:

KAH – Keokuk Area Hospital
TSMG – Tri-State Medical Group, Inc.
KAME – Keokuk Area Medical Equipment and Supply Inc.
KAHF – Keokuk Area Hospital Foundation

See accompanying independent auditors' report

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Keokuk Health Systems, Inc. and Subsidiaries (Keokuk)

Consolidating Statement of Operations

Year ended December 31, 2018

(In thousands)

| | <u>KAH</u> | <u>TSMG</u> | <u>KAME</u> | <u>KAHF</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|---|-------------------|-------------|--------------|-------------|---------------------|---------------------|
| Unrestricted revenue: | | | | | | |
| Net patient service revenue | \$ 12,209 | (16) | 1,342 | — | — | 13,535 |
| Other operating revenue | 256 | 112 | 12 | 10 | — | 390 |
| Net assets released from restrictions used for operations | 53 | — | — | — | — | 53 |
| Total unrestricted revenue | <u>12,518</u> | <u>96</u> | <u>1,354</u> | <u>10</u> | <u>—</u> | <u>13,978</u> |
| Expenses: | | | | | | |
| Salaries and wages | 8,142 | — | 375 | 13 | — | 8,530 |
| Physician compensation and services | 1,893 | (3) | — | — | — | 1,890 |
| Employee benefits | 1,833 | — | 117 | — | — | 1,950 |
| Supplies | 2,861 | 2 | 518 | — | — | 3,381 |
| Other expenses | 5,557 | 4 | 274 | 4 | — | 5,839 |
| Depreciation and amortization | 815 | 30 | 89 | — | — | 934 |
| Interest | 551 | — | 14 | — | — | 565 |
| Provision for uncollectible accounts | — | — | 27 | — | — | 27 |
| Total expenses | <u>21,652</u> | <u>33</u> | <u>1,414</u> | <u>17</u> | <u>—</u> | <u>23,116</u> |
| Operating Income (loss) | <u>(9,134)</u> | <u>63</u> | <u>(60)</u> | <u>(7)</u> | <u>—</u> | <u>(9,138)</u> |
| Nonoperating gains: | | | | | | |
| Investment income | 5 | — | — | — | — | 5 |
| Total nonoperating gains, net | <u>5</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>5</u> |
| Excess (Deficiency) of revenues over expenses | <u>\$ (9,129)</u> | <u>63</u> | <u>(60)</u> | <u>(7)</u> | <u>—</u> | <u>(9,133)</u> |

Definitions:

KAH – Keokuk Area Hospital

TSMG – Tri-State Medical Group, Inc.

KAME – Keokuk Area Medical Equipment and Supply Inc.

KAHF – Keokuk Area Hospital Foundation

See accompanying independent auditors' report

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH
 Memorial Hospital Association and Subsidiaries (Carthage)
 Consolidating Balance Sheet
 December 31, 2018
 (In thousands)

| Assets | MHA | HCSS | Eliminations | Consolidated |
|---|------------------|---------------|---------------------|---------------------|
| Current assets: | | | | |
| Cash and cash equivalents | \$ 3,496 | 1,170 | — | 4,666 |
| Short-term investments | — | 100 | — | 100 |
| Assets limited as to use – required for current liabilities | 454 | — | — | 454 |
| Patient accounts receivable, net | 5,994 | 219 | — | 6,213 |
| Other receivables | 392 | 45 | — | 437 |
| Inventories | 354 | — | — | 354 |
| Prepaid expenses | 197 | 153 | — | 350 |
| Due from affiliates | 24 | — | — | 24 |
| Total current assets | <u>10,911</u> | <u>1,687</u> | <u>—</u> | <u>12,598</u> |
| Assets limited as to use, noncurrent: | | | | |
| Held by trustee under bond indenture agreement | 1,474 | — | — | 1,474 |
| Internally designated | 1,634 | 197 | — | 1,831 |
| Total assets limited as to use, noncurrent | <u>3,108</u> | <u>197</u> | <u>—</u> | <u>3,305</u> |
| Property, plant, and equipment, net | 17,596 | 9,744 | — | 27,340 |
| Other long-term investments | 3,925 | 1,155 | — | 5,080 |
| Investments in joint ventures and other investments | 658 | — | — | 658 |
| Contributions receivable, net | 151 | — | — | 151 |
| Other | 10 | — | — | 10 |
| Total assets | <u>\$ 36,359</u> | <u>12,783</u> | <u>—</u> | <u>49,142</u> |
| Liabilities and Net Assets | | | | |
| Current liabilities: | | | | |
| Current maturities of long-term debt | \$ 1,121 | 325 | — | 1,446 |
| Accounts payable | 2,162 | 102 | — | 2,264 |
| Accrued payroll | 1,037 | 69 | — | 1,106 |
| Accrued interest | 57 | 8 | — | 65 |
| Estimated settlements due to third-party payers | 421 | — | — | 421 |
| Due to affiliates | 1 | 73 | — | 74 |
| Other current liabilities | 203 | 23 | — | 226 |
| Total current liabilities | <u>5,002</u> | <u>600</u> | <u>—</u> | <u>5,602</u> |
| Long-term debt, net | <u>20,389</u> | <u>9,101</u> | <u>—</u> | <u>29,490</u> |
| Total liabilities | <u>25,391</u> | <u>9,701</u> | <u>—</u> | <u>35,092</u> |
| Net assets: | | | | |
| Total without donor restrictions | 10,769 | 3,000 | — | 13,769 |
| Total with donor restrictions | 199 | 82 | — | 281 |
| Total net assets | <u>10,968</u> | <u>3,082</u> | <u>—</u> | <u>14,050</u> |
| Total liabilities and net assets | <u>\$ 36,359</u> | <u>12,783</u> | <u>—</u> | <u>49,142</u> |

Definitions:
 MHA – Memorial Hospital Association
 HCSS – Hancock County Senior Services

See accompanying independent auditors' report

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Memorial Hospital Association and Subsidiaries (Carthage)

Consolidating Statement of Operations

Year ended December 31, 2018

(In thousands)

| | <u>MHA</u> | <u>HCSS</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|---|------------------|--------------|---------------------|---------------------|
| Unrestricted revenue: | | | | |
| Net patient service revenue | \$ 12,537 | 1,328 | — | 13,865 |
| Other operating revenue | 785 | 109 | — | 894 |
| Net assets released from restrictions used for operations | 13 | | — | 13 |
| Total unrestricted revenue | <u>13,335</u> | <u>1,437</u> | <u>—</u> | <u>14,772</u> |
| Expenses: | | | | |
| Salaries and wages | 4,695 | 600 | — | 5,295 |
| Physician compensation and services | 2,860 | — | — | 2,860 |
| Employee benefits | 1,314 | 59 | — | 1,373 |
| Supplies | 1,155 | 136 | — | 1,291 |
| Other expenses | 2,633 | 279 | — | 2,912 |
| Depreciation and amortization | 1,165 | 290 | — | 1,455 |
| Interest | 399 | 153 | — | 552 |
| Total expenses | <u>14,221</u> | <u>1,517</u> | <u>—</u> | <u>15,738</u> |
| Operating loss | <u>(886)</u> | <u>(80)</u> | <u>—</u> | <u>(966)</u> |
| Nonoperating gains (losses): | | | | |
| Investment loss | (51) | (12) | — | (63) |
| Contribution received in affiliations | 11,750 | 3,093 | — | 14,843 |
| Other, net | (38) | — | — | (38) |
| Total nonoperating gains, net | <u>11,661</u> | <u>3,081</u> | <u>—</u> | <u>14,742</u> |
| Excess of revenue over expenses | <u>\$ 10,775</u> | <u>3,001</u> | <u>—</u> | <u>13,776</u> |

Definitions:

MHA – Memorial Hospital Association

HCSS – Hancock County Senior Services

See accompanying independent auditors' report

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Affiliated Colleges

Balance Sheet Information

December 31, 2018

(In thousands)

| Assets | MC | TCN | AC | SLC | Consolidated |
|--------------------------------------|-----------|------------|-----------|------------|---------------------|
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 2,695 | 3,566 | 525 | 393 | 7,179 |
| Short-term investments | — | 186 | — | — | 186 |
| Student loan and other receivables | 550 | 2 | (282) | 108 | 378 |
| Inventories | 70 | — | — | — | 70 |
| Prepaid expenses | 76 | 3 | 123 | 23 | 225 |
| Due from affiliates | — | 71 | 9,122 | — | 9,193 |
| Total current assets | 3,391 | 3,828 | 9,488 | 524 | 17,231 |
| Property, plant, and equipment, net | 1,065 | 96 | — | 60 | 1,221 |
| Other long-term investments | 6,731 | 305 | — | — | 7,036 |
| Interest in net assets of foundation | 3,832 | 3,471 | 10,967 | 2,215 | 20,485 |
| Other | — | — | 718 | 429 | 1,147 |
| Total assets | \$ 15,019 | 7,700 | 21,173 | 3,228 | 47,120 |
| Liabilities and Net Assets | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 16 | 25 | 62 | 13 | 116 |
| Accrued payroll | 71 | 16 | 212 | 103 | 402 |
| Due to affiliates | — | 134 | 188 | — | 322 |
| Other current liabilities | 188 | 402 | 2 | 247 | 839 |
| Total current liabilities | 275 | 577 | 464 | 363 | 1,679 |
| Other long-term liabilities | — | — | 762 | 10 | 772 |
| Total liabilities | 275 | 577 | 1,226 | 373 | 2,451 |
| Net assets: | | | | | |
| Total without donor restrictions | 10,912 | 3,622 | 9,020 | 19 | 23,573 |
| Total with donor restrictions | 3,832 | 3,501 | 10,927 | 2,836 | 21,096 |
| Total net assets | 14,744 | 7,123 | 19,947 | 2,855 | 44,669 |
| Total liabilities and net assets | \$ 15,019 | 7,700 | 21,173 | 3,228 | 47,120 |

Definitions:

MC – Methodist College (Peoria)
 TCN – Trinity College of Nursing & Health Sciences (Quad Cities)
 AC – Allen College (Waterloo)
 SLC – St. Luke's College (Sioux City)

Note 1: Fixed assets utilized by AC belong to their parent hospital corporation, Allen Memorial Hospital Corporation (AMH), and thus are not reflected in the balance sheet of the College.

AC receives the benefit of using certain space within AMH's facilities but donated revenue and donated expense is not reflected within the income statement of AC.

Note 2: Certain assets and liabilities, such as accrued liabilities, are also not shown separately on the AC balance sheet but rather included in AMH.

See accompanying independent auditors' report

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH

Affiliated Colleges

Statement of Operations

Year ended December 31, 2018

(In thousands)

| | <u>MC</u> | <u>TCN</u> | <u>AC</u> | <u>SLC</u> | <u>Consolidated</u> |
|---|---------------|--------------|---------------|--------------|---------------------|
| Revenue: | | | | | |
| Tuition and student revenue | \$ 12,278 | 4,424 | 11,794 | 3,587 | 32,083 |
| Government pass-through | — | — | — | 543 | 543 |
| Grant revenue | 148 | — | — | 15 | 163 |
| Other revenue | 126 | 159 | 28 | 242 | 555 |
| Net assets released from restrictions used for operations | — | 127 | 573 | — | 700 |
| Total revenue | <u>12,552</u> | <u>4,710</u> | <u>12,395</u> | <u>4,387</u> | <u>34,044</u> |
| Expenses: | | | | | |
| Salaries and wages | 6,015 | 2,221 | 6,254 | 2,556 | 17,046 |
| Physician compensation and services | — | 12 | 67 | — | 79 |
| Employee benefits | 1,483 | 497 | 1,472 | 628 | 4,080 |
| Supplies | 228 | 147 | 125 | 143 | 643 |
| Other expenses | 4,048 | 804 | 2,637 | 1,220 | 8,709 |
| Depreciation and amortization | 287 | 42 | — | 7 | 336 |
| Provision for uncollectible accounts | 40 | (7) | 50 | 25 | 108 |
| Total expenses | <u>12,101</u> | <u>3,716</u> | <u>10,605</u> | <u>4,579</u> | <u>31,001</u> |
| Operating income (loss) | <u>451</u> | <u>994</u> | <u>1,790</u> | <u>(192)</u> | <u>3,043</u> |
| Nonoperating gains (losses): | | | | | |
| Investment income (loss) | (254) | 59 | — | — | (195) |
| Total nonoperating gains (losses), net | <u>(254)</u> | <u>59</u> | <u>—</u> | <u>—</u> | <u>(195)</u> |
| Excess (Deficiency) of revenue over expenses | <u>\$ 197</u> | <u>1,053</u> | <u>1,790</u> | <u>(192)</u> | <u>2,848</u> |

Definitions:

MC – Methodist College (Peoria)

TCN – Trinity College of Nursing & Health Sciences (Quad Cities)

AC – Allen College (Waterloo)

SLC – St. Luke's College (Sioux City)

See accompanying independent auditors' report