THEDACARE, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

THEDACARE, INC. AND AFFILIATES
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
ThedaCare, Inc. and Affiliates
Appleton, Wisconsin

We have audited the accompanying consolidated financial statements of ThedaCare, Inc. and Affiliates, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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.

Board of Directors
ThedaCare, Inc. and Affiliates

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ThedaCare, Inc. and Affiliates as of December 31, 2019 and 2018, and the results of their operations, changes in their net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding a Change in Accounting Principle

As discussed in Note 1 and Note 9 to the consolidated financial statements, ThedaCare, Inc. and Affiliates adopted a provision of Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases.* The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and financing leases with lease terms greater than one year. Our opinion is not modified with respect to that matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 17, 2020

THEDACARE, INC. AND AFFILIATES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018

	(In Thousands)	
	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 78,492	$ 111,916
Short-Term Investments	542,263	353,898
Patient Accounts Receivable	128,878	136,386
Other Accounts Receivable	8,215	6,018
Inventory	12,096	10,969
Prepaid Expenses and Other Assets	15,892	11,018
Total Current Assets	785,836	630,205
INVESTMENTS	167,366	179,038
ASSETS LIMITED AS TO USE		
Investments Held by Bond Trustee	84,175	9,014
Deferred Compensation Investments	11,444	9,906
Board-Designated Investments	2,714	2,600
Donor-Designated Investments	6,891	6,666
Total Assets Limited as to Use	105,224	28,186
LAND, BUILDINGS, AND EQUIPMENT, NET	466,657	470,939
OPERATING LEASE ASSETS	38,067	-
INVESTMENTS IN UNCONSOLIDATED AFFILIATES AND OTHER	6,341	10,188
Total Assets	$ 1,569,491	$ 1,318,556

See accompanying Notes to Consolidated Financial Statements.

THEDACARE, INC. AND AFFILIATES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2019 AND 2018

	(In Thousands) 2019	2018
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	$ 7,560	$ 12,124
Current Portion of Operating Lease Liability	10,886	-
Accounts Payable	53,248	34,431
Accrued and Other Liabilities	59,994	64,225
Estimated Third-Party Payor Settlements	3,517	6,867
Total Current Liabilities	135,205	117,647
NONCURRENT LIABILITIES		
Long-Term Debt, Net of Current Portion	350,140	282,480
Operating Lease Liability, Net of Current Portion	27,672	-
Deferred Employee Benefit Obligations	84,039	72,563
Other Noncurrent Liabilities	2,393	2,422
Total Noncurrent Liabilities	464,244	357,465
Total Liabilities	599,449	475,112
NET ASSETS		
Without Donor Restrictions	955,820	828,468
With Donor Restrictions	14,222	14,976
Total Net Assets	970,042	843,444
Total Liabilities and Net Assets	$ 1,569,491	$ 1,318,556

See accompanying Notes to Consolidated Financial Statements.

THEDACARE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	(In Thousands)	
	2019	2018
REVENUE		
Patient Service Revenue	$ 1,008,026	$ 956,502
Other Operating Revenue	36,236	32,177
Medicaid Assessment Program Revenue	13,123	9,892
Total Revenue	1,057,385	998,571
OPERATING EXPENSES		
Compensation and Benefits	502,821	518,306
Supplies and Services	444,128	383,851
Depreciation and Amortization	49,122	47,943
Interest Expense	12,470	12,424
Medicaid Assessment Program Expense	9,549	9,021
Total Operating Expenses	1,018,090	971,545
NET OPERATING INCOME	39,295	27,026
NONOPERATING INCOME (EXPENSE)		
Investment Income	102,663	(27,274)
Contributions to the Community and Other	2,636	(557)
Organizational Restructuring	(1,206)	-
Loss on Advanced Refunding of Debt	(1,196)	-
Net Periodic Benefit Cost Other than Service Cost	(12,630)	(12,547)
Total Nonoperating Income (Expense)	90,267	(40,378)
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	129,562	(13,352)
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Pension-Related Changes Other than Net Periodic Pension Cost	(2,210)	12,608
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$ 127,352	$ (744)

See accompanying Notes to Consolidated Financial Statements.

THEDACARE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	(In Thousands)	
	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Excess (Deficit) of Revenue over Expenses	$ 129,562	$ (13,352)
Pension-Related Changes Other than Net Periodic Pension Cost	(2,210)	12,608
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	127,352	(744)
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	1,105	511
Investment Income (Loss)	566	(287)
Net Assets Released from Restrictions	(2,425)	(1,209)
DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	(754)	(985)
CHANGE IN NET ASSETS	126,598	(1,729)
Net Assets - Beginning of Year	843,444	845,173
NET ASSETS - END OF YEAR	$ 970,042	$ 843,444

See accompanying Notes to Consolidated Financial Statements.

THEDACARE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	(In Thousands) 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 126,598	$ (1,729)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	49,122	47,943
Amortization of Deferred Financing Costs and Bond Premium	(570)	(605)
Loss on Advanced Refunding of Long-Term Debt	1,196	-
Loss on Disposal of Equipment	9	95
Undistributed Equity in Net Gains of Unconsolidated Affiliates	(1,512)	(330)
Impairment of Investment in Unconsolidated Affiliates	5,359	-
Net Realized Gains (Losses) on Investments and Assets Limited as to Use	19,476	(21,415)
Net Change in Unrealized Gains on Investments and Assets Limited as to Use	70,715	62,364
Pension-Related Changes Other than Net Periodic Pension Cost	2,210	(12,608)
Changes in Operating and Assets and Liabilities:		
Accounts Receivable	5,311	(6,276)
Inventory	(1,127)	(2,883)
Prepaid Expenses and Other	4,180	4,180
Other Assets	(9,054)	(11,027)
Operating Lease Assets	(38,067)	-
Accounts Payable	18,817	16,398
Accrued and Other Liabilities	(4,231)	(1,000)
Estimated Third-Party Payor Settlements	(3,350)	289
Operating Lease Liabilities	38,558	-
Deferred Employee Benefit Obligations and Other Noncurrent Liabilities	9,237	58
Net Cash Provided by Operating Activities	292,878	73,454
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Land, Buildings, and Equipment	(44,860)	(43,203)
Proceeds from Sale of Equipment	11	2,497
Purchases of Investments and Assets Limited as to Use	(619,001)	(156,403)
Sales of Investments and Assets Limited as to Use	359,254	216,839
Net Cash Provided (Used) by Investing Activities	(304,596)	19,730
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(12,556)	(10,414)
Advance Refunding of Series 2009 Bonds	(76,690)	-
Proceeds from Issuance of Long-Term Debt	152,399	-
Payments of Debt Issuance Costs	(683)	-
Net Cash Provided (Used) by Financing Activities	62,470	(10,414)
NET INCREASE IN CASH AND CASH EQUIVALENTS	50,751	82,770
Cash and Cash Equivalents - Beginning of Year	111,916	29,146
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 162,667	$ 111,916

See accompanying Notes to Consolidated Financial Statements.

THEDACARE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

	(In Thousands)	
	2019	2018
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash and Cash Equivalents - Unrestricted	$ 78,492	$ 111,916
Cash and Cash Equivalents - Held by Bond Trustee	84,175	-
	$ 162,667	$ 111,916
Cash Paid for Interest, Net of Capitalized Interest Paid of $-0- for 2019 and 2018	$ 12,568	$ 12,982
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Assets Acquired through Finance Lease Obligations	$ -	$ 3,472
Assets Acquired through Issuance of Note Payable	-	2,231
Purchases of Capital Assets Included in Accounts Payable	707	181

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Entity and Principles of Consolidation

ThedaCare, Inc. and Affiliates (ThedaCare) provide comprehensive medical, surgical, emergency, outpatient, nursing home, home care, hospice, and clinical services to residents in and around the Fox Valley area in Wisconsin. The consolidated financial statements of ThedaCare include the accounts and operations of:

- ThedaCare Regional Medical Center-Neenah (TCN); ThedaCare Regional Medical Center-Appleton (TCA); ThedaCare Medical Center-New London (TCNL); ThedaCare Medical Center-Waupaca (TCW),·ThedaCare Medical Center-Shawano (TCS); ThedaCare Medical Center-Berlin (TCB), and ThedaCare Medical Center-Wild Rose (TCWR), (collectively the Hospitals).

- Over 350 primary care and specialist physicians and advanced practice clinicians providing physician services in over 30 clinic locations throughout Northeast Wisconsin (the Clinics).

- The Heritage operates a 136-unit retirement center and an 18-unit assisted living center.

- Peabody Manor operates a 58-bed skilled nursing facility.

- Juliette Manor operates a 50-bed skilled nursing facility.

- ThedaCare Behavioral Health Services provides one-on-one counseling, group therapy, outpatient day programs, inpatient care, and medication management, and Alcohol and Other Drug Abuse (AODA) recovery programs for individuals needing behavioral health services.

- ThedaCare at Home provides home health and hospice services, durable medical equipment, and nursing and related home health services, including infusion therapy and respiratory care services.

- ThedaCare at Work provides comprehensive occupational medical, counseling, and training services.

- ThedaCare ACO and ThedaCare Core ACO participate in several risk-sharing arrangements with third-party payors.

- ThedaCare Family of Foundations, Inc. is a nonstock, nonprofit corporation organized and operated exclusively for charitable, scientific, and educational purposes. Its primary function is to raise support for ThedaCare's affiliates.

All intercompany balances and transactions have been eliminated in consolidation.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

ThedaCare follows accounting standards set by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The ASC is the single source of authoritative accounting principles generally accepted in the United States (GAAP) to be applied to nongovernment entities.

Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with 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 consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Changes in estimates related to self-funded health insurance and workers' compensation insurance are reported in compensation and benefits expense in the accompanying consolidated statements of operations.

Cash Equivalents

ThedaCare considers all highly liquid short-term investments with a maturity of three months or less when acquired to be cash equivalents, with the exception of cash equivalents held as short-term investments in the investment portfolio.

Patient Accounts Receivable and Credit Policy

Patient accounts receivable are uncollateralized patient obligations that are stated at the amount that reflects the consideration to which ThedaCare expects to be entitled in exchange for providing patient care. These obligations are primarily from local residents, most of whom are insured under third-party payor agreements. ThedaCare bills third-party payors on the patients' behalf, or if a patient is uninsured, the patient is billed directly. Once claims are settled with the primary payor, any secondary insurance is billed, and patients are billed for copay and deductible amounts that are the patients' responsibility. Payments on accounts receivable are applied to the specific claim identified on the remittance advice or statements. ThedaCare does not have a policy to charge interest on past due accounts.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Accounts Receivable and Credit Policy (Continued)

Patient accounts receivable are recorded in the accompanying consolidated balance sheets at net realizable value based on certain assumptions. For third-party payors, including Medicare, Medicaid, Managed Care and Commercial payors, the net realizable value is based on the estimated contractual reimbursement percentage, which is based on current contract prices or historical paid claims data by payor. For uninsured patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for a portion of the bill), the net realizable value is determined using estimates of historical collection experience. These estimates are adjusted for expected recoveries and any anticipated changes in trends, including significant changes in payor mix, economic conditions or trends in federal and state governmental health care coverage.

Other Accounts Receivable

Other accounts receivable includes various receivables not related to patient service revenue and are stated at the amount management expects to collect from outstanding balances.

Inventory

Inventory is valued at the lower of cost (first-in, first-out method) or net realizable value.

Assets Limited as to Use

Assets limited as to use include assets the board of trustees have designated for replacement and expansion of facilities, over which the board retains control and may at its discretion subsequently use for other purposes, assets set aside to fund donor designations, assets held by a trustee under revenue bond indenture agreements, and assets held to fund deferred compensation plans.

Investments

ThedaCare’s investments include money market, fixed income and equity securities, which are carried at fair value, based on quoted market prices, and are classified as trading securities. Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. In addition, ThedaCare invests in limited partnerships, limited liability partnerships, and limited liability companies that hold interests in hedge funds, private equity funds, real estate funds, and other commingled funds (collectively alternative investments) which are recorded at net asset value (NAV) as a practical expedient to fair value. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in nonoperating income (expense) unless the income or loss is restricted by donor or law. Realized gains and losses are determined by specific identification.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined a unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost or, if donated, at fair value at the date of donation. Items of an ordinary maintenance or repair nature are charged directly to expense as incurred, and major renewals or improvements that extend the useful life of the buildings or equipment are capitalized. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Cost and related accumulated depreciation for property sold or otherwise retired are removed from the accounts, and gains or losses on disposition are included in nonoperating income (expense). Assets under capital leases are amortized over the shorter of the lease period or the life of the asset.

Depreciation and amortization are computed using the straight-line method. Estimated useful lives used for depreciation and amortization purposes are:

Land Improvements	5 to 25 Years
Buildings and Improvements	10 to 40 Years
Equipment	3 to 15 Years
Computer Software	3 to 5 Years

Bond Issuance Costs and Bond Premium

ThedaCare amortizes bond issuance costs and bond premium over the terms of the bonds. The amortization is calculated using the effective interest method. Amortization is included with interest expense in the accompanying consolidated statements of operations.

Intangible Assets

Intangible assets include patient relationships and other intangible assets which are amortized over their estimated remaining economic lives. Amortization expense totaled $1,250 and $729 in 2019 and 2018, respectively. Intangible assets, which are included in investments in affiliates and other, were $521 and $1,771 at December 31, in 2019 and 2018, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Lived Assets

ThedaCare periodically evaluates the carrying value of property and equipment for impairment by comparing the carrying value of the property and equipment with the estimated future net undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future net cash flows be less than the carrying value, ThedaCare would recognize an impairment loss at that time. No impairment losses were recognized in 2019 or 2018.

Net Assets

Net assets without donor restriction consist of investments and otherwise unrestricted amounts that are not subject to donor-imposed stipulations. Net assets with donor restrictions are those whose use by ThedaCare has been limited by donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, when the stipulated purpose for which the resource has been fulfilled, or both.

Patient Service Revenue

ThedaCare recognizes patient service revenue at the amount that reflects the consideration to which ThedaCare expects to be entitled in exchange for providing patient care.

Charity Care

ThedaCare provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because collection is not pursued on amounts determined to qualify as charity care, these amounts are not included in patient service revenue.

The estimated cost of providing care to patients under ThedaCare's charity care policy is calculated by multiplying the ratio of cost-to-gross charges by the gross uncompensated charity care charges. The estimated costs to provide care to patients under ThedaCare's charity care policy were $4,271 and $4,017 for 2019 and 2018, respectively.

Other Operating Revenue

Other operating revenue consists of rental income, equity in unconsolidated affiliates' earnings, cafeteria and vending proceeds, medical records, risk-sharing revenue, foundation contributions without donor restrictions, and various other revenue. Included in rental income are amounts from residential units, an assisted living center, and various other entities occupying hospital and clinic space.

Medicaid Assessment Program Revenue

Wisconsin state regulations require eligible hospitals to pay the state an annual assessment. The assessment period is the state's fiscal year, which runs from July 1 through June 30. The assessment is based on each hospital's gross revenue, as defined. The revenue generated from the assessment is to be used, in part, to increase overall reimbursement under the Wisconsin Medicaid program.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Operating Income

The accompanying consolidated statements of operations include the intermediate subtotal net operating income. Nonoperating income (expense) includes investment income, contributions net of related expenses, net periodic benefit cost other than service cost, and nonrecurring gains and losses, which management views as outside of normal operating activities.

Excess of Revenue Over Expenses

The accompanying consolidated statements of operations and changes in net assets include excess of revenue over expenses, which is considered the performance indicator. Changes in unrestricted net assets, which are excluded from the operating indicator, include changes in pension obligation other than net periodic pension cost, permanent transfer of assets to and from affiliates for other than goods and services, contributions of long-lived assets, and net assets released from donor restrictions for purchases of land, buildings, and equipment.

Unconditional Promises to Give and Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. Contributions are considered available for unrestricted uses unless specifically restricted by the donor. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the accompanying consolidated statements of operations and changes in net assets as net assets released from restrictions.

Advertising Costs

Advertising costs are expensed as incurred.

Income Taxes

The consolidated entities are nonprofit corporations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC. The consolidated entities are also exempt from state income taxes on related income.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

ThedaCare adopted the provisions of the Financial Accounting Standards Board (FASB) Account Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, on January 1, 2019, the effective and initial application date. Topic 842 provides new comprehensive lease accounting guidance that supersedes previous lease guidance. This ASU requires lessees to recognize operating lease assets and operating lease liabilities on the balance sheet and expands disclosure requirements of lease agreements. Under the new guidance, lessor accounting is largely unchanged. Criteria for distinguishing leases between finance and operating are substantially similar to criteria for distinguishing between capital and operating leases in previous lease guidance. Lease agreements that are 12 months or less are permitted to be excluded from the balance sheet.

ThedaCare adopted this standard using the modified retrospective method and the additional transition method under ASU 2018-11, which allows for a cumulative effect adjustment within net assets in the period of adoption. ThedaCare elected the “package of three” practical expedients which allows companies to not reassess whether arrangements contain leases, the classification of leases, and the capitalization of initial direct costs.

In addition, ThedaCare elected the short-term lease recognition whereby operating lease related assets or liabilities for leases with a lease term less than 12 months will not be recognized. ThedaCare has also elected the practical expedient to not separate lease and nonlease components for all asset classes. ThedaCare elected the use-of-hindsight practical expedient to reassess the lease terms for existing leases.

The impact of the adoption to ThedaCare’s Consolidated Balance Sheets includes the recognition of operating lease assets of $38,067, and operating lease liabilities of $38,558. Adoption of this standard did not have an impact on ThedaCare’s consolidated statements of operations, consolidated statements of changes in net assets, or consolidated statements of cash flows.

Additionally, ThedaCare adopted FASB ASU 2018-08, *Not-for-Profit Entities – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This ASU provides a more robust framework to determine when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. The adoptions of this accounting standard did not have an impact on ThedaCare’s financial position or change in net assets and has been applied retrospectively to all periods presented.

In November of 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash.* This ASU was issued to clarify guidance on the classification and presentation of restricted cash in the statement of cash flows and reduce diversity in practice. The amendments to this ASU require that a statement of cash flows explain the change during the period in total cash, cash equivalents, and restricted cash or restricted cash equivalents. Therefore, restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The financial statements reflect the application of ASU 2016-18 using a retrospective approach to each period presented.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain items in the prior year consolidated financial statements have been reclassified to conform with the current year basis of presentation. These reclassifications had no effect on the overall net assets of ThedaCare.

Subsequent Events

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to ThedaCare, COVID-19 may impact various parts of its 2020 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of health care personnel, or loss of revenue due to reductions in certain revenue streams. Management believes ThedaCare is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimate as of December 31, 2019.

Additionally, during the period from January 1, 2020 through June 17, 2020, both domestic and international equity markets have experienced significant declines. These losses are not reflected in the financial statements as of and for the year ended December 31, 2019.

ThedaCare has evaluated subsequent events for potential recognition and/or disclosure through June 17, 2020, the date the consolidated financial statements were issued.

NOTE 2 UNCONSOLIDATED AFFILIATES

ThedaCare accounts for its investments in the following unconsolidated affiliates under the equity method of accounting:

- *Gold Cross Ambulance Service, Inc.* – ThedaCare owns 50% of Gold Cross Ambulance Service, Inc., a nonprofit corporation formed by area hospitals to provide ambulance services.

- *Premium Healthcare, Inc.* – ThedaCare owns 50% of Premium Healthcare, Inc., a corporation formed to assist in the administration of contracts on behalf of health care providers and to develop and implement systems of utilization management and quality control for services of health care providers.

- *Mosaic Family Health, Inc.* – ThedaCare owns 50% of Mosaic Family Health, Inc. which operates a physician residency program.

- *Catalpa Health, Inc.* – ThedaCare owns 15% of Mosaic Family Health, Inc. which operates a mental health clinic.

NOTE 2 UNCONSOLIDATED AFFILIATES (CONTINUED)

The total investment related to these affiliates in the accompanying consolidated balance sheets was $5,930 and $4,222 as of December 31, 2019 and 2018, respectively. Included in other operating revenue are undistributed equity in net gains of these affiliates of $1,414 and $567 for 2019 and 2018, respectively.

A summary of certain estimated financial data for ThedaCare's unconsolidated affiliates under the equity method of accounting as of and for the years ended December 31 is as follows:

	2019	2018
Total Assets	$ 18,178	$ 9,879
Net Assets	$ 15,596	$ 8,898
Operating and Total Revenue	$ 22,862	$ 616
Excess of Revenue over Expenses	$ 1,127	$ 567

ThedaCare also has investments in unconsolidated affiliates accounted for under the cost method. The carrying value of these affiliates was $411 and $5,967 at December 31, 2019 and 2018, respectively.

NOTE 3 PATIENT SERVICE REVENUE

Patient service revenue is reported at the amount that reflects the consideration to which ThedaCare expects to be paid 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, ThedaCare 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. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. ThedaCare believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services or patients receiving services in our outpatient Clinics or in their homes (home care). ThedaCare measures the performance obligation from admission into the hospital 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 ThedaCare does not believe it is required to provide additional goods or services to the patient.

NOTE 3 PATIENT SERVICE REVENUE (CONTINUED)

Because all of its performance obligations relate to contracts with a duration of less than one year, ThedaCare 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.

ThedaCare 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 outpatient revenue. Based on the historical collection trends and other analysis, ThedaCare believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

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

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge ThedaCare's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon ThedaCare. In addition, the contracts ThedaCare has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. During 2019 and 2018, successful appeals, cost report settlement, and other adjustments pertaining to prior year estimates of variables resulted in a decrease in patient service revenue of $512 and $806, respectively.

NOTE 3 PATIENT SERVICE REVENUE (CONTINUED)

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

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

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

The composition of patient service revenue recognized in the period by type of service is as follows:

	2019	2018
Hospitals	$ 732,030	$ 677,556
Ancillary Services	31,829	33,784
Medical Specialties	34,593	33,671
Surgical Specialties	33,705	39,717
Primary Care	111,962	109,280
Post Acute	52,577	51,191
TCAW	11,330	11,303
Patient Service Revenue	$ 1,008,026	$ 956,502

Medicare and Medicaid revenue as a percentage of patient service revenue was approximately 57.1% and 57.6% in 2019 and 2018, respectively.

The composition of patient service revenue by major payor sources for the years ended December 31 is as follows:

	2019	2018
Medicare, Medicaid, Health Maintenance Organization Plans, and Other Third-Party Payors	$ 978,225	$ 932,028
Uninsured Patients	29,801	24,474
Patient Service Revenue	$ 1,008,026	$ 956,502

NOTE 4 REIMBURSEMENT ARRANGEMENTS WITH THIRD-PARTY PAYORS

Agreements are maintained with third-party payors that provide for reimbursement at amounts that vary from ThedaCare's established rates. A summary of the basis of reimbursement with major third-party payors follows:

Government Payors

TCN and TCA

- *Medicare* – Inpatient hospital acute care services are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services are reimbursed primarily on a prospective payment methodology based on a patient classification system.

- *Medicaid* – Inpatient and outpatient services are reimbursed primarily based on prospectively determined rates.

TCNL, TCW, TCS, TCB, and TCWR

These hospitals operate as critical access hospitals (CAH). Under the CAH designation, inpatient and outpatient hospital services rendered to Medicare and Medicaid beneficiaries are paid based on a cost- reimbursement methodology.

Physician Clinics

Clinics are reimbursed by Medicare based on federally established fixed fee schedules. Medicaid reimbursement is based on the lower of each clinic's cost or a specified rate per visit.

Other Providers

Nursing home, behavioral health, and home health and hospice services are reimbursed by Medicare and Medicaid based on fee schedules or prospectively determined rates per day or episode of care.

Other Payors

ThedaCare has entered into payment agreements with commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, fee schedules, and prospectively determined daily rates.

Accounting for Contractual Arrangements

Certain Medicare services are reimbursed at tentative rates, with final settlements determined after audit of the related annual cost reports. The cost reports have been audited by Medicare fiscal intermediaries for TCNL and TCWR through December 31, 2016, for TCN, TCA and TCW through December 31, 2015, and for TCS and TCB through December 31, 2014.

NOTE 4 REIMBURSEMENT ARRANGEMENTS WITH THIRD-PARTY PAYORS (CONTINUED)

Accountable Care Organizations

ThedaCare participates in several risk-sharing arrangements with third-party payors through Accountable Care Organization (ACO) models. Generally, these arrangements reward ThedaCare through additional reimbursement for meeting certain patient-quality measures and reducing costs. However, some arrangements also include a sharing of losses, as defined in the respective agreement, if certain quality measures or cost savings are not met. Accruals from these arrangements are typically based on data provided by the third-party payor. As part of certain of these risk-sharing arrangements, ThedaCare was required to obtain an annual letter of credit for $1,614, which expires December 31, 2020. No amounts have been drawn on the letter of credit. During 2019 and 2018, ThedaCare recorded revenue of $9,151 and $7,362, respectively, related to the ACO arrangements. These amounts are included in other operating revenue in the accompanying consolidated statements of operations.

Compliance

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, particularly those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Violations by health care providers of laws and regulations could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenue from patient services.

CMS uses recovery audit contractors (RACs) as part of its efforts to ensure accurate payments. RACs search for potentially inaccurate Medicare payments that may have been made to health care providers and not detected through existing CMS program integrity efforts. Once a RAC identifies a claim it believes is inaccurate, CMS makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. The provider will then have an opportunity to appeal the adjustment before final settlement of the claim is made.

NOTE 5 LIQUIDITY AND AVAILABILITY

ThedaCare invests cash in excess of short-term requirements in investments. As of December 31, 2019 and 2018, ThedaCare has working capital of $790,009 and $669,609, respectively.

NOTE 5 LIQUIDITY AND AVAILABILITY (CONTINUED)

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2019	2018
Financial Assets at Year-End:		
Cash and Cash Equivalents	$ 78,492	$ 111,916
Short-Term Investments	542,263	353,898
Patient Accounts Receivables, Net	128,878	136,386
Other Accounts Receivables	8,215	6,018
Investments	167,366	179,038
Total Financial Assets Available within One Year	$ 925,214	$ 787,256

NOTE 6 INVESTMENTS AND FAIR VALUE MEASUREMENTS

Following is a description of the valuation methodologies used for assets measured at fair value, including assets held in ThedaCare's defined benefit retirement plans (see Note 9).

- Money market funds are measured using $1 as NAV.

- Mutual funds are valued at the daily closing price as reported by the fund. These funds are registered with the U.S. Securities and Exchange Commission and are required to publish their daily NAV and to transact at that price.

- Alternative investments are reported using their NAV as a practical expedient, or using the Family of Foundations' proportional share of the underlying investments as reported by the investment issuer. These funds are made up of several underlying managers, each of whom manages their own portfolio. Fair value is determined based on the fair value of the underlying investments. In substantiating the reasonableness of the pricing of alternative investments, management evaluates a variety of factors including recently executed transactions, economic conditions, industry and market developments, and overall credit ratings. In accordance with ASC 820-10, *Fair Value Measurements and Disclosures,* alternative investments that are measured using NAV as a practical expedient have not been classified in the fair value hierarchy.

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

NOTE 6 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The tables below present the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of December 31:

	2019			
	Level 1	Level 2	Level 3	Total
Money Market Funds	$ 76,688	$ -	$ -	$ 76,688
Mutual Funds:				
Equities	62,407	-	-	62,407
Fixed Income	151,330	-	-	151,330
Marketable Equity Securities	238,068	-	-	238,068
Alternative Investments Using NAV as Practical Expedient:				
Funds of Funds	-	-	-	57,365
Private Equity	-	-	-	48,838
Real Estate	-	-	-	95,982
Total	$ 528,493	$ -	$ -	$ 730,678

	2018			
	Level 1	Level 2	Level 3	Total
Money Market Funds	$ 9,257	$ -	$ -	$ 9,257
U.S. Government and Agency Obligations	-	45,323	-	45,323
Corporate Bonds and Asset-Backed Securities	-	27,963	-	27,963
Mutual Funds:				
Equities	188,194	-	-	188,194
Fixed Income	79,115	-	-	79,115
Alternative Investments:				
Funds of Funds	-	-	-	115,596
Private Equity	-	-	-	37,765
Real Estate	-	-	-	57,909
Total	$ 276,566	$ 73,286	$ -	$ 561,122

The following table sets forth additional disclosures of ThedaCare's alternative investments as of December 31, 2019:

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Lockup Period
Alternative Investments: Funds of Funds (a) Real Estate (b) Private Equity (c)	 $ 57,365 48,838 95,982	$ 23,836	Ranges from Quarterly to Every Two Years, Depending on the Terms of the Fund.	Ranges from 30-Day Notice to 180-Day Notice, Depending on the Terms of the Fund.	Fair Value of $8,547 Subject to a 2-Year Lockup, $4,011 Subject to a 6-Year Lockup; $3,063 Subject to an 8-Year Lockup; $50,449 Subject to a 10-Year Lockup; $1,460 Subject to an 11-Year Lockup; $5,972 Subject to a 12-Year Lockup and $4,411 Subject to a 14-Year Lockup.

(a) This class invests primarily in offshore partnerships and seeks superior absolute returns with low correlation to global equity and fixed income markets.
(b) This class seeks predictable returns from a targeted portfolio of income-producing real estate.
(c) This class seeks significant value appreciation of their portfolio companies through active management strategies or by investing in funds that invest in future capital companies.

NOTE 6 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Investments were classified in the accompanying consolidated balance sheets as of December 31 as follows:

	2019	2018
Short-Term Investments	$ 542,263	$ 353,898
Investments	167,366	179,038
Assets Limited as to Use	105,224	28,186
Total	$ 814,853	$ 561,122

Investment return is comprised of and classified as follows in the consolidated financial statements for the years ended December 31:

	2019	2018
Interest Income and Dividends	$ 13,038	$ 13,390
Net Realized Gains on Investment and Assets Limited as to Use	19,476	21,415
Net Change in Unrealized Gains (Losses) on Investments and Assets Limited as to Use	70,715	(62,366)
Total Investment Return, Net	$ 103,229	$ (27,561)
Without Donor Restriction - Investment Income	$ 102,663	$ (27,274)
Total Donor Restricted Investment Income	566	(287)
Total Investment Return	$ 103,229	$ (27,561)

NOTE 7 LAND, BUILDINGS, AND EQUIPMENT

A summary of land, buildings, and equipment and the related accumulated depreciation and amortization is as follows at December 31:

	2019	2018
Land and Improvements	$ 46,765	$ 43,534
Buildings and Improvements	616,572	612,251
Equipment	465,318	442,069
Computer Software	2,821	4,623
Construction in Progress	20,231	9,636
Buildings and Equipment under Finance Leases	8,996	8,996
Total Land, Buildings, and Equipment	1,160,703	1,121,109
Less: Accumulated Depreciation and Amortization	(694,046)	(650,170)
Land, Buildings, and Equipment, Net	$ 466,657	$ 470,939

NOTE 7 LAND, BUILDINGS AND EQUIPMENT (CONTINUED)

Accumulated amortization on buildings and equipment under finance leases at December 31, 2019 and 2018 was $3,283 and $1,496, respectively.

Depreciation and amortization expense on land, buildings, and equipment for 2019 and 2018 was $47,872 and $47,213, respectively.

At December 31, 2019 and 2018, construction in progress related to general construction projects and major equipment purchases. At December 31, 2019, ThedaCare had commitments totaling $6,453 related to general construction projects and major equipment purchases.

NOTE 8 LONG-TERM DEBT

Long-term debt is summarized as follows at December 31:

Description	2019	2018
Wisconsin Health and Education Finance Authority (WHEFA) Revenue Bonds, Series 2009A, interest at 5.00% to 5.50%, paid off in 2019.	$ -	$ 75,680
WHEFA Revenue Bonds, Series 2009B, interest at 4.00% to 5.00%, paid off in 2019.	-	6,330
WHEFA Revenue Bonds, Series 2010, interest at 2.50% to 5.50%, due in installments through 2027.	12,815	14,175
WHEFA Revenue Bonds, Series 2012, interest at 2.37%, due in installments beginning in 2021 continuing through 2030.	49,745	49,745
WHEFA Revenue Bonds, Series 2014A, variable rate (2.67% at December 31, 2019), due in installments through 2024.	8,170	9,804
WHEFA Revenue Bonds, Series 2015, interest at 3.00% to 5.00%, due in installments through 2044.	116,575	118,525
WHEFA Revenue Bonds, Series 2019, interest at 3.13% to 5.00%, due in installments through 2044.	140,790	-
2019 credit agreement, variable rate (2.6% interest at December 31, 2019) due in installments through 2024	3,363	3,969

NOTE 8 LONG-TERM DEBT (CONTINUED)

Description (Continued)	2019	2018
Note payable to Cancer Specialists of NE Wisconsin Equipment Leasing, LLC, interest at 5.00%, due in installments through 2021.	$ 1,095	$ 1,823
Total Long-Term Debt	332,553	280,051
Plus: Unamortized Original Issue Bond Premium	21,771	11,392
Less: Bond Issuance Costs	(1,716)	(2,503)
Subtotal	352,608	288,940
Less: Current Portion	(6,618)	(11,219)
Long-Term Debt, Net of Current Portion	$ 345,990	$ 277,721

The loans and related agreements with WHEFA and the credit agreement provide, among other things, that ThedaCare and the Hospitals (the Obligated Group) are jointly and severally liable for the debt service on all obligations issued thereunder. Under the terms of the agreements, various amounts are being held on deposit with a trustee for bond redemption, interest payments, and certain construction expenditures. In addition, the master trust indenture requires the Obligated Group to maintain certain financial ratios and places restrictions on various activities such as the transfer of assets and incurrence of additional indebtedness.

Scheduled payments on all long-term debt as of December 31, 2019 are as follows:

Year Ending December 31,	Bonds and Notes Payable
2020	$ 6,618
2021	10,480
2022	10,447
2023	10,631
2024	10,292
Thereafter	284,085
Total	$ 332,553

NOTE 9 LEASES

ThedaCare leases primarily consist of space for health care facilities, health care equipment, and various other office equipment from third parties. ThedaCare determines if an arrangement is a lease at contract inception. Operating and finance lease assets and liabilities are recognized based on the present value of the lease payments over the lease term at the commencement date. Because most of ThedaCare's leases do not provide an implicit rate of return, ThedaCare used an imputed interest rate to calculate the present value of payments.

Most leases include one or more options to renew, with renewal terms that can extend the lease term another five years. The exercise of such lease renewal options is at ThedaCare's sole discretion. For purposes of calculating lease liabilities, lease terms include options to extend or terminate the lease when it is reasonably certain that ThedaCare will exercise the option.

Lease assets and liabilities are as follows:

Assets:		
Operating Lease Assets	$	38,067
Financing Lease Assets		6,665
Total Assets	$	44,732
Liabilities:		
Current:		
Operating Leases	$	10,886
Financing Leases		942
Noncurrent:		
Operating Leases		27,672
Financing Leases		4,150
	$	43,650

ThedaCare's leases costs under ASC 842 for the year ended December 31, 2019 are as follows:

Operating Lease Cost	$	13,317
Finance Lease Cost:		
Amortization of Lease Assets		1,044
Interest on Lease Liabilities		202
Total Lease Cost	$	14,563

NOTE 9 LEASES (CONTINUED)

As of December 31, 2019 the maturity of lease obligations consisted of the following:

Maturity Schedule	Operating Leases	Finance Leases
2020	$ 12,293	$ 1,112
2021	10,192	911
2022	7,315	309
2023	5,848	315
2024	4,346	321
Thereafter	2,195	3,536
Total Lease Payments	42,189	6,504
Less: Imputed Interest	(3,631)	(1,412)
Less: Current Portion	(10,886)	(942)
Long-Term Lease Liabilities	$ 27,672	$ 4,150

At December 31, 2019 the weighted average remaining lease term was 2.87 years for operating leases and 5.00 years for finance leases. At December 31, 2019 the weighted average discount rate was 4.27% for operating leases and 2.91% for finance leases.

NOTE 10 DEFERRED EMPLOYEE BENEFIT OBLIGATIONS AND PENSION PLANS

Defined Contribution Plans

ThedaCare offers a defined contribution 403(b) savings plan in which substantially all employees may participate. For employees age 19 and over, the Plan includes a 75% match on the first 4% of eligible wages contributed to the Plan by employees, plus a discretionary employer contribution of 3% of eligible wages to employees who meet a minimum-hours requirement and are employed as of the last day of the Plan year (December 31).

TCB sponsors a defined contribution retirement plan covering substantially all of its employees. TCB matched each participant’s contribution from 2% to 4% of covered earnings based on years of service. The Plan was frozen effective December 31, 2014.

TCWR sponsors a discretionary contribution retirement plan covering substantially all of its employees. TCWR contributed 3% of participant employees’ gross base wages to the Plan. The Plan was frozen effective December 31, 2014.

Total defined contribution expense was $21,062 and $21,848 during 2019 and 2018, respectively.

Deferred Compensation

ThedaCare provides certain executive compensation plans that vest over a one to five-year period. Related liabilities are $11,444 and $9,906 at December 31, 2019 and 2018, respectively. Liabilities are included in deferred employee benefit obligations in the accompanying consolidated balance sheet. Related assets are included in assets limited as to use (Note 5).

NOTE 10 DEFERRED EMPLOYEE BENEFIT OBLIGATIONS AND PENSION PLANS (CONTINUED)

Pension and Other Postretirement Benefits

The ThedaCare Pension Plan, which was frozen in 2009, is a defined benefit pension plan that covered all full- and many part-time employees of ThedaCare who had completed one year of service and attained the age of 21. ThedaCare funds contributions to the Plan based on actuarial computations using the projected unit credit method. Benefits are based on years of service and the employee's average compensation for the five highest consecutive years of service. The anticipated required contribution for ThedaCare's pension plan for the year ending December 31, 2020 is $17,000.

ThedaCare also provides certain benefits to eligible employees after their retirement date. Such benefits include life insurance and the additional claims cost in excess of standard premiums for medical and dental benefits. ThedaCare funds benefit costs on a pay-as-you-go basis. The contribution for ThedaCare's other postretirement benefits for the year ending December 31, 2019 is anticipated to be $330.

Information regarding the benefit obligations and assets of the pension and postretirement benefit plans as of and for the years ended December 31 is as follows:

	Pension Benefits		Other Postretirement Benefits	
	2019	2018	2019	2018
Actuarial Present Value of Benefit Obligations - Accumulated Benefit Obligation	$ 246,708	$ 223,806	$ 6,192	$ 4,930
Change in Projected Benefit Obligation:				
Projected Benefit Obligation at Beginning	$ 223,806	$ 263,389	$ 4,930	$ 6,193
Settlement (Gain) or Loss	(1,147)	2,240	370	364
Interest Cost	9,152	8,653	202	205
Actuarial (Gains) Losses	34,285	(26,181)	(829)	(1,492)
Benefits Paid	(19,388)	(24,295)	(345)	(340)
Projected Benefit Obligation at End of Measurement Period	246,708	223,806	4,328	4,930
Change in Plan Assets:				
Fair Value of Plan Assets at Beginning of Measurement Period	166,080	197,093	-	-
Actual Return on Plan Assets	26,661	(16,718)	-	-
Employer Contributions	13,000	10,000	345	340
Benefits Paid	(19,388)	(24,295)	(345)	(340)
Fair Value of Plan Assets at End of Measurement Period	186,353	166,080	-	-
Funded Status at End of Measurement Period	$ (60,355)	$ (57,726)	$ (4,328)	$ (4,930)

NOTE 10 DEFERRED EMPLOYEE BENEFIT OBLIGATIONS AND PENSION PLANS (CONTINUED)

Pension and Other Postretirement Benefits (Continued)

Components of net periodic benefit cost and other amounts recognized in changes in unrestricted net assets are as follows:

	Pension Benefits		Other Postretirement Benefits	
	2019	2018	2019	2018
Amounts Recognized in the Consolidated Balance Sheets Consist of the Following - Long-Term Deferred Employee Benefit Obligations	$ 60,355	$ 57,726	$ 4,328	$ 4,930
Amounts Recognized in Unrestricted Net Assets - Net Actuarial Loss (Gain)	76,654	73,655	(1,791)	(1,001)

Components of net periodic benefit cost and other amounts recognized in changes in unrestricted net assets are as follows at December 31:

	Pension Benefits		Other Postretirement Benefits	
	2019	2018	2019	2018
Net Periodic Benefit Cost:				
Service Cost	$ -	$ -	$ 370	$ 364
Interest Cost on Projected Benefit Obligation	9,152	8,653	202	205
Expected Loss on Plan Assets	(5,965)	(8,110)	-	-
Amortization of Net Losses	5,432	6,068	(39)	-
Settlement/Curtailment Charge	4,011	5,936	-	-
Net Periodic Benefit Cost	12,630	12,547	533	569
Other Changes in Plan Assets and Benefit Obligations Recognized in Unrestricted Net Assets:				
Net Actuarial (Gain) Loss Arising During the Period	12,442	887	(789)	(1,492)
Amortization of Net Actuarial Loss	(9,443)	(12,003)	-	-
Total Other Changes in Plan Assets and Benefit Obligations	2,999	(11,116)	(789)	(1,492)
Total Recognized in Net Periodic Benefit Cost and Unrestricted Net Assets	$ 15,629	$ 1,431	$ (256)	$ (923)

The estimated net actuarial loss for the defined benefit pension plan that will be amortized from unrestricted net assets into net periodic benefit cost during 2020 will be $5,602.

The following weighted average assumptions were used to estimate the benefit obligation at December 31 and the net periodic benefit cost for the years ended December 31:

	Pension Benefits		Other Postretirement Benefits	
	2019	2018	2019	2018
Discount Rate (Benefit Obligation)	3.25 %	4.25 %	3.25 %	4.25 %
Discount Rate (Benefit Cost)	4.25	3.40	4.25	3.40
Assumed Rate of Return on Plan Assets (Benefit Cost)	5.25	5.25	N/A	N/A

For 2019 and 2018, ThedaCare used the MP-2019 and MP-2018 mortability tables, respectively, to develop the pension benefit obligation.

NOTE 10 DEFERRED EMPLOYEE BENEFIT OBLIGATIONS AND PENSION PLANS (CONTINUED)

Pension and Other Postretirement Benefits (Continued)

To develop the expected long-term rate of return on asset assumptions, ThedaCare considered the historical returns and future expectations for returns in each asset class, as well as targeted asset allocation percentages within the pension portfolio. This resulted in the selection of long-term rate of return on asset assumptions of 5.25% for 2019 and 2018.

For postretirement benefit obligation measurement purposes, an 8.0% annual rate of increase in the per capita cost of covered health care benefits is assumed for 2020. The rate is assumed to decrease by 0.5% per year to 4.5% in 2027 and remain at that level thereafter.

The assumed health care cost trend assumption has a significant effect on the amounts reported for the postretirement benefit obligation. A one-percentage-point change in the assumed health care cost trend rate would have the following effects:

The following estimated future benefit payments, which reflect expected future service, as appropriate, are as follows:

Year Ending December 31,	Pension Benefits	Postretirement Benefits
2020	$ 17,848	$ 330
2021	18,120	400
2022	17,596	435
2023	17,178	475
2024	17,140	455
2025 through 2029	74,455	2,265

Plan Assets

The pension fund is managed in accordance with the documents, policies, applicable laws, and regulations of the pension investment policy. The pension investment policy includes specific guidelines for quality, asset concentration, asset mix, asset allocations, and performance expectations. The pension funds are reviewed for compliance with the pension investment policy by the finance committee.

The asset mix was as follows for the years ended December 31:

	2019	2018
Fixed Income Mutual Funds (Includes Cash and Cash Equivalents Maintained to Meet Anticipated Plan Expenses and Distributions)	75 %	73 %
Equity Mutual Funds	25	27
Total	100 %	100 %

NOTE 10 DEFERRED EMPLOYEE BENEFIT OBLIGATIONS AND PENSION PLANS (CONTINUED)

Plan Assets (Continued)

The fair values of pension plan assets by asset category at December 31 were as follows:

	2019			
	Level 1	Level 2	Level 3	Totals
Money Market Funds	$ 7,412	$ -	$ -	$ 7,412
Domestic Equity Mutual Funds	38,364	-	-	38,364
International Equity Mutual Funds	7,531	-	-	7,531
Fixed Income Mutual Funds	133,046	-	-	133,046
Total	$ 186,353	$ -	$ -	$ 186,353

	2018			
	Level 1	Level 2	Level 3	Totals
Money Market Funds	$ 6,511	$ -	$ -	$ 6,511
Domestic Equity Mutual Funds	32,556	-	-	32,556
International Equity Mutual Funds	12,224	-	-	12,224
Fixed Income Mutual Funds	114,789	-	-	114,789
Total	$ 166,080	$ -	$ -	$ 166,080

NOTE 11 UNEMPLOYMENT COMPENSATION

ThedaCare has elected to pay for unemployment compensation benefits on a reimbursement basis and filed letters of credit in the aggregate amount of $9,327 at December 31, 2019 and 2018 with the Wisconsin Department of Industry, Labor, and Human Relations.

NOTE 12 NET ASSETS CLASSIFICATION

Net assets with donor restrictions were available for the following purposes at December 31:

Subject to Expenditure for Specific Purpose	2019	2018
Capital Expenditures - Campaign Fund	$ -	$ 199
Programs:		
ThedaCare Community Fund	383	1,231
Berlin Area Children's Fund	833	841
Nursing and Clinical Education Fund	447	450
Helping Hands Cancer Fund	125	113
Capital Expenditures or Programs:		
Peabody Heritage Fund	1,115	1,114
Aylward Surgery Center	906	846
Oncology Fund	369	309
Cancer Fund	185	232
Breast Center	229	226
Urology	232	186
Appleton Medical Center	168	175
ThedaStar	173	171
Collaborative Care	106	106
Various	2,705	2,539
Pledges Due to Time Restrictions	-	-
Total	7,976	8,738
Not Subject to Appropriation or Expenditure		
Shattuck Fund	3,124	3,124
John G. and Mary Alsted Strange Memorial Fund	1,000	1,000
Children's Endowment	425	425
Peabody Heritage Endowment	299	299
TC Endowment Fund	208	208
Auxiliary Volunteer Service Scholarship	184	183
Boldt Family Fund	149	149
Various	857	850
Total	6,246	6,238
Total Net Assets With Donor Restrictions	$ 14,222	$ 14,976

NOTE 13 ENDOWMENT FUNDS

The endowment funds include both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

ThedaCare is subject to the Wisconsin Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditure. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, ThedaCare considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. ThedaCare has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Additionally, in accordance with UPMIFA, ThedaCare considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the fund
- The purposes of ThedaCare and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of ThedaCare
  The investment policy of ThedaCare

NOTE 13 ENDOWMENT FUNDS (CONTINUED)

Interpretation of Relevant Law (Continued)

ThedaCare's endowment net asset composition by type of fund is as follows at December 31:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted	$ -	$ 6,891	$ 6,891
Board Designated	2,714	-	2,714
Total Funds	$ 2,714	$ 6,891	$ 9,605

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted	$ -	$ 6,666	$ 6,666
Board Designated	2,600	-	2,600
Total Funds	$ 2,600	$ 6,666	$ 9,266

The changes in endowment by net asset class for ThedaCare were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets at December 31, 2017	$ 2,447	$ 6,829	$ 9,276
Investment Return - Investment Income	154	(147)	7
Contributions	-	1	1
Release of Board-Designated Endowment	(1)	-	(1)
Appropriation of Endowment Assets for Expenditure	-	(17)	(17)
Endowment Net Assets at December 31, 2018	2,600	6,666	9,266
Investment Return - Investment Income	137	304	441
Contributions	-	1	1
Release of Board-Designated Endowment	(23)	-	(23)
Appropriation of Endowment Assets for Expenditure	-	(80)	(80)
Endowment Net Assets at December 31, 2019	$ 2,714	$ 6,891	$ 9,605

Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires ThedaCare to retain as a fund of perpetual duration. There were no deficiencies of this nature as of December 31, 2019 and 2018.

NOTE 13 ENDOWMENT FUNDS (CONTINUED)

Return Objectives and Risk Parameters

ThedaCare has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s), as well as board- designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 Index while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, ThedaCare relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). ThedaCare targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

ThedaCare has a policy of appropriating for distribution each year 5% rate of return to be based on a three-year rolling average at year-end. In establishing this policy, ThedaCare considered the long-term expected return on its endowment.

NOTE 14 MALPRACTICE INSURANCE

ThedaCare has professional liability insurance for claim losses of less than $1,000 per claim and $3,000 per year for claims incurred during a policy year regardless of when claims are reported (occurrence coverage). ThedaCare is insured against losses in excess of these amounts through its mandatory participation in the Patients' Compensation Fund of the state of Wisconsin. The professional liability insurance policy is renewable annually and has been renewed by the insurance carrier for the annual period extending through June 1, 2021.

NOTE 15 FUNCTIONAL EXPENSES

ThedaCare provides general health care and other services to residents within its geographic locations including hospital, ambulatory, and retirement center services. Expenses related to providing these services were as follows for the years ended December 31:

	2019				
	Hospital Services	Ambulatory Services	Post Acute Services	General and Administrative	Total Expenses
Compensation and Benefits	$ 247,161	$ 157,635	$ 34,688	$ 63,337	$ 502,821
Supplies and Services	303,537	63,203	17,550	59,838	444,128
Depreciation and Amortization	29,096	7,109	2,337	10,580	49,122
Interest Expense	35	204	-	12,231	12,470
Medicaid Assessment Program Expenses	9,549	-	-	-	9,549
Total	$ 589,378	$ 228,151	$ 54,575	$ 145,986	$ 1,018,090

	2018				
	Hospital Services	Ambulatory Services	Post Acute Services	General and Administrative	Total Expenses
Compensation and Benefits	$ 278,808	$ 144,166	$ 34,489	$ 60,843	$ 518,306
Supplies and Services	261,827	52,655	18,470	50,899	383,851
Depreciation and Amortization	30,837	6,659	2,470	7,977	47,943
Interest Expense	44	70	-	12,310	12,424
Medicaid Assessment Program Expenses	8,977	-	44	-	9,021
Total	$ 580,493	$ 203,550	$ 55,473	$ 132,029	$ 971,545

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. This includes the split between hospital services, ambulatory services and post-acute services, which is allocated based on a percent of total departmental revenue.

NOTE 16 CONCENTRATION OF CREDIT RISK

Financial instruments that expose credit risk consist principally of cash deposits in excess of insured limits in financial institutions, investments which are uninsured, and accounts receivable.

Cash – ThedaCare maintains its cash in bank deposit accounts. Amounts on deposit exceeded the Federal Deposit Insurance Corporation insured limits at December 31, 2019. Management regularly monitors ThedaCare’s cash balances along with the financial condition of the financial institutions to minimize this potential risk.

NOTE 16 CONCENTRATION OF CREDIT RISK (CONTINUED)

Accounts Receivable – ThedaCare grants credit without collateral to its patients, most of whom are local residents of the Fox Valley area of Wisconsin and insured under third-party payor agreements. The mix of receivables from patients and third-party payors are approximately as follows at December 31:

	2019	2018
Medicare	41 %	41 %
Commercial Programs	35	37
Self-Pay	15	15
Medicaid	9	7
Totals	100 %	100 %

NOTE 17 SELF-FUNDED INSURANCE

ThedaCare sponsors self-funded health and dental plans, which provide medical and dental benefits to its employees and their dependents. Health and dental costs are expensed as incurred. Health and dental expense includes claims paid, reinsurance premiums, administration fees, and unpaid claims at year-end. Self-funded health and dental expense for the years ended December 31, 2019 and 2018 was $41,806 and $49,631, respectively. A liability of $6,469 and $7,878 for claims outstanding has been recorded at December 31, 2019 and 2018, respectively.

ThedaCare is also self-insured for workers’ compensation claims for claims under $1,000. ThedaCare is insured by a third-party for workers’ compensation claims in excess of $1,000. Workers’ compensation claims are expensed as incurred, and expense includes claims paid and unpaid claims at year-end. ThedaCare has filed a letter of credit in the amount of $2,600 with the state related to the self-insured workers’ compensation plan. A liability of $3,291 and $3,875 for workers’ compensation claims outstanding has been recorded at December 31, 2019 and 2018, respectively.