Exhibit 5-A

Audited Financial Statements of UPH for the Five Fiscal Years Ended December 31, 2017 Through 2021

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

Table of Contents

KPMG LLP
4200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402

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.

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

(Continued)

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
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.

(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.

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.

(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.

(Continued)

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.

(Dollars in thousands)

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

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

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.

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.

(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

(Continued)

(Dollars in thousands)

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:

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

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

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

(Dollars in thousands)

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
	$ 1,055,765	449,080	573,713	597,010	514,386	387,328	199,288	152,239	117,478	13,864	15,279	4,075,430

	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
	$ 940,533	416,040	570,762	575,863	489,722	343,739	193,029	149,923	116,286	—	20,189	3,816,086

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.

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.

(Continued)

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

(Continued)

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.

(Continued)

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

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.

(Dollars in thousands)

(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
	$	1,749,409	860,597	87,693	272,091	1,400,900	4,370,690

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
	$	1,636,764	807,105	88,537	252,437	1,393,853	4,178,696

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.

(Dollars in thousands)

(5) Investments

(a) Investment Summary

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

		2018	2017
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	$	21,782	19,528

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

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

(Dollars in thousands)

		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
		1,221,086	1,277,956
Total assets limited as to use		1,223,257	1,279,118
Less amount required to meet current obligations		16,721	14,681
Noncurrent portion of assets limited as to use	$	1,206,536	1,264,437

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		37,976	36,437
	$	1,221,086	1,277,956

(Dollars in thousands)

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

	2018	2017
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
Total other long-term investments	$ 958,201	1,022,219

(Dollars in thousands)

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.

(Dollars in thousands)

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
	$	553,366	106,278		

	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
	$	527,284	121,666		

* 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.

** 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.

(Dollars in thousands)

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:

		2018 Unaudited	2017 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:

		2018	2017
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:

	Payable through	Issuance type (1)	Interest rate (2)		2018	2017
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	—

(Dollars in thousands)

	Payable through	Issuance type (1)	Interest rate (2)	2018	2017
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				$ 1,042,488	1,046,036

(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.

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.

(Dollars in thousands)

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	577,728	853,898
	$ 1,073,990	1,073,990

(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.

(Dollars in thousands)

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	Fair value 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.

(Dollars in thousands)

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:

		2018	2017
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)

(Dollars in thousands)

(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

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.

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.

(Dollars in thousands)

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

(Dollars in thousands)

	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)
	$ (1,053)	—	(79,648)	(31,251)	(1,226)	(1,559)
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
	$ 90	—	55,644	29,320	43,496	2,598
Amounts expected to be recognized within one year:						
Net loss	$ —	—	1,102	—	4,310	141
Net prior service credit	—	—	—	—	—	12
	$ —	—	1,102	—	4,310	153
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	$ (1)	—	13,438	9,049	5,910	229

(Dollars in thousands)

	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	—	—
Curtailment gain from freezing benefits	—	—	(318)	—	—	—
Net periodic benefit cost (benefit)	$ 41	—	(7,501)	1,811	(621)	351

(Dollars in thousands)

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

(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)
	$	—	(64,859)	(17,911)	(6,404)	(52,891)	(941)	(1,280)
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
	$	—	24,776	19,252	(1,733)	20,271	37,586	2,370
Amounts expected to be recognized within one year:								
Net prior service credit	$	—	—	431	—	—	3,312	118
	$	—	—	431	—	—	3,312	118
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	$	—	2,520	2,160	—	569	(346)	(180)

(Continued)

(Dollars in thousands)

	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

(Continued)

(Dollars in thousands)

	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	—	—
	100 %	100 %	100 %	100 %	100 %	100 %	100 %	99 %	100 %	99 %

(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.

(Dollars in thousands)

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:

		Fair value measurements using		
	Fair value	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
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	—	—	—
	$ 570,083	407,511	18,849	—

(Dollars in thousands)

		Fair value measurements using		
	Fair value	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	—	—	—
	$ 599,123	461,580	49,876	—

* 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

(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.

(Continued)

(Dollars in thousands)

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.

(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.

(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:

		2018		
		Fair value measurements using		
	Fair value	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	—	—

(Dollars in thousands)

	2018			
		Fair value measurements using		
	Fair value	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	$ 2,203,240	1,602,546	47,328	—
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)	—

(Dollars in thousands)

		2017		
		Fair value measurements using		
	Fair value	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)	—

(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
Balance, December 31, 2016	$	7,063
Change in beneficial interest in perpetual trusts		393
Balance, December 31, 2017		7,456
Change in beneficial interest in perpetual trusts		(302)
Balance, December 31, 2018	$	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.

(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:

		Fair value	Valuation technique	Adjustment to NAV
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:

		2018	2017
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	$	187,886	191,312

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.

(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.

(Continued)

(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

Consolidated Financial Statements

December 31, 2019 and 2018

(With Independent Auditors' Report Thereon)

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

Table of Contents

KPMG LLP
2500 Ruan Center
666 Grand Avenue
Des Moines, IA 50309

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, 2019 and 2018, 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, 2019 and 2018, and the results of their operations and changes in net assets 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 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to this matter.

KPMG LLP

Minneapolis, Minnesota
April 29, 2020

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

Consolidated Balance Sheet

December 31, 2019 and 2018

(In thousands)

Assets		2019	2018
Current assets:			
Cash and cash equivalents	$	278,444	251,006
Short-term investments		25,926	21,782
Assets limited as to use – required for current liabilities		20,167	16,721
Patient accounts receivable		565,461	557,280
Other receivable		129,421	100,486
Inventories		84,406	83,889
Prepaid expenses		57,360	48,085
Total current assets		1,161,185	1,079,249
Assets limited as to use, noncurrent:			
Held by trustee under bond indenture agreements		485	2,171
Internally designated for capital improvements		1,311,258	1,182,648
Internally designated for insurance reserve		22,988	21,717
Total assets limited as to use, noncurrent		1,334,731	1,206,536
Property, plant and equipment, net		1,875,363	1,843,907
Operating lease right of use assets		220,215	—
Other long-term investments		1,102,503	958,201
Investments in joint ventures and other investments		121,916	152,773
Contributions receivable, net		114,617	89,047
Other		86,151	91,826
Total assets	$	6,016,681	5,421,539
Liabilities and Net Assets			
Current liabilities:			
Current maturities of long-term debt	$	129,121	62,658
Current portion of operating lease liabilities		31,450	—
Accounts payable		236,412	198,681
Accrued payroll		217,910	210,985
Accrued interest		9,704	8,752
Estimated settlements due to third-party payors		57,252	92,810
Other current liabilities		81,039	77,897
Total current liabilities		762,888	651,783
Long-term debt, net		895,871	1,042,488
Long-term operating lease liabilities		188,765	—
Other long-term liabilities		396,016	382,076
Total liabilities		2,243,540	2,076,347
Net assets:			
Without donor restrictions:			
Attributable to UnityPoint Health		3,515,956	3,125,454
Attributable to noncontrolling interest		31,952	31,852
Total without donor restrictions		3,547,908	3,157,306
With donor restrictions:			
Attributable to UnityPoint Health		224,446	187,042
Attributable to noncontrolling interest		787	844
Total with donor restrictions		225,233	187,886
Total net assets		3,773,141	3,345,192
Total liabilities and net assets	$	6,016,681	5,421,539

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2019 and 2018

(In thousands)

		2019	2018
Unrestricted revenues:			
Patient service revenue	$	4,184,332	4,075,430
Other operating revenue		389,961	324,611
Net assets released from restrictions used for operations		14,173	11,420
Total unrestricted revenues		4,588,466	4,411,461
Expenses:			
Salaries and wages		1,624,925	1,570,724
Provider compensation and services		696,151	662,784
Employees benefits		418,627	420,498
Supplies		755,353	725,630
Other expenses		762,670	707,691
Depreciation and amortization		195,119	241,334
Interest		35,107	38,754
Provision for uncontrollable accounts		64	3,275
Total expenses		4,488,016	4,370,690
Operating Income		100,450	40,771
Nonoperating gains (losses):			
Investment income (loss)		313,065	(87,642)
Contributions received in affiliations, net of disaffiliation		(2,317)	34,806
Other, net		(25,226)	10,636
Total nonoperating gains (losses), net		285,522	(42,200)
Revenue over expenses before loss on board refinancing transaction		385,972	(1,429)
Loss on bond refinancing transactions		—	(2,558)
Excess (deficiency) of revenues over expenses from continuing operations		385,972	(3,987)
Discontinued operations		—	539
Excess (deficiency) of revenues over expenses		385,972	(3,448)
Less noncontrolling interest		(4,974)	(5,979)
Excess (deficiency) of revenues over expenses attributable to UnityPoint health		380,998	(9,427)

(Continued)

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

Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2019 and 2018

(In thousands)

		2019	2018
Net assets without donor restrictions:			
Excess (deficiency) of revenues over expenses	$	380,998	(9,427)
Amortization of previously hedged interest swaps fair value		1,360	1,360
Net assets released from restrictions used for capital expenditures		13,100	10,120
Change in defined benefit pension plan gains (losses) and prior costs and credits		3,192	(28,895)
Contributions of or for acquisition of property and equipment		1,399	261
Other, net		(9,547)	427
Increase (decrease) in net assets without donor restrictions, UnityPoint Health		390,502	(26,154)
Net assets without donor restrictions, noncontrolling interest:			
Excess of revenues over expenses		4,974	5,979
Distributions of capital		(5,973)	(6,337)
Contributions of capital		336	—
Net assets released from restrictions used for capital expenditures		58	58
Other		705	(3,850)
Increase (decrease) in net assets without donor restrictions, noncontrolling interests		100	(4,150)
Net assets with donor restrictions:			
Contributions		35,710	16,901
Contribution received in affiliations, net of disaffiliation		1,648	2,499
Investment income		5,129	2,042
Government grants		41	23
Net assets released from restrictions used for operations		(14,173)	(11,420)
Net assets released from restrictions used for capital expenditures		(13,100)	(10,120)
Change in net unrealized gains (losses) on investments		7,823	(6,909)
Change in beneficial interest in net assets of affiliate		9,601	(1,454)
Other, net		4,726	5,070
Increase (decrease) in net assets with donor restrictions, UnityPoint Health		37,405	(3,368)
Net assets with donor restrictions, noncontrolling interest:			
Net assets released from restrictions used capital expenditures		(58)	(58)
Decrease in net assets with donor restrictions, noncontrolling interests		(58)	(58)
Increase (decrease) in net assets		427,949	(33,730)
Net assets, beginning of year		3,345,192	3,378,922
Net assets, end of year	$	3,773,141	3,345,192

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

Years ended December 31, 2019 and 2018

(In thousands)

		2019	2018
Operating activities:			
Increase (decrease) in net assets	$	427,949	(33,730)
Items not requiring (providing) operating cash:			
Net (gain) loss on investments		(279,861)	128,398
Net unrealized (gains) loss on swaps		11,234	(13,887)
Restricted contributions, investment income and government grants received		(26,707)	(7,546)
Contributions of or for acquisition of property and equipment		(1,399)	(261)
Depreciation and amortization		195,119	241,334
Change in defined pension plans' liability		(3,192)	28,895
Contribution received in affiliations, net of disaffiliation		669	(37,305)
Amortization of bond premium and debt issuance costs, net		(2,549)	6,415
(Gain) loss on disposition of assets		927	(9,020)
Equity in earnings of joint ventures		(24,082)	(27,116)
Change in beneficial interest in net assets of affiliates		(9,601)	1,454
Provision for uncollectible accounts		64	3,275
Changes in:			
Receivables		(38,557)	34,449
Inventories, prepaid expenses and other assets		(19,323)	1,781
Accounts payable, accrued liabilities and other liabilities		52,786	(41,561)
Due to third-party payors		(35,305)	102
Net cash provided by operating activities		248,172	275,677
Investing activities:			
Capital expenditures		(239,012)	(161,349)
Proceeds from sale of assets		277	3,381
Cash acquired in affiliations, net of disaffiliation		3,335	9,949
Increase in loans receivable		(3,606)	(14,304)
Increase in, short-term investments		(3,283)	(2,144)
Purchases of other long-term investments and assets limited to use		(354,687)	(315,442)
Proceeds from sales of other long-term investments and assets limited to use		339,768	319,878
Investment in joint ventures		(3,257)	(7,019)
Distributions received from joint ventures		64,692	30,425
Net cash used in investing activities		(195,773)	(136,625)
Financing activities:			
Proceeds from issuance of long-term debt		2,590	380,819
Payments of debt		(46,895)	(217,411)
Payments of financing costs		—	(2,162)
Payments on early extinguishment of debt		(8,762)	(308,755)
Proceeds from restricted contributions, investment income and government grants		26,707	7,546
Proceeds from contributions for acquisition of property and equipment		1,399	261
Net cash used in financing activities		(24,961)	(139,702)
Increase (decrease) in cash and cash equivalents		27,438	(650)
Cash and cash equivalents, beginning of year		251,006	251,656
Cash and cash equivalents, end of year	$	278,444	251,006

(Continued)

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

Consolidated Statements of Cash Flows

Years ended December 31, 2019 and 2018

(In thousands)

	2019	2018
Supplemental cash flows information:		
Interest paid (net of amount capitalized)	$ 34,155	40,218
Capital lease obligations incurred for property and equipment	3,952	9,122
Property and equipment purchases in accounts payable	10,271	7,929
Affiliations:		
Assets acquired, less cash	7,705	75,810
Liabilities assumed	2,859	48,456
Disaffiliations:		
Assets removed, less cash	(42,235)	—
Liabilities released	(33,385)	—

See accompanying notes to consolidated financial statements.

(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-one 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; unaffiliated as of September 30, 2019)
- Keokuk Health Systems and Subsidiaries, Inc. (Keokuk)
- Iowa Physicians Clinic Medical Foundation (d/b/a UnityPoint Clinic)
- UnityPoint at Home

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

(Continued)

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. On September 30, 2019, the System and Memorial Hospital Association terminated their affiliation. At the time of termination, Memorial Hospital Association assets and liabilities of $47,183 and $33,385, respectively, were removed from the System's consolidated balance sheets. Included in assets was cash of $4,948.

On May 1, 2019, the System's subsidiary, Methodist Health Services Corporation, became the sole corporate member of UnityPlace with assets and liabilities of $15,988 and $2,859, respectively. Included in assets is cash of $8,283.

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.

(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.

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.

(Continued)

(Dollars in thousands)

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, including componentized building costs. 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	10–80 yrs.
Fixed equipment	5–30 yrs.
Movable equipment	2–30 yrs.
Computer software	3 yrs.

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

		2019	2019
Land	$	197,311	196,472
Land improvements		73,656	71,405
Buildings, improvements and fixed equipment		2,543,003	2,471,925
Moveable equipment		1,643,338	1,564,786
		4,457,308	4,304,588
Less accumulated depreciation and amortization		2,695,488	2,536,379
		1,761,820	1,768,209
Construction/information systems installation in progress		113,543	75,698
Net property, plant and equipment	$	1,875,363	1,843,907

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 2019 and 2018, the System capitalized $1 and $90 of interest expense, respectively.

As of December 31, 2019 and 2018, the System has committed $209,079 and $156,920, 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 $20,707 and $19,979 are recorded in other long-term liabilities as of December 31, 2019 and 2018, respectively. The year-over-year increase of $728 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.

No asset impairment was recognized during the years ended December 31, 2019 and 2018.

(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 $36,708 and $37,064 of goodwill at December 31, 2019 and 2018, 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 2019 and 2018 showed the carrying amount exceeded fair value for two of the System’s subsidiaries, and $575 and $1,373 of impairment was recognized in depreciation and amortization expense in the accompanying consolidated statements of operations and changes in net assets in 2019 and 2018, respectively.

Other intangible assets at December 31, 2019 and 2018 were $3,786 and $4,205, 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.

(Continued)

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 or deductions to net assets with donor restrictions and are reflected in the consolidated statements of operations and changes in net assets.

(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 and outpatient 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 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.

(Dollars in thousands)

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

	2019	2019
Medicare	35 %	36 %
Medicaid	15	14
Wellmark/Blue Cross	21	22
Commercial and other	28	28
Self-pay	1	—
	100 %	100 %

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

	2019	2019
Medicare	28 %	27 %
Medicaid	15	13
Wellmark/Blue Cross	19	22
Commercial and other	34	34
Self-pay	4	4
	100 %	100 %

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

	2019											
	Central Iowa	Madison	Quad Cities	Central Illinois	Cedar Rapids	Waterloo	Sioux City	Fort Dodge	Dubuque	Carthage	Keokuk/ Quincy	Total
Service lines:												
Hospital	$ 813,441	418,169	443,600	457,150	387,633	316,165	184,121	87,579	102,500	15,363	10,957	3,236,678
Physician services	199,988	36,268	66,996	106,047	86,031	79,724	15,961	51,270	7,835	3,769	—	653,889
Home health and hospice	74,740	10,200	36,789	23,711	21,332	24,585	12,509	18,114	4,743	—	3,403	230,126
Other	17,138	(8,859)	21,284	—	26,849	2,603	—	984	1,500	2,140	—	63,639
	$ 1,105,307	455,778	568,669	586,908	521,845	423,077	212,591	157,947	116,578	21,272	14,360	4,184,332

(Dollars in thousands)

	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
	$ 1,055,765	449,080	573,713	597,010	514,386	387,328	199,288	152,239	117,478	13,864	15,279	4,075,430

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
2019	$ 98,933	36,656	40,456	61,868	47,110	45,762	33,111	13,862	9,910	1,822	471	389,961
2018	97,834	22,980	32,151	48,412	31,723	42,117	27,000	12,260	8,763	894	477	324,611

(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.

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.

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.

(Continued)

(v) Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires the lessee to recognize assets and liabilities for leases with lease terms of more than twelve months. For leases with a term of twelve months or less, the System is permitted to make an accounting policy election, by class of underlying asset, not to recognize lease assets and lease liabilities. Further, the lease requires a finance lease to recognize both an interest expense and an amortization of the associated expense. Operating leases generally recognize the associated expense on a straight-line basis. On January 1, 2019, the System adopted the standard and all related amendments and applied it to all leases using the optional transition method, which requires the amended guidance to be applied at the date of adoption. The standard does not require the guidance to be applied to the earliest comparative period presented in the consolidated financial statements. As such, comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. At adoption, the System included in their balance sheet a right of use asset and a right of use liability of $215,960.

Under the new lease standard, companies may elect various practical expedients upon adoption. The System elected the package of practical expedients related to transition, which states that an entity need not reassess initial direct costs for existing leases, the lease classification for any expired or existing leases, and whether any expired or existing contracts are or contain leases.

The System also elected the practical expedient for lessees to include both the lease and non-lease components as a single component and account for them as a lease. Certain of the System’s arrangements provide for maintenance costs to be the responsibility of the System as incurred or charged by the lessor. The maintenance cost is a non-lease component that the System elected to combine with the total monthly rental payment and account for the total cost as operating lease expense.

Also, a lessees may elect not to apply the recognition requirements in the new lease standard for short term leases.

(w) Reclassifications

Certain 2018 amounts have been reclassified in order to conform to the 2019 presentation. In connection therewith, purchases and sales of investments were historically presented on a net basis, instead of a gross basis. For the year ended December 31, 2018, the System corrected the previously reported net basis of purchase and sales of investments by presenting them on a gross basis which are reflected in the investing section of the cash flows statement.

(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 $25,377 and $26,912 for the years ended December 31, 2019 and 2018, 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 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 payors. 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 payors that provide for payment of services at amounts that differ from established rates. Third-party payor payment rates vary by payor 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 2019 and 2018 was $55,348 and $56,856, 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 $104,933 and $114,007, 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 $49,585 and $57,153 for 2019 and 2018, respectively.

(Dollars in thousands)

(4) Functional Expenses

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

	2019					
	Hospital Services	Physician Services	Home Health and Hospice	Other	MG&A	Total
Salaries and wages	$ 742,445	159,548	52,348	91,217	579,367	1,624,925
Physician compensation and services	59,248	582,872	407	12,678	40,946	696,151
Employee benefits	180,321	47,912	12,586	26,305	151,503	418,627
Supplies	558,291	57,143	10,845	100,753	28,321	755,353
Other expenses	173,613	54,992	8,361	65,858	459,846	762,670
Depreciation and amortization	53,678	7,777	196	5,470	127,998	195,119
Interest	—	339	—	114	34,654	35,107
Provision for uncollectible accounts	—	—	—	9	55	64
	$ 1,767,596	910,583	84,743	302,404	1,422,690	4,488,016

	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
	$ 1,749,409	860,597	87,693	272,091	1,400,900	4,370,690

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.

(Dollars in thousands)

(5) Investments

(a) Investment Summary

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

		2019	2018
Cash equivalents	$	489	340
U.S. Treasury obligations		750	3,862
U.S. government agency obligations		720	200
Asset-backed securities:			
Home equity		—	53
Other		5,108	3,519
Mortgage-backed securities:			
Government		1,156	299
Nongovernment		1,347	348
Certificates of deposit		—	2,267
Corporate bonds		6,592	6,988
Municipal bonds		466	189
Mutual funds:			
Domestic		—	7
International		191	57
Index		892	279
Equity		1,081	294
Fixed income		469	166
Other		6,665	2,914
Total short-term investments	$	25,926	21,782

(Dollars in thousands)

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

		2019	2018
Held by trustees under bond indenture agreements:			
Cash equivalents	$	485	906
Certificates of deposit		—	1,265
		485	2,171
Internally designated:			
Cash equivalents		2,580	2,266
U.S. Treasury obligations		2,146	3,616
Certificates of deposit		—	880
Corporate bonds		191	387
Equity securities:			
Domestic		16,299	13,221
International		858	902
Mutual funds:			
Domestic		4,469	7,694
International		358,788	306,417
Emerging markets		637	—
Equity		279,341	230,465
Fixed income		344,054	330,485
Alternative funds		101,853	100,314
Hedge funds		109,037	97,793
Private equity funds		57,019	52,836
Fund of funds		77,141	73,810
		1,354,413	1,221,086
Total assets limited as to use		1,354,898	1,223,257
Less amount required to meet current obligations		20,167	16,721
Noncurrent portion of assets limited as to use	$	1,334,731	1,206,536

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:

		2019	2018
Debt service accounts	$	485	2,171

(Dollars in thousands)

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

		2019	2018
Capital improvements	$	1,311,257	1,183,110
Self-insured reserves		43,156	37,976
	$	1,354,413	1,221,086

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

		2019	2018
Cash equivalents	$	2,588	1,092
U.S. Treasury obligations		3,619	803
U.S. government agency obligations		708	998
Asset-backed securities:			
Home equity		—	4,001
Other		6,099	—
Mortgage-backed securities:			
Government		2,989	658
Nongovernment		1,279	1,574
Certificates of deposit		—	2,328
Corporate bonds		8,131	17,235
Municipal bonds		585	—
Equity securities:			
Domestic		1,054	2,826
International		—	79
Equity securities – PIF:			
Domestic		200	10,098
Mutual funds:			
Domestic		13,061	12,056
International		261,753	213,977
Emerging markets		8	—
Index		7,019	5,384
Equity		215,453	169,434
Fixed income		253,722	236,397
Other		50,837	48,050

(Continued)

(Dollars in thousands)

		2019	2018
Alternative funds	$	75,284	70,615
Hedge funds		80,595	68,843
Private equity funds		42,145	37,195
Fund of funds		57,018	51,960
Insurance policies		16,915	1,756
Interest rate swaps (see note 7)		1,441	842
Total other long-term investments	$	1,102,503	958,201

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:

		2019	2018
Investment return (loss):			
Interest and dividends	$	47,016	37,056
Realized gains on sales of investments		29,496	84,473
Unrealized gains (losses) on trading investments		192,556	(218,774)
Unrealized gains (losses) on other-than-trading investments		12,952	(6,909)
Equity in earnings of joint ventures		24,082	27,116
Change in fair value of investments accounted for under the fair value option of FASB ASC Topic 825		44,857	12,812
	$	350,959	(64,226)
Investment return classification:			
Net assets without donor restrictions:			
Other operating revenue	$	24,942	28,283
Nonoperating gains (losses) – investment income		313,065	(87,642)
Net assets with donor restrictions		12,952	(4,867)
	$	350,959	(64,226)

(b) Alternative Investments

At December 31, 2019 and 2018, 24% and 25%, 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.

(Dollars in thousands)

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, 2019			
	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Diversified property alternative fund	$ 134,159	—	Quarterly	95 days
Structured credit alternative fund	105,194	—	Quarterly	65 days
Diversified private equity alternative fund III	54,306	22,450	No specific lock-up provision	N/A
Diversified private equity alternative fund IV	21,384	54,185	No specific lock-up provision	N/A
Diversified private equity alternative fund V	—	42,000	No specific lock-up provision	N/A
Hedge fund segregated portfolio	189,632	—	Based on holdings***	N/A
Energy debt alternative fund	71,943	—	Semi-annual, 3 year lock-up*	95 days
Healthcare private equity fund I	11,488	168	10 year lock-up**	N/A
Healthcare private equity fund II	7,446	2,159	10 year lock-up**	N/A
Healthcare private equity fund III	—	10,000	10 year lock-up**	N/A
Health Velocity	4,540	5,300	No specific lock-up provision	N/A
	$ 600,092	136,262		

	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
	$ 553,366	106,278		

* Subject to 3-year lockup based on initial subscriptions in the investment, which was originally 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.

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

*** 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.

(Dollars in thousands)

As of December 31, 2019, the alternative investment vehicles consist of two alternative funds, one fund of funds, one hedge fund and seven 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 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 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 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 three diversified private equity alternative funds have an objective of investing in a diversified set of private equity real estate funds. The healthcare 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. Health Velocity invests in private healthcare industry companies, similar to the healthcare private equity funds. 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.

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 follows 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, 2019 and 2018, investments in joint ventures amounted to $104,415 and $141,636, 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.

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:

	2019	2018
Total assets	$ 359,359	388,645
Total equity	180,556	229,423
Net revenues	405,877	379,621
Net income	62,998	68,740

(Dollars in thousands)

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:

		2019	2018
Earnings on investments in joint ventures	$	24,082	27,116
New investments in joint ventures		3,257	7,019
Distributions received from joint ventures		64,692	30,425

The System both purchases services and sells services and supplies to several joint ventures. In 2019 and 2018, services purchased from joint ventures totaled $19,093 and $20,526, respectively. Services and supplies sold to joint ventures in 2019 and 2018 were $1,866 and $2,207, respectively. The System has loaned $4,500 to a joint venture as of December 31, 2019 and 2018. This loan is interest bearing and carries a rate of interest commensurate with prevailing market rates.

(d) Investments at Cost

Investments reported at cost include direct equity and convertible-debt investments in early stage companies within the healthcare industry. These investments are directed to generate financial and strategic returns in companies with high-growth potential that are addressing areas of targeted innovation within the System. The funds are drawn from the balance sheet and the System has governance approval to deploy a total of $100,000. The expectation is to invest the majority of the allocated capital aggressively over the next three to four years. Financial returns on these investments are anticipated throughout the next 10 to 12 years. These investments are reported on the cost. As of December 31, 2019, the System has contributed $6,500 to these investments which are accounted for at cost.

(Dollars in thousands)

(6) Long-Term Debt

Long-term debt at December 31, 2019 and 2018 is summarized as follows:

	Payable through	Issuance type (1)	Interest rate (2)	2019	2018
Hospital Facility Revenue Bonds:					
Series 2018A	2035	VRDB	2.17 %	$ 78,300	82,330
Series 2018B	2048	Fixed	5.00	72,980	72,980
Series 2018C	2041	VRDB	1.65	56,950	57,415
Series 2018D	2041	VRDB	1.65	56,945	57,415
Series 2018E	2041	VRDB	1.61	56,995	57,415
Series 2018F	2041	VRDB	1.60	56,970	57,415
Series 2017A	2027	Fixed	3.15	18,765	19,170
Series 2016	2036	Fixed	4.00	—	17,100
Series 2016D	2046	Fixed	4.00%–5.00%	40,420	42,305
Series 2016E	2046	Fixed	4.00%–5.00%	161,410	165,130
Series 2014A (WHEFA)	2029	Fixed	5.00	65,725	70,115
Series 2014A	2019	Fixed	3.25	—	6,990
Series 2014B	2018	Fixed	5.00	—	1,772
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%	72,960	74,125
Series 2012A	2024	Fixed	2.16	7,750	9,300
Series 2012C	2037	Fixed	2.43	16,860	17,260
Series 2011A	2021	Fixed	3.29	13,115	19,360
Series 2011	2031	Fixed	4.40	360	404
Series 2005	2031	Fixed	1.45%–4.00%	2,590	2,745
Series 1992A	2022	Fixed	6.00	2,990	3,880
Total hospital facility revenue bonds				954,405	1,006,946
Finance lease obligations net book value: 2019 – $2,077; 2018 – $2,655	2026	Fixed	0%–9.05%	17,832	18,306
Commercial paper	Ongoing	Variable	Various	16,857	22,857
Other notes and mortgages	2022	Fixed	1.00%–8.00%	7,292	25,881
				996,386	1,073,990
Current maturities				(129,121)	(62,658)
Unamortized bond issuance costs				(6,468)	(6,937)
Unamortized bond premium				35,074	38,093
Long-term portion				$ 895,871	1,042,488

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

(2) Variable rates shown as of December 31, 2019 and 2018, respectively, and do not include letter of credit and remarketing fees.

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, 2019 and 2018 was $360 and $404, 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, 2019 were both $0 as both of these series were paid prior to coming due. The amounts outstanding at December 31, 2018 were $6,990 and $1,772, 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.

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.

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. The letter of credit for the Series 2013B bonds has an expiration date in 2020, and thus the related debt is shown as current debt in the System's consolidated financial statements. The remaining letters of credit have varying expiration dates, with the earliest expiration beginning 2021, 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 $16,857 drawn on it as of December 31, 2019 and $22,857 as of December 31, 2018. During 2019 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 mature in 2020. These agreements contain various financial covenants that mirror those in the System's master bond trust indenture.

(Continued)

(Dollars in thousands)

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
2020	$	129,121	129,121
2021		147,112	39,407
2022		32,818	34,833
2023		136,760	35,005
2024		30,296	34,236
Thereafter		520,279	723,784
	$	996,386	996,386

(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.

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, 2019 and 2018, $(13,276) and $(14,156), respectively, of net unrealized losses remains in net assets to be amortized, and $880 was amortized into other loss in both 2019 and 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, 2019 and 2018, $(211) and $(272), respectively, of net unrealized losses remain in net assets to be amortized and $61 was amortized into other loss in both 2019 and 2018.

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, 2019 and 2018, $6,326 and $6,745, respectively, remains in unrestricted net assets to be amortized and $419 was amortized into interest expense in 2019 and 2018.

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

(Continued)

(Dollars in thousands)

the System's credit rating. As of December 31, 2019, 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 2019	Fair value 2018
2006	2030	60,000	100% of SIFMA	68.0% of 10Y LIBOR + 14.3 bps	$ 1,440	842
2005	2035	95,070	3.5 %	62.4% of 3m LIBOR + 29 bps	(15,149)	(11,810)
2006	2037	126,050	3.8	61.9% of 1m LIBOR + 31 bps	(33,041)	(25,875)
2006	2023	37,800	3.5	61.9% of 1m LIBOR + 31 bps	(2,213)	(2,221)
2005	2035	47,535	3.3	62.4% of 1m LIBOR + 29 bps	(6,955)	(5,272)
2008	2026	14,250	3.5	63.0% of 1m LIBOR + 30 bps	(1,219)	(1,139)
2008	2024	7,750	3.5	63.0% of 1m LIBOR + 30 bps	(490)	(504)
2005	2032	21,900	3.5	67.0% of 1m LIBOR	(4,331)	(3,385)
					$ (61,958)	(49,364)

The aggregate fair value of the unhedged swap agreements is recorded as long-term investments of $1,440 and $842 and long-term liabilities of $(63,398) and $(50,206), including the swap that previously qualified for hedge accounting, as of December 31, 2019 and 2018, respectively. The change in fair value of $(12,594) and $12,527 is included as a component of other income (loss) as of December 31, 2019 and 2018, 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:

	2019	2018
Other long-term investments:		
Fair value of interest rate swap agreement	$ 1,440	842
Other long-term liabilities:		
Fair value of interest rate swap agreements	(63,398)	(50,206)
Net assets without donor restrictions:		
Change in unrestricted net assets amortizing into other, net	941	941
Operating expenses:		
Nonoperating other, net:		
Gain (loss) recognized in income from changes in fair value of interest rate swaps	(12,594)	12,527
Loss recognized in income from amortization of unrecognized losses in unrestricted net assets	(941)	(941)

(Dollars in thousands)

(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:

		2019	2018
Financial assets at December 31:			
Cash and cash equivalents	$	278,444	251,006
Short-term investments		25,926	21,782
Patient accounts receivable		565,461	557,280
Assets limited as to use – required for current liabilities		20,167	16,721
Assets limited as to use, noncurrent:			
Held by trustee under bond indenture agreements		485	2,171
Internally designated		1,334,246	1,204,365
Other long-term investments		1,102,503	958,201
Contribution receivable, net		114,617	89,047
Total financial assets		3,441,849	3,100,573
Less amounts not available to be used within one year:			
Funds held by trustee under bond indenture agreements		485	2,171
Assets internally designated for self-insured reserves		43,156	37,976
Assets internally designated for capital improvements with liquidity horizons greater than one year		98,386	96,668
Other long-term investments with liquidity horizons greater than one year		72,721	67,848
Assets attributable to noncontrolling interest		31,952	31,852
Donor restricted assets		225,233	187,886
Financial assets not available to be used within one year		471,933	424,401
Financial assets available to meet general expenditures within one year	$	2,969,916	2,676,172

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 is invested in short-term investments and money market funds.

The System maintains a $200,000 commercial paper program, as discussed in more detail in note 6. As of December 31, 2019 and 2018, $183,000 and $177,000 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, 2019 and 2018, $50,000 remained available on each of the System's revolving line of credit facilities.

As of December 31, 2019, 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 $74,384 and $79,012 for 2019 and 2018, respectively. The System also has deferred compensation plans for certain employees. Total expenses under the deferred compensation plans were $2,625 and $2,879 for 2019 and 2018, 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.

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 UnityPoint Health Central Illinois pension plan.

(Dollars in thousands)

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.

The System expects to contribute $20,744 to the plans in 2019. The System uses a December 31 measurement date for the plans.

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

		December 31, 2019				
		Methodist Peoria	Central Illinois	Madison	Cedar Rapids	Waterloo
Change in benefit obligation:						
Benefit obligation, beginning of year	$	1,053	322,461	223,858	124,619	12,829
Service cost		—	—	—	—	632
Interest cost		49	14,765	9,824	5,675	584
Actuarial (gain) loss		(17)	39,071	22,740	14,824	1,292
Benefits paid		—	(67,860)	(13,283)	(6,943)	(332)
Effect of settlement		(1,085)	—	—	—	—
Effect of plan restatement		—	2,762	—	—	—
Benefit obligation, end of year		—	311,199	243,139	138,175	15,005
Change in fair value of plan assets:						
Fair value of plan assets, beginning of year		—	242,813	192,607	123,393	11,270
Actual return on plan assets		—	44,138	35,478	21,612	2,251
Employer contributions		1,085	12,616	8,000	5,004	300
Benefits paid		—	(67,860)	(13,283)	(6,943)	(332)
Effect of settlement		(1,085)	—	—	—	—
Effect of plan restatement		—	(1,237)	—	—	—
Fair value of plan assets, end of year		—	230,470	222,802	143,066	13,489
Funded status, end of year		—	(80,729)	(20,337)	4,891	(1,516)
Accumulated benefit obligation	$	—	311,199	243,139	138,175	15,005

(Dollars in thousands)

		December 31, 2019				
		Methodist Peoria	Central Illinois	Madison	Cedar Rapids	Waterloo
Assets and liabilities recognized in the consolidated balance sheets:						
Noncurrent assets	$	—	—	—	4,891	—
Noncurrent liabilities		—	(80,729)	(20,337)	—	(1,516)
	$	—	(80,729)	(20,337)	4,891	(1,516)
Amounts recognized in unrestricted net assets but not yet recognized as components of net periodic benefit cost:						
Net loss	$	—	59,381	23,975	41,078	2,387
Net prior service credit		—	—	1,219	—	17
	$	—	59,381	25,194	41,078	2,404
Amounts expected to be recognized within one year:						
Net loss	$	—	1,010	(3,191)	3,880	100
Net prior service credit		—	—	—	—	9
	$	—	1,010	(3,191)	3,880	109
Other changes in plan assets recognized in changes in net assets:						
Net (gain) loss	$	—	14,861	(3,269)	1,893	(40)
Amount recognized due to curtailment		—	—	—	—	—
Amount recognized due to settlement		—	(10,022)	—	—	(194)
Amortization of:						
Net loss		—	(1,102)	(666)	(4,310)	(141)
Prior service credit		—	—	(190)	—	(12)
Total recognized in changes in net assets	$	—	3,737	(4,125)	(2,417)	(387)

	December 31, 2019				
	Methodist Peoria	Central Illinois	Madison	Cedar Rapids	Waterloo
Weighted average assumptions used to determine benefit obligations for the year ended December 31, 2019:					
Discount rate	4.67 %	3.71 %	3.53 %	3.68 %	3.68 %
Rate of compensation increase	N/A	N/A	N/A	N/A	N/A
Weighted average assumptions used to determine benefit costs for the year ended December 31, 2019:					
Discount rate	N/A	4.70 %	4.55 %	4.69 %	4.62 %
Expected return on plan assets	N/A	8.20 %	6.52 %	7.10 %	8.20 %
Rate of compensation increase	N/A	N/A	N/A	N/A	N/A

		December 31, 2019				
		Methodist Peoria	**Central Illinois**	**Madison**	**Cedar Rapids**	**Waterloo**
Components of net periodic benefit cost:						
Service cost	$	—	—	—	—	632
Interest cost		—	14,764	9,823	5,674	583
Expected return on plan assets		—	(18,692)	(9,468)	(8,680)	(919)
Amortization of prior service credit		—	—	190	—	12
Amortization of net (gain)/loss		—	1,102	666	4,310	141
Recognized net actuarial loss		—	—	—	—	—
Effect of settlement		—	—	—	—	—
Curtailment gain from freezing benefits		—	10,022	—	—	—
Net periodic benefit cost	$	—	7,196	1,211	1,304	449

The service cost component of $632 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, 2019. All other components of net benefit cost, which total $(9,473), are reported separately outside of operating income in other, net for the year ended December 31, 2019 in the accompanying consolidated financial statements.

		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

(Dollars in thousands)

	December 31, 2018					
	Methodist Peoria	Proctor Peoria	Pekin Peoria	Madison	Cedar Rapids	Waterloo
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

	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)
	$ (1,053)	—	(79,648)	(31,251)	(1,226)	(1,559)
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
	$ 90	—	55,644	29,320	43,496	2,598
Amounts expected to be recognized within one year:						
Net loss	$ —	—	1,102	—	4,310	141
Net prior service credit	—	—	—	—	—	12
	$ —	—	1,102	—	4,310	153

(Dollars in thousands)

	December 31, 2018					
	Methodist Peoria	Proctor Peoria	Pekin Peoria	Madison	Cedar Rapids	Waterloo
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	$ (1)	—	13,438	9,049	5,910	229

	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	—	—
Curtailment gain from freezing benefits	—	—	(318)	—	—	—
Net periodic benefit cost (benefit)	$ 41	—	(7,501)	1,811	(621)	351

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.

(Dollars in thousands)

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 2019 and 2018 were as follows:

	2019				
	Methodist Peoria	Central Illinois	Madison	Cedar Rapids	Waterloo
Equity securities	100 %	56 %	45 %	22 %	38 %
Fixed income	—	29	40	78	48
Alternative investments	—	15	15	—	14

	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

(Dollars in thousands)

Plan assets are re-balanced quarterly. At December 31, 2019 and 2018, plan asset allocations are as follows:

	2019				2018			
	Central Illinois	Madison	Cedar Rapids	Waterloo	Pekin Peoria	Madison	Cedar Rapids	Waterloo
Cash equivalents	— %	2 %	— %	— %	— %	2 %	— %	— %
U.S. Treasury obligations	6	—	13	10	—	—	16	9
Corporate bonds	—	—	—	—	—	5	—	—
Equity securities:								
Domestic	—	8	—	—	—	7	—	—
Mutual funds:								
Domestic	32	—	8	27	33	—	8	23
International	22	—	13	12	20	—	13	11
Equity	—	21	—	—	—	20	—	—
Fixed income	21	10	66	38	30	10	63	42
Other	—	5	—	—	—	5	—	—
Alternative investments	5	16	—	6	5	14	—	7
Hedge funds	6	38	—	—	5	37	—	—
Fund of funds	8	—	—	7	7	—	—	8
	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %

(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, 2019 or 2018.

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.

(Dollars in thousands)

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, 2019 and 2018:

		Fair value measurements using		
	Fair value	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
2019:				
Cash equivalents	$ 4,575	4,575	—	—
U.S. Treasury obligations	33,906	33,906	—	—
Equity securities:				
Domestic	17,627	17,627	—	—
International	986	986	—	—
Mutual funds:				
Domestic	87,535	87,535	—	—
International	71,693	71,693	—	—
Equity	46,932	46,932	—	—
Fixed income	168,809	168,809	—	—
Other	11,117	—	11,117	—
Alternative funds *	49,322	—	—	—
Hedge funds*	97,916	—	—	—
Fund of funds	18,992	—	—	
Accrued income	417	—	—	—
	$ 609,827	432,063	11,117	—

(Dollars in thousands)

		Fair value measurements using		
	Fair value	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
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 *	40,888	—	—	—
Hedge funds*	84,426	—	—	—
Fund of funds	17,726	—	—	—
Accrued income	683	—	—	—
	$ 570,083	407,511	18,849	—

* 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, 2019:

2020	$ 40,194
2021	40,842
2022	42,608
2023	42,702
2024	42,761
2025–2029	208,872

(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 $132,976 and $122,742 for self-insured losses at December 31, 2019 and 2018, 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, 2019 and 2018, cash and investments designated for this purpose amounted to $42,899 and $37,978, respectively.

(Continued)

(Dollars in thousands)

(11) Lease Commitments

Certain equipment and property are being leased, with remaining terms ranging from less than one year to 30 years. Certain leases contain renewal options. The renewal options are included in the lease term only for those situations in which they are reasonably certain to be renewed.

		2019
Lease cost:		
Finance lease cost:		
Amortization of right-to-use assets	$	463
Interest on lease liabilities		1,252
Operating lease cost		43,435
Short term lease cost		27,081
Sublease income		(724)
Total lease cost	$	71,507
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating lease	$	39,663
Operating cash flows from finance lease		5,079
Finance cash flows from finance lease		3,673
Right-of-use assets obtained in exchange for new operating lease liabilities		245,991
Weighted average remaining lease term – finance lease		5.1 yrs.
Weighted average remaining lease term – operating lease		8.5 yrs.
Weighted average discount rate – finance lease		2.1 %
Weighted average discount rate – operating lease		5.0 %

(Dollars in thousands)

The components of lease expense for the year ended December 31, 2019 are as follows:

		Operating Lease	Finance Lease
2020	$	38,990	3,808
2021		35,634	3,605
2022		33,062	3,604
2023		29,304	2,838
2024		25,701	1,653
Thereafter		93,914	2,326
Total		256,605	17,834
Less: Present value discount		36,390	—
Total lease liability	$	220,215	17,834

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
	$	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, 2019 or 2018. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

(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.

(Dollars in thousands)

(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.

(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, 2019 and 2018:

	2019			
		Fair value measurements using		
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments:				
Cash equivalents	$ 6,142	6,142	—	—
U.S. Treasury obligations	6,515	—	6,515	—
U.S. government agency obligations	1,428	—	1,428	—
Municipal bonds	1,051	—	1,051	—
Asset-backed securities:				
Home equity	—	—	—	—
Other	11,207	—	11,207	—
Mortgage-backed securities:				
Government	4,145	—	4,145	—
Nongovernment	2,626	—	2,626	—
Certificates of deposit	—	—	—	—
Corporate bonds	14,914	—	14,914	—
Equity securities:				
Domestic	17,353	17,353	—	—
International	858	858	—	—
Equity securities – PIF:				
Domestic	200	200	—	—

(Dollars in thousands)

	2019			
		Fair value measurements using		
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Mutual funds:				
Domestic	$ 17,530	17,530	—	—
International	620,732	620,732	—	—
Emerging markets	645	645	—	—
Index	7,911	7,911	—	—
Equity	495,875	495,875	—	—
Fixed income	598,245	598,245	—	—
Other	57,502	57,502	—	—
Alternative investments*	177,137	—	—	—
Hedge funds*	189,632	—	—	—
Private equity funds*	99,164	—	—	—
Fund of funds*	134,159	—	—	—
Interest rate swap agreements	1,441	—	1,441	—
Other items at cost**	16,915	—	16,915	—
Total short-term investments, assets limited as to use and other long-term investments	$ 2,483,327	1,822,993	60,242	—
Beneficial interests in perpetual trusts included in contributions receivable	$ 20,622	—	13,264	7,358
Interest rate swap agreements included in other long-term liabilities	(63,399)	—	(63,399)	—

(Dollars in thousands)

	2018			
	Fair value measurements using			
	Fair value	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	—	—

(Dollars in thousands)

	2018			
		Fair value measurements using		
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Alternative investments*	$ 170,929	—	—	—
Hedge funds*	166,636	—	—	—
Private equity funds*	90,031	—	—	—
Fund of funds	125,770	—	—	—
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	$ 2,203,240	1,602,546	47,328	—
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)	—

* 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.

(Dollars in thousands)

(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
Balance, December 31, 2017	$	7,456
Change in beneficial interest in perpetual trusts		(302)
Balance, December 31, 2018		7,154
Change in beneficial interest in perpetual trusts		204
Balance, December 31, 2019	$	7,358

(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.

(h) Unobservable (Level 3) Inputs

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

		Fair value	Valuation technique	Adjustment to NAV
Recurring:				
Beneficial interests in perpetual trusts	$	7,358	Present value of future distributions expected to be received over term of agreement	N/A
Nonrecurring:				
Goodwill	$	36,708	Discounted cash flow	N/A

(Dollars in thousands)

(13) Net Assets with Donor Restrictions

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

		2019	2018
Purchase of equipment	$	25,517	25,849
Indigent care/operations		67,473	60,091
Health education		16,247	12,666
For use in future periods		34,356	13,402
Investments (generally including net investment appreciation and depreciation) to be held in perpetuity		81,640	75,878
Total with donor restrictions	$	225,233	187,886

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 $27,273 and $21,540 in 2019 and 2018 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.

(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 2019 and 2018 totaled $28,966 and $21,587, 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 $57,644 and $50,700 as of December 31, 2019 and 2018, respectively. Contributions received from nonconsolidated foundations and other related parties were $3,342 and $4,654 in 2019 and 2018, 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 $35,675 and $21,796, which is outstanding at December 31, 2019 and 2018, 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 2019 and 2018, no payments on these guarantees were made.

(16) Endowment

The System's endowment consists of individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

(Dollars in thousands)

The System's governing body has interpreted the State of Iowa Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations and deductions to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the System in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the System considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the System
7. Investment policies of the System.

The composition of net assets by type of endowment fund at December 31, 2019 and 2018 was:

	Without donor restriction	With donor restriction	Total
December 31, 2019:			
Donor-restricted endowment funds	$ —	26,056,457	26,056,457
Board-designated endowment funds	108,574,513	—	108,574,513
Total endowment funds	$ 108,574,513	26,056,457	134,630,970
December 31, 2018:			
Donor-restricted endowment funds	$ —	23,049,839	23,049,839
Board-designated endowment funds	95,009,696	—	95,009,696
Total endowment funds	$ 95,009,696	23,049,839	118,059,535

(Continued)

(Dollars in thousands)

Changes in endowment net assets for the years ended December 31, 2019 and 2018 were:

	Without donor restriction	With donor restriction	Total
Endowment net assets, December 31, 2017	$ 102,177,507	24,745,900	126,923,407
Investment return:			
Investment income	1,550,588	377,300	1,927,888
Net depreciation	(7,640,101)	(1,878,667)	(9,518,768)
Total investment return	(6,089,513)	(1,501,367)	(7,590,880)
Contributions	—	665,154	665,154
Appropriation of endowment assets for expenditure	(1,078,298)	(859,848)	(1,938,146)
Endowment net assets, December 31, 2018	95,009,696	23,049,839	118,059,535
Investment return:			
Investment income	1,760,822	425,485	2,186,307
Net appreciation	12,104,653	2,938,849	15,043,502
Total investment return	13,865,475	3,364,334	17,229,809
Contributions	—	716,967	716,967
Appropriation of endowment assets for expenditure	(300,658)	(1,074,683)	(1,375,341)
Endowment net assets, December 31, 2019	$ 108,574,513	26,056,457	134,630,970

As of December 31, 2019 and 2018, the corpus of the aforementioned donor-restricted endowment funds were $20,070 and $18,958, respectively. In addition, the net amount of earnings in excess of expenditures as of December 31, 2019 and 2018 was $5,986 and $4,092, respectively.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with GAAP, deficiencies of this nature are reported in without donor restriction net assets and aggregated $16,032 and $16,032 at December 31, 2019 and 2018, respectively.

The System has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the System must hold in perpetuity as well as those of board-designated funds. Under the System's policies, endowment assets are invested in a manner that is intended to produce results that exceed applicable benchmarks while assuming a prudent level of investment risk. The System expects its endowment funds to provide an average net rate of return of approximately 8% annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the System relies on a total return strategy in which investment returns are achieved through net investment income, including dividends, interest, and recognized appreciation, as well as unrealized capital appreciation. The System 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.

In general, the System has a policy (the spending policy) of appropriating for expenditure each year 4–5% of its endowment fund's average fair value over the prior 12 quarters through the year-end proceeding the year in which expenditure is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 2%-2.5% annually. This is consistent with the System's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

(17) Subsequent Events

Subsequent events have been evaluated through April 29, 2020, which is the date the consolidated financial statements were issued.

On January 30, 2020, the World Health Organization declared the outbreak of COVID-19 as a "public health emergency of international concern," and on March 13, 2020, the President of the United States declared a state of national emergency. As a result of the outbreak, there has been instability in the capital markets. The ultimate impact of the COVID-19 outbreak is highly uncertain. The System's business and investments values are likely to be impacted by COVID-19. As of March 31, 2020, the Systems total unrestricted cash and investments declined by approximately $296,300 (unaudited). Management does not yet know the full extent of potential impacts on the business.

KPMG

IOWA HEALTH SYSTEM AND SUBSIDIARIES

(d/b/a UnityPoint Health)

Consolidated Financial Statements

December 31, 2021 and 2020

(With Independent Auditors’ Report Thereon)

IOWA HEALTH SYSTEM AND SUBSIDIARIES
(d/b/a UnityPoint Health)

Table of Contents

KPMG LLP
4200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402

Independent Auditors' Report

The Board of Directors
Iowa Health System and Subsidaries d/b/a UnityPoint Health:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Iowa Health System and Subsidaries d/b/a UnityPoint Health (the System), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the System as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2021 accompanying supplementary financial statement information in schedules 1 through 13 are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. 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 13, 2022

IOWA HEALTH SYSTEM AND SUBSIDIARIES

(d/b/a UnityPoint Health)

Consolidated Balance Sheets

December 31, 2021 and 2020

(In thousands)

Assets		**2021**	**2020**
Current assets:			
Cash and cash equivalents	$	450,884	634,781
Short-term investments		202,128	173,825
Assets limited as to use – required for current liabilities		29,772	24,882
Patient accounts receivable		563,585	514,616
Other receivables		188,455	202,377
Inventories		107,151	97,147
Prepaid expenses		60,568	58,501
Total current assets		1,602,543	1,706,129
Assets limited as to use, noncurrent:			
Held by trustee under bond indenture agreements		304	388
Internally designated for capital improvements		1,564,005	1,405,046
Internally designated for insurance reserve		20,163	21,834
Total assets limited as to use, noncurrent		1,584,472	1,427,268
Property, plant and equipment, net		1,834,850	1,844,659
Operating lease right-of-use assets		177,516	204,343
Other long-term investments		1,769,384	1,593,860
Investments in joint ventures and other investments		136,776	142,910
Contributions receivable and other assets held in trust		131,482	118,623
Other		80,724	83,665
Total assets	$	7,317,747	7,121,457
Liabilities and Net Assets			
Current liabilities:			
Current maturities of long-term debt	$	58,692	151,244
Current portion of operating lease liabilities		31,347	32,282
Accounts payable		253,281	233,481
Accrued payroll		320,938	306,736
Accrued interest		11,486	11,614
Estimated settlements due to third-party payors		114,602	85,374
Other current liabilities		320,043	243,043
Total current liabilities		1,110,389	1,063,774
Long-term debt, net		1,186,443	1,134,788
Long-term operating lease liabilities		152,191	176,739
Other long-term liabilities		388,532	687,653
Total liabilities		2,837,555	3,062,954
Net assets:			
Without donor restrictions:			
Attributable to UnityPoint Health		4,170,025	3,781,923
Attributable to noncontrolling interests		32,769	32,999
Total without donor restrictions		4,202,794	3,814,922
With donor restrictions:			
Attributable to UnityPoint Health		276,727	242,852
Attributable to noncontrolling interests		671	729
Total with donor restrictions		277,398	243,581
Total net assets		4,480,192	4,058,503
Total liabilities and net assets	$	7,317,747	7,121,457

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, 2021 and 2020

(In thousands)

		2021	2020
Operating revenues:			
Patient service revenue	$	4,402,593	3,932,963
Other operating revenue		442,205	667,620
Net assets released from restrictions used for operations		13,692	11,468
Total operating revenues		4,858,490	4,612,051
Operating expenses:			
Salaries and wages		1,807,861	1,645,140
Provider compensation and services		729,468	710,057
Employee benefits		436,127	412,685
Supplies		895,500	756,651
Other expenses		739,950	750,913
Depreciation and amortization		187,006	188,468
Interest		34,516	34,296
Provision for uncollectible accounts		(94)	460
Total operating expenses		4,830,334	4,498,670
Operating income		28,156	113,381
Nonoperating gains (losses):			
Investment income		315,696	188,710
Affiliate disaffiliation		(5,765)	—
Other, net		25,572	(7,045)
Total nonoperating gains, net		335,503	181,665
Revenue over expenses before loss on bond refinancing transactions		363,659	295,046
Loss on bond refinancing transactions		—	(16,671)
Excess of revenues over expenses		363,659	278,375
Less noncontrolling interest		(7,126)	(2,620)
Excess of revenues over expenses attributable to UnityPoint Health	$	356,533	275,755

(Continued)

IOWA HEALTH SYSTEM AND SUBSIDIARIES

(d/b/a UnityPoint Health)

Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2021 and 2020

(In thousands)

		2021	2020
Net assets without donor restrictions:			
Excess of revenues over expenses	$	356,533	275,755
Amortization of previously hedged interest rate swaps fair value		1,360	1,360
Net assets released from restrictions used for capital expenditures		9,681	8,547
Change in defined-benefit pension plan gains (losses) and prior costs and credits		18,468	(18,293)
Contributions of or for acquisition of property and equipment		39	206
Other, net		2,021	(1,608)
Increase in net assets without donor restrictions, UnityPoint Health		388,102	265,967
Net assets without donor restrictions, noncontrolling interest:			
Excess of revenues over expenses		7,126	2,620
Distributions of capital		(7,176)	(3,363)
Contributions of capital		—	1,732
Net assets released from restrictions used for capital expenditures		58	58
Other, net		(238)	—
(Decrease) increase in net assets without donor restrictions, noncontrolling interests		(230)	1,047
Net assets with donor restrictions:			
Contributions		32,022	24,840
Affiliate disaffiliation		(34)	—
Investment income		12,954	5,497
Net assets released from restrictions used for operations		(13,692)	(11,468)
Net assets released from restrictions used for capital expenditures		(9,681)	(8,547)
Change in net unrealized gains on investments		1,763	5,005
Change in beneficial interest in net assets of affiliates		6,394	2,878
Other, net		4,149	201
Increase in net assets with donor restrictions, UnityPoint Health		33,875	18,406
Net assets with donor restrictions, noncontrolling interest:			
Net assets released from restrictions used for capital expenditures		(58)	(58)
Decrease in net assets with donor restrictions, noncontrolling interests		(58)	(58)
Increase in net assets		421,689	285,362
Net assets, beginning of year		4,058,503	3,773,141
Net assets, end of year	$	4,480,192	4,058,503

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, 2021 and 2020

(In thousands)

		2021	2020
Operating activities:			
Increase in net assets	$	421,689	285,362
Items not requiring (providing) operating cash:			
Net gain on investments		(248,149)	(162,572)
Net unrealized (gain) losses on swaps		(18,636)	11,016
Restricted contributions and investment income government grants received		(17,592)	(18,895)
Contributions of or for acquisition of property and equipment		(39)	(206)
Depreciation and amortization		187,006	188,468
Change in defined pension plans' liability		(18,468)	18,293
Amortization of bond premium and debt issuance costs, net		(2,577)	(2,653)
(Gain) losses on disposition of assets		(2,937)	1,359
Loss on bond refinancing transactions		—	16,671
Equity in earnings of joint ventures		(32,962)	(28,913)
Change in beneficial interest in net assets of affiliates		(6,394)	(2,878)
Provision for uncollectible accounts		(94)	460
Changes in:			
Receivables		(36,106)	(22,571)
Inventories, prepaid expenses, and other assets		5,389	6,120
Accounts payable, accrued liabilities, and other liabilities		(163,414)	498,794
Due to third-party payors		30,109	28,122
Net cash provided by operating activities		96,825	815,977
Investing activities:			
Capital expenditures		(183,916)	(157,534)
Proceeds from sale of assets		5,045	2,562
Cash removed in disaffiliation		(1,901)	—
Decrease (increase) in loans receivable		4,265	(4,470)
Increase in short-term investments		—	(147,899)
Purchases of other long-term investments and assets limited to use		(1,878,658)	(1,049,143)
Proceeds from sales of other long-term investments and assets limited to use		1,767,817	609,570
Investments in joint ventures		(9,175)	(7,791)
Distributions received from joint ventures		39,396	30,631
Net cash used in investing activities		(257,127)	(724,074)
Financing activities:			
Proceeds from issuance of long-term debt		492	447,443
Payments of debt		(41,718)	(98,935)
Payments on early extinguishment of debt		—	(103,175)
Proceeds from restricted contributions and investment income grants received		17,592	18,895
Proceeds from contributions for acquisition of property and equipment		39	206
Net cash provided by (used in) financing activities		(23,595)	264,434
Increase (decrease) in cash and cash equivalents		(183,897)	356,337
Cash and cash equivalents, beginning of year		634,781	278,444
Cash and cash equivalents, end of year	$	450,884	634,781

IOWA HEALTH SYSTEM AND SUBSIDIARIES
(d/b/a UnityPoint Health)

Consolidated Statements of Cash Flows

Years ended December 31, 2021 and 2020

(In thousands)

		2021	2020
Supplemental cash flows information:			
Interest paid (net of amount capitalized)	$	34,516	32,386
Capital lease obligations incurred for property and equipment		2,998	1,689
Property and equipment purchases in accounts payable		15,531	9,144
Disaffiliations:			
Assets removed, less cash		(5,705)	—
Liabilities released		(33,501)	—

See accompanying notes to consolidated financial statements.

(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 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)
- Keokuk Area Hospital and Subsidiaries, Inc. (Keokuk; unaffiliated as of February 28, 2021)
- Iowa Physicians Clinic Medical Foundation (d/b/a UnityPoint Clinic)
- UnityPoint at Home

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

On February 28, 2021, the System and Keokuk Health Systems and Subsidiaries, Inc. terminated their affiliation. At the time of termination, Keokuk Health Systems and Subsidiaries, Inc. assets and liabilities of $7,606 and $33,501, respectively, were removed from the System's consolidated balance sheets. Included in assets was cash of $1,901.

(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 interests.

(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, 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, 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, in addition to 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.

The System classifies its investments as trading securities. Realized gains and losses from the sale of investments, interest and dividends (except those earned as a function of operations), and investments carried at fair value pursuant to Accounting Standards Codification ASC Topic 825, *Financial Instruments*, are reported as nonoperating investment income 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 (NAV) 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 NAV 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 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, including componentized building costs. Depreciation of assets under capital leases 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 usual estimated useful lives:

Buildings	10–45 years
Fixed equipment	5–30 years
Moveable equipment	2–30 years
Computer software	3 years

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

		2021	2020
Land	$	195,676	197,007
Land improvements		75,147	74,509
Buildings, improvements, and fixed equipment		2,695,046	2,629,061
Moveable equipment		1,787,063	1,730,947
		4,752,932	4,631,524
Less accumulated depreciation and amortization		3,010,372	2,858,114
		1,742,560	1,773,410
Construction/information systems installation in progress		92,290	71,249
Net property, plant and equipment	$	1,834,850	1,844,659

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 2021 and 2020, the System capitalized $485 and $37 of interest expense, respectively.

As of December 31, 2021 and 2020, the System has committed $151,924 and $107,222, 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 $22,555 and $21,585 are recorded in other long-term liabilities as of December 31, 2021 and 2020, respectively. The year-over-year increase of $970 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.

(Continued)

No asset impairment was recognized during the years ended December 31, 2021 and 2020.

(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 Accounting Standards Update (ASU) 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment,* 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 $36,177 of goodwill at December 31, 2021 and 2020. 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 impairment analysis performed during 2021 did not show the carrying amount exceeded fair value; therefore, no impairment was recognized during 2021. The analysis performed during 2020 showed the carrying amount exceeded fair value for one of the System's subsidiaries, and $531 of impairment was recognized in depreciation and amortization expense in the accompanying consolidated statements of operations and changes in net assets in 2020.

Other intangible assets at December 31, 2021 and 2020 were $2,392 and $3,102, 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 of Revenues over Expenses

Excess 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, 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 of revenues over expenses. Transactions with donor restrictions are recorded as additions or deductions to net assets with donor restrictions and are reflected in the consolidated statements of operations and changes in net assets.

(Continued)

(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 in the System's hospitals receiving inpatient acute care and outpatient services. The System 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 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 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 and related 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 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:

	2021	2020
Medicare	36 %	35 %
Medicaid	18	16
Wellmark/Blue Cross	21	21
Commercial and other	24	27
Self-pay	1	1
	100 %	100 %

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

	2021	2020
Medicare	30 %	32 %
Medicaid	15	11
Wellmark/Blue Cross	23	21
Commercial and other	32	34
Self-pay	—	2
	100 %	100 %

(Continued)

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

		2021	2020
Service lines:			
Hospital	$	3,233,764	2,866,816
Physician services		759,665	757,547
Home health and hospice		246,193	230,668
Other		162,971	77,932
	$	4,402,593	3,932,963

Other operating revenue primarily includes income from joint ventures, reference lab, retail pharmacy, grant revenue, college revenue, 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 service is rendered. Other operating revenue for the years ended December 31, 2021 and 2020 was $442,205 and $667,620, respectively.

(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.

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.

(Continued)

(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 changes in fair value for all swap agreements are recorded as a component of nonoperating gains (losses) in excess of revenue over expense as they do not qualify for hedge accounting.

The Swaps are recognized in 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 2018. The System has no material uncertain tax positions.

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) Lease Commitments

The System regularly enters into agreements with third parties to lease real estate and equipment over various lengths of time. The System follows ASU 2016-02, *Leases (Topic 842)*, which requires the lessee to recognize right-of-use assets and liabilities for leases with lease terms of more than twelve months. All leases greater than twelve months are evaluated for classification as either operating or finance leases. For finance leases, the System recognizes both interest expense and depreciation expense. For operating leases, the System recognizes rent expense, generally on a straight-line basis, as part of other expenses.

Certain of the System's arrangements provide for maintenance costs to be the responsibility of the System as incurred or charged by the lessor. The maintenance cost is a non-lease component that the System elected to combine with the total monthly rental payment and account for the total cost as operating lease expense.

Leases less than twelve months, or those that operate on month-to-month agreements, are deemed short-term leases and are expensed as incurred.

(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 $21,543 and $22,139 for the years ended December 31, 2021 and 2020, 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 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 payors. 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 payors that provide for payment of services at amounts that differ from established rates. Third-party payor payment rates vary by payor 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 healthcare providers is based primarily on the amount of care provided to Medicaid recipients.

The System's aggregate tax assessment during 2021 and 2020 was $62,927 and $59,398, 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 $127,637 and $133,626, 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 $64,710 and $74,228 for 2021 and 2020, respectively.

(4) Functional Expenses

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

	2021					
	Hospital services	Physician services	Home health and hospice	Other	G&A	Total
Salaries and wages	$ 839,713	167,957	51,262	100,377	648,552	1,807,861
Physician compensation and services	60,480	614,709	769	12,631	40,879	729,468
Employee benefits	188,125	52,932	12,184	26,319	156,567	436,127
Supplies	659,554	54,320	12,115	136,668	32,843	895,500
Other expenses	208,973	54,249	7,723	67,964	401,041	739,950
Depreciation and amortization	51,684	8,533	161	5,055	121,573	187,006
Interest	27	297	—	62	34,130	34,516
Provision for uncollectible accounts	—	—	—	4	(98)	(94)
	$ 2,008,556	952,997	84,214	349,080	1,435,487	4,830,334

	2020					
	Hospital	Physician services	Home health and hospice	Other	G&A	Total
Salaries and wages	$ 730,680	156,028	49,698	94,045	614,689	1,645,140
Physician compensation and services	59,277	587,510	575	12,375	50,320	710,057
Employee benefits	175,377	47,387	11,537	25,319	153,065	412,685
Supplies	538,783	54,527	11,780	114,485	37,076	756,651
Other expenses	205,670	50,756	8,583	67,383	418,521	750,913
Depreciation and amortization	52,636	8,492	169	5,778	121,393	188,468
Interest	—	229	—	44	34,023	34,296
Provision for uncollectible accounts	—	—	—	17	443	460
	$ 1,762,423	904,929	82,342	319,446	1,429,530	4,498,670

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.

(5) Investments

(a) Investment Summary

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

		2021	2020
U.S. Treasury obligations	$	19,486	70,950
U.S. government agency obligations		13,910	445
Asset-backed securities:			
Other		43,526	29,540
Mortgage-backed securities:			
Government		808	1,139
Non-government		6,382	933
Certificates of deposit		—	1,050
Corporate bonds		100,429	60,500
Municipal bonds		10,837	2,117
Mutual funds:			
International		118	162
Index		1,063	934
Equity		950	825
Fixed income		286	453
Other		4,333	4,777
Total short-term investments	$	202,128	173,825

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

		2021	2020
Held by trustees under bond indenture agreements:			
Cash equivalents	$	304	388
Internally designated:			
Cash equivalents		2,310	2,388
U.S. Treasury obligations		5,226	3,636
Asset-backed securities:			
Other		—	30
Corporate bonds		5,769	499
Equity securities:			
Domestic		17,631	17,763
International		215	799
Mutual funds:			
Domestic		6,277	4,219
International		268,478	251,827
Emerging markets		—	726
Index		—	504
Equity		269,593	230,500
Fixed income		566,782	567,289
Other		1,298	1,160
Alternative funds		154,432	103,015
Hedge funds		128,008	123,075
Private equity funds		91,489	65,984
Fund of funds		96,432	78,348
		1,613,940	1,451,762
Total assets limited as to use		1,614,244	1,452,150
Less amount required to meet current obligations		29,772	24,882
Noncurrent portion of assets limited as to use	$	1,584,472	1,427,268

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:

		2021	2020
Debt service accounts	$	304	388

Internally designated current and non-current assets are summarized below based on the designation at December 31:

		2021	2020
Capital improvements	$	1,564,005	1,405,046
Self-insured reserves		49,935	46,716
	$	1,613,940	1,451,762

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

		2021	2020
Cash equivalents	$	1,913	3,451
U.S. Treasury obligations		79,886	—
U.S. government agency obligations		—	57,206
Asset-backed securities:			
Other		37,457	14,317
Mortgage-backed securities:			
Government		8,768	5,019
Non-government		50,022	6,031
Corporate bonds		253,235	326,601
Municipal bonds		3,312	20,944
Equity securities:			
Domestic		5,824	1,341
Mutual funds:			
Domestic		15,953	14,401
International		201,799	182,347
Emerging markets		—	10,060
Index		15,410	8,921
Equity		212,054	176,368
Fixed income		429,307	467,205
Other		63,316	171
Alternative funds		121,461	77,424
Hedge funds		100,626	92,502

		2021	2020
Private equity funds	$	71,919	49,592
Fund of funds		75,804	58,885
Insurance policies		18,172	18,249
Stock in transit		2,100	—
Interest rate swaps (note 7)		1,046	2,825
Total other long-term investments	$	1,769,384	1,593,860

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:

		2021	2020
Investment return:			
Interest and dividends	$	82,863	37,193
Realized gains on sales of investments		121,204	66,294
Unrealized (losses) gains on trading investments		(25,283)	57,379
Equity in earnings of joint ventures		32,962	28,913
Change in fair value of investments accounted for under the fair value option of FASB ASC Topic 825		152,228	38,899
	$	363,974	228,678
Investment return classification:			
Net assets without donor restrictions:			
Other operating revenue	$	33,561	29,466
Nonoperating gains – investment income		315,696	188,710
Net assets with donor restrictions		14,717	10,502
	$	363,974	228,678

(b) Alternative Investments

At December 31, 2021 and 2020, 23% and 20%, respectively, of the System’s investments were 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.

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

	As of December 31, 2021			
	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Diversified property alternative fund	$ 172,236	—	Quarterly	95 days
Structured credit alternative fund	139,612	—	Quarterly	65 days
Vista fund	46,423	—	Quarterly	95 days
Diversified private equity alternative fund III	50,922	16,775	No specific lock-up provision****	N/A
Diversified private equity alternative fund IV	67,775	25,037	No specific lock-up provision****	N/A
Diversified private equity alternative fund V	9,932	32,804	No specific lock-up provision****	N/A
Hedge fund segregated portfolio	228,634	—	Based on holdings***	N/A
Energy debt alternative fund	89,858	—	Semi-annual, 3 year lock-up*	95 days
Healthcare private equity fund I	6,734	168	10 year lock-up**	N/A
Healthcare private equity fund II	8,912	613	10 year lock-up**	N/A
Healthcare private equity fund III	3,562	5,189	10 year lock-up**	N/A
Health velocity	15,571	1,080	No specific lock-up provision****	N/A
	$ 840,171	81,666		

	As of December 31, 2020			
	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Diversified property alternative fund	$ 137,233	—	Quarterly	95 days
Structured credit alternative fund	112,320	—	Quarterly	65 days
Diversified private equity alternative fund III	50,741	16,775	No specific lock-up provision****	N/A
Diversified private equity alternative fund IV	35,819	45,305	No specific lock-up provision****	N/A
Diversified private equity alternative fund V	1,727	40,364	No specific lock-up provision****	N/A
Hedge fund segregated portfolio	215,577	—	Based on holdings***	N/A
Energy debt alternative fund	68,119	—	Semi-annual, 3 year lock-up*	95 days
Healthcare private equity fund I	10,962	168	10 year lock-up**	N/A
Healthcare private equity fund II	7,519	1,449	10 year lock-up**	N/A
Healthcare private equity fund III	424	9,576	10 year lock-up**	N/A
Health Velocity	8,384	2,450	No specific lock-up provision****	N/A
	$ 648,825	116,087		

* Subject to 3-year lockup based on initial subscriptions in the investment, which was originally 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.

** Subject to 10-year lockup based on initial subscriptions in the investment, which will expire 2021, 2025 and 2030 for Fund I, II, and III, respectively.

*** 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.

**** Private equity funds are nonredeemable so there is no tender or withdrawal process. The limited partners agree to stay in the investment until the fund closes, at which time all remaining assets are distributed back to the limited partners.

As of December 31, 2021, the alternative investment vehicles consist of three alternative funds, one fund of funds, one hedge fund, and seven private equity funds. The investment strategy of the diversified property fund of funds is to invest in income producing real estate properties utilizing a low level of leverage. 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 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 Vista Fund is an alternative vehicle with an objective of capitalizing on dislocations in the market, specifically in interest rates, foreign currency, and the shape of the yield curve. 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 three diversified private equity alternative funds have an objective of investing in a diversified set of private equity funds. The healthcare 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. Health Velocity invests in private healthcare industry companies, similar to the healthcare private equity funds. The value of the investments in the funds is determined based on the fair values of the underlying investments, as determined by the NAV per share.

In situations when investments do not have readily determinable fair values, the fund managers provide the 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 follows ASU 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which provided a practical expedient for certain investments to use the NAV 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, 2021 and 2020, investments in joint ventures amounted to $94,487 and $91,746, 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.

The joint ventures consist of 47 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:

		2021	2020
		(unaudited)	
Total assets	$	294,113	335,045
Total equity		183,435	181,327
Net revenues		472,141	420,733
Net income		83,677	73,899

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:

		2021	2020
Earnings on investments in joint ventures	$	32,962	28,913
New investments in joint ventures		9,175	7,791
Distributions received from joint ventures		39,396	30,631

The System both purchases services and sells services and supplies to several joint ventures. In 2021 and 2020, services purchased from joint ventures totaled $26,043 and $27,352, respectively. Services and supplies sold to joint ventures in 2021 and 2020 were $1,978 and $1,989, respectively. The System has loaned $0 and $4,500 to a joint venture as of December 31, 2021 and 2020, respectively. This loan was interest bearing and carried a rate of interest commensurate with prevailing market rates.

(d) Investments at Cost

Investments reported at cost include direct equity and convertible-debt investments in early stage companies within the healthcare industry. These investments are directed to generate financial and strategic returns in companies with high-growth potential that are addressing areas of targeted innovation within the System. The funds are drawn from the balance sheet and the System has governance approval to deploy a total of $100,000. The expectation is to invest the majority of the allocated capital aggressively over the next three to four years. Financial returns on these investments are anticipated throughout the next 10 to 12 years. These investments are reported based on the initial cost of each investment. As of December 31, 2021 and 2020, the System has contributed $35,528 and $21,999 to these investments, respectively.

(6) Long-Term Debt

Long-term debt at December 31, 2021 and 2020 is summarized as follows:

	Payable through	Issuance type (1)	Interest rate (2)	2021	2020
Hospital facility revenue bonds:					
Series 2020	2050	Fixed	3.67 %	$ 319,635	319,635
Series 2018A	2035	Variable	2.18 %	72,670	76,970
Series 2018B	2048	Fixed	5.00 %	63,175	70,770
Series 2018C	2041	Variable	1.64 %	53,840	54,340
Series 2018D	2041	Variable	1.59 %	53,830	54,335
Series 2018E	2041	Variable	1.31 %	53,920	54,375
Series 2018F	2041	Variable	1.50 %	53,875	54,355
Series 2017A	2027	Fixed	3.15 %	17,917	18,349
Series 2016D	2046	Fixed	4.00%–5.00%	36,360	38,440
Series 2016E	2046	Fixed	4.00%–5.00%	154,750	158,155
Series 2014A (WHEFA)	2029	Fixed	5.00 %	56,360	61,150
Series 2014C	2035	Fixed	4.47%–5.00%	69,145	69,145
Series 2013B	2039	VRDB	1.51%, 1.31%	71,330	72,575
Series 2012A	2024	Fixed	2.16 %	4,650	6,200
Series 2012C	2037	Fixed	2.43 %	16,170	16,495
Series 2011A	2021	Fixed	3.29 %	—	6,660
Series 2011	2031	Fixed	4.40 %	—	314
Series 2005	2031	Fixed	1.45%–4.00%	2,265	2,430
Series 1992A	2022	Fixed	6.00 %	1,055	2,050
Total hospital facility revenue bonds				1,100,947	1,136,743
Finance lease obligations, net book value: 2021 – $9,050; 2020 – $13,039	2026	Fixed	0%–9.05%	14,032	15,471
Other notes and mortgages	Various	Fixed	1.00%– 8.00%	106,679	107,861
				1,221,658	1,260,075
Current maturities				(58,692)	(151,244)
Unamortized bond issuance costs				(6,919)	(7,478)
Unamortized bond premium				30,396	33,435
Long-term portion				$ 1,186,443	1,134,788

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

(2) Variable rates shown as of December 31, 2021 and 2020, respectively, and do not include letter of credit and remarketing fees.

On May 13, 2020, the System issued $319,635 of taxable bonds, Series 2020, which included refinancing the 2013A bonds and new money to finance general corporate purposes.

The Series 2020, 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.

The direct note obligations for the Series 2012A and 2012C bonds have an expiration date in 2022, and thus the related debt is shown as current debt in the System's consolidated financial statements as of December 31, 2021.

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. The letter of credit for the Series 2018D and 2018F bonds expired in 2021, and thus the related debt is shown as current debt in the System's consolidated financial statements as of December 31, 2020. The letter of credit was extended during 2021 until 2024, thus the related debt is shown as long term less any current maturities as of December 31, 2021. The remaining letters of credit have varying expiration dates 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. The System did not have any commercial paper outstanding as of December 31, 2021 and 2020. 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.

On June 4, 2020, the System entered into a term loan agreement with an aggregate principle amount of $100,000 and a maturity date in 2023.

The System maintains three separate revolving line-of-credit facilities that provide for revolving credit in an aggregate principal amount of up to $50,000 each and one facility that provides for revolving credit in an aggregate principal amount of $100,000. 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. One of these credit facilities matures in 2022. 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
2022	$ 58,692	58,692
2023	238,283	134,513
2024	133,697	33,962
2025	97,032	37,102
2026	27,367	37,832
Thereafter	666,587	919,557
	$ 1,221,658	1,221,658

(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.

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 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, 2021 and 2020, $(11,516) and $(12,376), respectively, of net unrealized loss remains in net assets to be amortized, and $880 was amortized into other loss in both 2021 and 2020. 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 is being amortized into interest expense over the remaining life of the swap. As of December 31, 2021 and 2020, $5,487 and $5,907, respectively, remains in unrestricted net assets to be amortized and $420 was amortized into interest expense in 2021 and 2020.

The System has provisions within certain interest rate swap agreements that 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. Post collateral under these agreements was $0 and $990 as of December 31, 2021 and 2020, respectively, which is included in prepaid expense in the consolidated financial statements.

The respective fair values of interest rate swaps in an asset-and-liability position for the System were as follows as of December 31, 2021 and 2020:

Trade date	Maturity date	Notional amount	System pays	System receives	Fair value 2021	Fair value 2020
2006	2030	$ 60,000	100% of SIFMA	68.0% of 10Y LIBOR + 14.3 bps	$ 1,047	2,825
2005	2035	88,230	3.5 %	62.4% of 3m LIBOR + 29 bps	(13,551)	(18,655)
2006	2037	119,700	3.8 %	61.9% of 1m LIBOR + 31 bps	(32,117)	(40,521)
2006	2023	27,700	3.5 %	61.9% of 1m LIBOR + 31 bps	(1,151)	(2,145)
2005	2035	44,115	3.3 %	62.4% of 1m LIBOR + 29 bps	(6,332)	(8,754)
2008	2026	10,325	3.5 %	63.0% of 1m LIBOR + 30 bps	(773)	(1,300)
2008	2024	4,650	3.5 %	63.0% of 1m LIBOR + 30 bps	(235)	(463)
2005	2032	20,800	3.5 %	67.0% of 1m LIBOR	(3,946)	(5,321)
					$ (57,058)	(74,334)

The aggregate fair value of the unhedged swap agreements is recorded as long-term investments of $1,047 and $2,825 and long-term liabilities of $(58,105) and $(77,159) as of December 31, 2021 and 2020, respectively. The change in fair value of $17,276 and $(12,376) is included as a component of other income (loss) for the years ended December 31, 2021 and 2020, 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:

	2021	2020
Other long-term investments:		
Fair value of interest rate swap agreement	$ 1,047	2,825
Other long-term liabilities:		
Fair value of interest rate swap agreements	(58,105)	(77,159)
Net assets without donor restrictions:		
Change in unrestricted net assets amortizing into:		
Other, net	941	941
Nonoperating other, net:		
Gain (losses) recognized in income from changes in fair value of interest rate swaps	17,276	(12,376)
Loss recognized in income from amortization of unrecognized losses in unrestricted net assets	(941)	(941)

(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:

		2021	2020
Financial assets at December 31:			
Cash and cash equivalents	$	450,884	634,781
Short-term investments		202,128	173,825
Assets limited as to use – required for current liabilities		29,772	24,882
Patient accounts receivable, net		563,585	514,616
Assets limited as to use, noncurrent:			
Held by trustee under bond indenture agreements		304	388
Internally designated		1,584,168	1,426,880
Other long-term investments		1,769,384	1,593,860
Contribution receivable and other assets held in trust		131,482	118,623
Total financial assets		4,731,707	4,487,855
Less amounts not available to be used within one year:			
Funds held by trustee under bond indenture agreements		304	388
Assets internally designated for self-insured reserves		49,935	46,716
Assets internally designated for capital improvements		138,028	98,615
Other long-term investments		144,034	74,118
Assets attributable to noncontrolling interest		32,769	32,999
Beneficial interests in foundations		73,513	67,938
Charitable trusts		22,135	17,714
Perpetual trusts		27,019	26,020
Donor-restricted		277,398	243,581
Financial assets not available to be used within one year		765,135	608,089
Financial assets available to meet general expenditures	$	3,966,572	3,879,766

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 is invested in short-term investments and money market funds.

The System maintains a $200,000 commercial paper program, as discussed in more detail in note 6. As of December 31, 2021 and 2020, $200,000 remained available on the System's commercial paper program.

The System maintains four separate revolving line-of-credit facilities that provide for revolving credit in aggregate principal amount of up to $50,000 each and one credit facility that provides for revolving credit in aggregate principal amount of $100,000, as discussed in more detail in note 6. As of December 31, 2021 and 2020, no amounts were drawn on these revolving line of credit facilities. As of December 31, 2021, 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 $73,847 and $80,077 for 2021 and 2020, respectively. The System also has deferred compensation plans for certain employees. Total expenses under the deferred compensation plans were $3,736 and $3,468 for 2021 and 2020, respectively. In relation to the post retirement benefits, the System had liabilities of $6,322 and $6,727 included in accrued payroll and $141,437 and $125,304 in other long-term liabilities as of December 31, 2021 and 2020, 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.

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 UnityPoint Health Central Illinois pension 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 are being accrued by the frozen participants in the plan.

The System expects to contribute $17,829 to the plans in 2021. The System uses a December 31 measurement date for the plans.

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

	As of December 31, 2021			
	Central Illinois	Madison	Cedar Rapids	Waterloo
Change in benefit obligation:				
Benefit obligation, beginning of year	$ 348,385	246,139	154,995	18,482
Service cost	—	—	—	976
Interest cost	8,865	6,021	3,817	495
Actuarial gain	(10,863)	(146)	(3,022)	(1,535)
Benefits paid	(14,346)	(19,651)	(7,460)	(437)
Benefit obligation, end of year	332,041	232,363	148,330	17,981
Change in fair value of plan assets:				
Fair value of plan assets, beginning of year	250,990	257,130	156,254	15,451
Actual return on plan assets	26,627	13,768	1,902	1,306
Employer contributions	4,420	8,000	5,004	405
Benefits paid	(14,346)	(19,651)	(7,460)	(437)
Fair value of plan assets, end of year	267,691	259,247	155,700	16,725
Funded status, end of year	(64,350)	26,884	7,370	(1,256)
Accumulated benefit obligation	$ 332,041	232,363	148,330	17,981

	As of December 31, 2021			
	Central Illinois	Madison	Cedar Rapids	Waterloo
Assets and liabilities recognized in the consolidated balance sheets:				
Noncurrent assets	$ —	26,884	7,370	—
Noncurrent liabilities	(64,350)	—	—	(1,256)
	$ (64,350)	26,884	7,370	(1,256)
Amounts recognized in unrestricted net assets but not yet recognized as components of net periodic benefit cost:				
Net loss	$ 65,318	4,951	51,265	2,099
Net prior service credit	—	839	—	3
	$ 65,318	5,790	51,265	2,102
Amounts expected to be recognized within one year:				
Net loss	$ 1,222	—	6,240	35
Net prior service credit	—	190,213	—	3
	$ 1,222	190,213	6,240	38
Other changes in plan assets recognized in changes in net assets:				
Net (gain) loss	$ (19,352)	1,106	6,058	(1,584)
Amortization of:				
Net loss	(1,918)	—	(5,744)	(242)
Prior service credit	—	(190)	—	(9)
Total recognized in changes in net assets	$ (21,270)	916	314	(1,835)

	As of December 31, 2021			
	Central Illinois	Madison	Cedar Rapids	Waterloo
Weighted average assumptions used to determine benefit obligations for the year ended December 31, 2021:				
Discount rate	2.89 %	2.83 %	2.86 %	2.93 %
Rate of compensation increase	N/A	N/A	N/A	N/A
Weighted average assumptions used to determine benefit costs for the year ended December 31, 2021:				
Discount rate	2.60 %	2.52 %	2.53 %	2.72 %
Expected return on plan assets	8.20 %	6.50 %	7.10 %	8.20 %
Rate of compensation increase	N/A	N/A	N/A	N/A
Components of net periodic benefit cost:				
Service cost	$ —	—	—	976
Interest cost	8,865	6,021	3,817	495
Expected return on plan assets	(18,138)	(15,350)	(10,982)	(1,256)
Amortization of prior service credit	—	190	—	9
Amortization of net loss	1,918	—	5,744	242
Net periodic benefit cost (benefit)	$ (7,355)	(9,139)	(1,421)	466

The total post employment pension asset and liability recognized in the consolidated balance sheet as of December 31, 2021 is $34,254 and $65,606, respectively, which results in net liability of $31,352. The total amortization of prior service credit in the unrestricted net assets but not yet recognized as components of net periodic benefit cost for the year ended December 31, 2021 is $199. The total amortization of net loss in plan assets recognized in changes of net assets for the year ended December 31, 2021 is $7,904. The total expected return on plan assets in net periodic benefits costs for the year ended December 31, 2021 is $(45,726). The total interest cost in net periodic benefit costs for the year ended December 31, 2021 is $19,198. The service cost component of $976 is presented with other employee compensation costs in employee benefits within operating income in the consolidated statement of operations and changes in net assets for the year ended December 31, 2021. All other components of net benefit costs, which total $(18,425), are reported separately in nonoperating as other, net for the year ended December 31, 2021 in the accompanying consolidated financial statements.

		As of December 31, 2020			
		Central Illinois	Madison	Cedar Rapids	Waterloo
Change in benefit obligation:					
Benefit obligation, beginning of year	$	311,199	243,139	138,175	15,005
Service cost		—	—	—	729
Interest cost		11,174	8,279	4,941	547
Actuarial loss		41,698	10,797	19,004	2,580
Benefits paid		(12,924)	(16,076)	(7,125)	(379)
Effect of settlement		—	—	—	—
Effect of plan restatement		(2,762)	—	—	—
Benefit obligation, end of year		348,385	246,139	154,995	18,482
Change in fair value of plan assets:					
Fair value of plan assets, beginning of year		230,470	222,802	143,066	13,489
Actual return on plan assets		28,829	42,404	15,309	2,041
Employer contributions		4,615	8,000	5,004	300
Benefits paid		(12,924)	(16,076)	(7,125)	(379)
Fair value of plan assets, end of year		250,990	257,130	156,254	15,451
Funded status, end of year		(97,395)	10,991	1,259	(3,031)
Accumulated benefit obligation	$	348,385	246,139	154,995	18,482

	As of December 31, 2020			
	Central Illinois	**Madison**	**Cedar Rapids**	**Waterloo**
Assets and liabilities recognized in the consolidated balance sheets:				
Noncurrent assets	$ —	—	1,259	—
Noncurrent liabilities	(97,395)	10,991	—	(3,031)
	$ (97,395)	10,991	1,259	(3,031)
Amounts recognized in unrestricted net assets but not yet recognized as components of net periodic benefit cost:				
Net loss	$ 86,588	3,845	50,952	3,925
Net prior service credit	—	1,029	—	12
	$ 86,588	4,874	50,952	3,937
Amounts expected to be recognized within one year:				
Net loss	$ 1,918	—	5,744	242
Net prior service credit	—	190	—	9
	$ 1,918	190	5,744	251
Other changes in plan assets recognized in changes in net assets:				
Net (gain) loss	$ 28,216	(20,130)	13,753	1,642
Amortization of:				
Net loss	(1,009)	—	(3,880)	(100)
Prior service credit	—	(190)	—	(9)
Total recognized in changes in net assets	$ 27,207	(20,320)	9,873	1,533

	As of December 31, 2020			
	Central Illinois	**Madison**	**Cedar Rapids**	**Waterloo**
Weighted average assumptions used to determine benefit obligations for the year ended December 31, 2020:				
Discount rate	2.60 %	2.52 %	2.53 %	2.72 %
Rate of compensation increase	N/A	N/A	N/A	N/A
Weighted average assumptions used to determine benefit costs for the year ended December 31, 2020:				
Discount rate	3.71 %	3.53 %	3.68 %	3.68 %
Expected return on plan assets	8.20	6.52	7.10	8.20
Rate of compensation increase	N/A	N/A	N/A	N/A
Components of net periodic benefit cost:				
Service cost	$ —	—	—	729
Interest cost	11,174	8,279	4,941	547
Expected return on plan assets	(15,347)	(11,660)	(10,058)	(1,099)
Amortization of prior service credit	—	190	—	9
Amortization of net loss	1,009	—	3,880	100
Net periodic benefit cost (benefit)	$ (3,164)	(3,191)	(1,237)	286

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 earning while still permitting the plans to recognize potential higher returns through investment in equity securities and limited exposure to alternative investments.

Please see note 5 relating to the strategy of alternative investment funds. There are no unfunded commitment related to these bank-administered trust funds.

Target asset allocation percentages for 2021 and 2020 were as follows:

	2021			
	Central Illinois	Madison	Cedar Rapids	Waterloo
Equity securities	42 %	25 %	10 %	38 %
Fixed income	43	65	90	48
Alternative investments	15	10	—	14

	2020			
	Pekin Peoria	Madison	Cedar Rapids	Waterloo
Equity securities	56 %	45 %	22 %	38 %
Fixed income	29	40	78	48
Alternative investments	15	15	—	14

Plan assets are re-balanced quarterly. At December 31, 2021 and 2020, plan asset allocations are as follows:

	2021				2020			
	Central Illinois	Madison	Cedar Rapids	Waterloo	Central Illinois	Madison	Cedar Rapids	Waterloo
Cash equivalents	— %	2 %	— %	— %	— %	2 %	— %	— %
U.S. Treasury obligations	5	—	16	8	3	—	12	9
Equity securities:								
Domestic	—	5	—	—	—	8	—	—
Mutual funds:								
Domestic	23	—	—	29	33	—	8	27
International	17	—	10	13	24	—	14	13
Equity	—	5	—	—	—	21	—	—
Fixed income	39	2	74	37	25	8	66	40
Other	—	2	—	—	—	5	—	—
Alternative investments	6	15	—	6	5	17	—	5
Hedge funds	5	69	—	—	5	39	—	—
Fund of funds	5	—	—	7	5	—	—	6
	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %

(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 years ended December 31, 2021 or 2020.

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 the NAV (or its equivalent) as a practical expedient.

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, 2021 and 2020:

		Fair value measurements using		
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
2021:				
Cash equivalents	$ 5,311	5,311	—	—
U.S. Treasury obligations	40,710	—	40,710	—
Equity securities:				
Domestic	12,593	12,593	—	—
International	919	919	—	—
Mutual funds:				
Domestic	67,122	67,122	—	—
International	64,784	64,784	—	—
Equity	12,909	12,909	—	—
Fixed income	228,566	228,566	—	—
Other	6,340	6,340	—	—
Alternative funds*	53,791	—	—	—
Hedge funds*	190,809	—	—	—
Fund of funds*	14,988	—	—	—
Accrued income	521	—	—	—
	$ 699,363	398,544	40,710	—

		Fair value measurements using		
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
2020:				
Cash equivalents	$ 4,897	4,897	—	—
U.S. Treasury obligations	27,883	—	27,883	—
Equity securities:				
Domestic	21,019	21,019	—	—
International	1,261	1,261	—	—
Mutual funds:				
Domestic	101,640	101,640	—	—
International	84,102	84,102	—	—
Equity	55,219	55,219	—	—
Fixed income	192,587	192,587	—	—
Other	12,053	12,053	—	—
Alternative funds*	56,907	—	—	—
Hedge funds*	109,114	—	—	—
Fund of funds*	12,720	—	—	—
Accrued income	423	—	—	—
	$ 679,825	472,778	27,883	—

* Certain investments that are measured at fair value using the NAV 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. There are no unfunded commitments for these funds and see Note 5 for strategy of each type of fund.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31, 2021:

2022	$ 40,517
2023	40,653
2024	40,896
2025	41,452
2026	40,949
2027–2031	201,509

(10) Risk Management

The System's hospitals are primarily self-insured for professional and general liability for amounts of $5,000 per claim 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 are also maintained by the System.

The System has accrued as other liabilities $187,386 and $161,366 for self-insured losses at December 31, 2021 and 2020, 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, 2021 and 2020, cash and investments designated for this purpose amounted to $49,935 and $46,716, respectively.

(11) Lease Commitments

Certain equipment and property are being leased, with remaining terms ranging from less than one year to 30 years. Certain leases contain renewal options. The renewal options are included in the lease term only for those situations in which they are reasonably certain to be renewed. The components of lease expense for the years ended December 31, 2021 and 2020 were as follows:

		2021	2020
Lease cost:			
Finance lease cost:			
Amortization of right-of-use assets	$	2,338	470
Interest on lease liabilities		1,002	1,153
Operating lease cost		38,109	43,069
Short-term lease cost		31,488	27,058
Sublease income		(948)	(851)
Total lease cost, net of income	$	71,989	70,899
Other information:			
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	$	38,109	43,069
Operating cash flows from finance leases		763	855
Finance cash flows from finance leases		4,357	3,842
Right-of-use assets obtained in exchange for new operating lease liabilities		9,896	9,838
Weighted average remaining lease term – finance leases		3.5 years	4.3 years
Weighted average remaining lease term – operating leases		7.9 years	8.5 years
Weighted average discount rate – finance leases		4.8 %	2.9 %
Weighted average discount rate – operating leases		3.9	3.8

Aggregate annual payments of lease obligations during the years ending December 31 are as follows:

		Operating leases	Finance leases
2022	$	39,352	5,239
2023		35,082	4,177
2024		31,006	2,899
2025		26,471	1,861
2026		22,564	1,064
Thereafter		71,863	—
Total		226,338	15,240
Less present value discount		(42,799)	(1,237)
Total lease liability	$	183,539	14,003

(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, 2021 or 2020.

(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.

(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, 2021 and 2020:

	2021			
		Fair value measurements using		
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments:				
Cash equivalents	$ 4,527	4,527	—	—
U.S. Treasury obligations	104,598	—	104,598	—
U.S. government agency obligations	13,910	—	13,910	—
Municipal bonds	14,149	—	14,149	—
Asset-backed securities:				
Other	80,983	—	80,983	—
Mortgage-backed securities:				
Government	9,576	—	9,576	—
Non-government	56,404	—	56,404	—
Corporate bonds	359,433	—	359,433	—
Equity securities:				
Domestic	23,455	23,455	—	—
International	215	215	—	—
Mutual funds:				
Domestic	22,230	22,230	—	—
International	470,395	470,395	—	—
Index	16,473	16,473	—	—
Equity	482,597	482,597	—	—
Fixed income	996,375	996,375	—	—
Other	68,947	68,947	—	—
Alternative investments*	275,893	—	—	—
Hedge funds*	228,634	—	—	—
Private equity funds*	163,408	—	—	—
Fund of funds*	172,236	—	—	—

	2021			
	Fair value measurements using			
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Interest rate swap agreements	$ 1,046	—	1,046	—
Other items at cost**	20,272	—	20,272	—
Total short-term investments, assets limited as to use and other long-term investments	$ 3,585,756	2,085,214	660,371	—
Beneficial interests in perpetual trusts included in contributions receivable	$ 27,019	—	17,564	9,455
Beneficial interests in charitable trusts included in contributions receivable	22,135	—	22,135	—
Interest rate swap agreements included in other long-term liabilities	(58,104)	—	(58,104)	—

	2020			
	Fair value measurements using			
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments:				
Cash equivalents	$ 6,227	6,227	—	—
U.S. Treasury obligations	74,586	—	74,586	—
U.S. government agency obligations	57,651	—	57,651	—
Municipal bonds	23,061	—	23,061	—
Asset-backed securities:				
Other	43,887	—	43,887	—

(Continued)

	2020			
	Fair value measurements using			
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Mortgage-backed securities:				
Government	$ 6,158	—	6,158	—
Non-government	6,964	—	6,964	—
Certificates of deposit	1,050	1,050	—	
Corporate bonds	387,600	—	387,600	—
Equity securities:				
Domestic	19,104	19,104	—	—
International	799	799	—	—
Mutual funds:				
Domestic	18,620	18,620	—	—
International	434,336	434,336	—	—
Emerging markets	10,786	10,786	—	—
Index	10,359	10,359	—	—
Equity	407,693	407,693	—	—
Fixed income	1,034,947	1,034,947	—	—
Other	6,108	6,108	—	—
Alternative investments*	180,439	—	—	—
Hedge funds*	215,577	—	—	—
Private equity funds*	115,576	—	—	—
Fund of funds*	137,233	—	—	—
Interest rate swap agreements	2,825	—	2,825	—
Other items at cost**	18,249	—	18,249	—
Total short-term investments, assets limited as to use and other long-term investments	$ 3,219,835	1,950,029	620,981	—
Beneficial interests in perpetual trusts included in contributions receivable	$ 26,020	—	17,043	8,977
Interest rate swap agreements included in other long-term liabilities	17,714	—	17,714	—
Interest rate swap agreements included in other long-term liabilities	(77,159)	—	(77,159)	—

* Certain investments that are measured at fair value using the NAV 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
Balance, December 31, 2019	$	7,358
Change in beneficial interest in perpetual trusts		1,619
Balance, December 31, 2020		8,977
Change in beneficial interest in perpetual trusts		478
Balance, December 31, 2021	$	9,455

(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.

(h) Unobservable (Level 3) Inputs

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

	2021			
		Fair value	Valuation technique	Adjusted to NAV
Recurring:				
Beneficial interests in perpetual trusts	$	9,455	Present value of future distributions expected to be received over term of agreement	N/A
Nonrecurring:				
Goodwill	$	36,177	Discounted cash flow	N/A

	2020			
		Fair value	Valuation technique	Adjusted to NAV
Recurring:				
Beneficial interests in perpetual trusts	$	8,977	Present value of future distributions expected to be received over term of agreement	N/A
Nonrecurring:				
Goodwill	$	36,177	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:

		2021	2020
Purchase of equipment	$	26,079	24,159
Indigent care/operations		101,096	85,493
Health education		11,080	13,006
For use in future periods		44,041	32,996
Investments to be held in perpetuity		95,102	87,927
Total with donor restrictions	$	277,398	243,581

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. Included in investments to be held in perpetuity is $50,615 of donor endowed corpus, with the remainder of $44,487 is primarily consisting of accumulated earnings on donor endowed corpus and perpetual trusts.

Net assets released from restrictions were $23,373 and $20,015 in 2021 and 2020, 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.

(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 2021 and 2020 totaled $56,618 and $56,401, 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 contribution receivables for amounts held by nonconsolidated foundations on behalf of the System of $73,875 and $67,938 as of December 31, 2021 and 2020, respectively. Contributions received from nonconsolidated foundations and other related parties were $1,541 and $1,537 in 2021 and 2020, respectively.

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

(15) Commitments and Contingencies

The healthcare 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 healthcare 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 $33,977 and $33,477, which is outstanding at December 31, 2021 and 2020, 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 2021 and 2020, the System made no payments on these guarantees.

(16) Endowment

The System's endowment consists of individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by U.S. GAAP, net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The System's governing body has interpreted the State of Iowa Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the System classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations and deductions to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the System in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the System considers several factors in making a determination to appropriate or accumulate donor-restricted endowment funds including, duration and preservation of the fund, purposes of the fund, general economic conditions, possible effect of inflation and deflation, expected total return from investment income and appreciation or depreciation of investments, other resources of the System, and investment policies of the System.

The composition of net assets by type of endowment fund at December 31, 2021 and 2020 was:

		Without donor restriction	With donor restriction	Total
December 31, 2021:				
Donor-restricted endowment funds	$	—	78,960	78,960
Board-designed endowment funds		159,808	—	159,808
Total endowment funds	$	159,808	78,960	238,768
December 31, 2020:				
Donor-restricted endowment funds	$	—	65,370	65,370
Board-designed endowment funds		143,719	—	143,719
Total endowment funds	$	143,719	65,370	209,089

Changes in endowment net assets for the years ended December 31, 2021 and 2020 were:

		Without donor restriction	With donor restriction	Total
Endowment net assets, December 31, 2019	$	133,576	57,098	190,674
Investment return:				
Investment income		1,205	819	2,024
Net appreciation		11,968	5,485	17,453
Total investment return		13,173	6,304	19,477
Contributions		—	3,118	3,118
Appropriation of endowment assets for expenditure		(3,030)	(1,150)	(4,180)
Endowment net assets. December 31, 2020		143,719	65,370	209,089
Investment return:				
Investment income		2,405	1,449	3,854
Net appreciation		15,767	7,545	23,312
Total investment return		18,172	8,994	27,166

		Without donor restriction	With donor restriction	Total
Contributions	$	—	6,244	6,244
Appropriation of endowment assets for expenditure		(2,083)	(1,648)	(3,731)
Endowment net assets. December 31, 2021	$	159,808	78,960	238,768

As of December 31, 2021 and 2020, the corpus of the aforementioned donor-restricted endowment funds was $50,615 and $44,860, respectively. In addition, the net amount of earnings in excess of expenditures as of December 31, 2021 and 2020 was $28,345 and $20,510, respectively.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the System is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with U.S. GAAP, deficiencies of this nature are reported in without donor restriction net assets and amount to $0 at December 31, 2021 and 2020.

The System has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the System must hold in perpetuity as well as those of board-designated funds. Under the System’s policies, endowment assets are invested in a manner that is intended to produce results that exceed applicable benchmarks while assuming a prudent level of investment risk. The System expects its endowment funds to provide an average net rate of return of approximately 8% annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the System relies on a total return strategy in which investment returns are achieved through net investment income, including dividends, interest, and recognized appreciation, as well as unrealized capital appreciation. The System 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.

In general, the System has a policy (the spending policy) of appropriating for expenditure each year 4%–5% of its endowment fund’s average fair value over the prior 12 quarters through the year-end proceeding the year in which expenditure is planned. In establishing this policy, the System considered the long-term expected return on its endowment. A management fee of 1%–1.5% is also typically charged to the endowment funds annually to cover administrative costs of managing the endowment and the fundraising operations. Accordingly, over the long term, the System expects the current spending policy to allow its endowment to grow at an average of 2%–2.5% annually. This is consistent with the System’s objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

(17) Coronavirus 2019

On March 11, 2020, the World Health Organization designated Coronavirus 2019 (COVID-19) as a global pandemic. Patient activity and related revenues for most services were significantly impacted starting in mid-March as various policies were implemented by federal, state, and local governments in response to the COVID-19 pandemic that caused many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective surgical procedures. Effects of the pandemic continued to be felt throughout 2021.

As of December 31, 2021 and 2020, the System received $167 and $85,002 in Provider Relief Fund General Distributions, $61 and $103,302 in Provider Relief Fund Targeted Distributions, $4,757 and $7,780 in State of Iowa and Wisconsin Hospital Funding, $2,020 and $44 in Higher Education Emergency Relief Funds, $0 and $1,402 in State of Iowa Mental Health Funding, and $1,880 and $0 for Rural Health Clinic testing and mitigation under the CARES Act. These funds are not subject to repayment, provided the System is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for healthcare-related expenses or lost revenue attributable to COVID-19. Such payments are accounted for as government grants and are recognized on a systematic and rational basis as income once there is reasonable assurance that the applicable terms and conditions required to retain the funds will be met and the funds are received.

Recoupment of the payments received under the Medicare Advanced Payment Program began in April 2021. The system received a total of $0 and $372,099 in payments in 2021 and 2020, respectively, and repaid a total of $149,964 and $0 in 2021 and 2020, respectively. As of December 31, 2021 and 2020, $220,123 and $153,659 of APP payments are included in other current liabilities, and $0 and $218,440 in other long-term liabilities in the consolidated financial statements, respectively. The entirety of this balance will be recouped over the first nine months of 2022.

As of December 31, 2021, the System continues to carry $37,530 in accrued payroll related to the deferral of employment tax deposits and payments as allowed by the Internal Revenue Service as part of the CARES Act. The System had $75,060 in deferred employment tax deposits and payments on December 31, 2020. The program allows the System to defer deposits of the employer's share of social security tax due and payments of the tax imposed on wages paid during the period from March 27, 2020 to December 31, 2020. These funds will be remitted by December 31, 2022.

The extent of the COVID-19 pandemic's adverse impact on operating results and financial condition of the System has been and will continue to be driven by many factors, most of which are beyond the System's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, continued declines in patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, changes in professional and general liability exposure, and volatility of global financial markets. Because of these and other uncertainties, the System cannot estimate the length or severity of the impact of the COVID-19 pandemic on the business and the results of operations.

(Continued)

(18) Financial Responsibility Standards

The System participates in federal Title IV student financial assistance programs, which require it to meet standards of financial responsibility based on criteria determined by the U.S. Department of Education (ED), as set forth in 34 CFR 688. The criteria for private institutions include the annual calculation by ED of a financial responsibility composite score, as further outlined in 34 CFR 688, using audited financial statements submitted through ED's eZ-Audit system. The composite score has been and will continue to be based on three ratios: Primary reserve, equity, and net income. These ratios utilize various financial data, some of which are made up of a summation of multiple items presented in the consolidated financial statements and footnotes, as of December 31, 2021. The instances where the input amount consists of a total of more than one individually presented financial amount are detailed in the table below, input amount consists of a total of more than one individually presented financial amount are detailed in the table below.

Required input per standards	Ratio(s) used	Input amount	Amount not used as input on supplementary schedule	Reference
Net Assets with donor restrictions:	Primary reserve, equity			
Net assets restricted in perpetuity:		$ 95,102		
Donor endowed corpus			50,615	Note 13, Net Assets with Donor Restrictions
Accumulated earnings on donor endowed corpus and perpetual trusts			44,487	Note 13, Net Assets with Donor Restrictions
Net assets with donor restrictions:		182,296		
Purchase of equipment			26,079	Note 13, Net Assets with Donor Restrictions
Indigent care/operations			101,096	Note 13, Net Assets with Donor Restrictions
Health education			11,080	Note 13, Net Assets with Donor Restrictions
For use in future periods			44,041	Note 13, Net Assets with Donor Restrictions
Property, plant and equipment, net (includes Construction in progress and Capital leases):	Primary reserve	1,834,850		
Property, plant and equipment – post-implementation without outstanding debt for original purchase			1,742,560	Note 1(i), Property, Plant and Equipment
Construction in process			92,290	Note 1(i), Property, Plant and Equipment
Intangible assets:	Primary reserve, equity	38,569		
Goodwill			36,177	Note 1(l), Other Assets
Other intangible assets			2,392	Note 1(l), Other Assets
Post-employment and pension liabilities:	Primary reserve	179,111		
Post-employment accrued payroll			6,322	Note 9(a), Defined-Contribution Retirement Plans
Post-employment other long-term liabilities			141,437	Note 9(a), Defined-Contribution Retirement Plans
Post-employment pension liabilities			31,352	Note 9(b), Defined-Benefit Plans
Total expenses without donor restrictions:	Primary reserve	4,830,334		
Total expenses			4,830,334	Consolidated Statement of Operations and Changes in Net Assets
Loss on bond refinancing transactions			—	Consolidated Statement of Operations and Changes in Net Assets
Other components of net periodic pension costs:	Primary reserve	(18,658)		
Interest cost			19,198	Note 9(b), Defined-Benefit Plans
Expected return on plan assets			(45,726)	Note 9(b), Defined-Benefit Plans
Amortization of prior service credit			199	Note 9(b), Defined-Benefit Plans
Amortization of net loss			7,904	Note 9(b), Defined-Benefit Plans

(Continued)

(19) Subsequent Events

Subsequent events have been evaluated through April 13, 2022, which is the date the consolidated financial statements were issued.

On December 13, 2021 the UnityPoint Health – Central Illinois region announced it had signed a non-binding letter of intent with Urbana, Illinois-based Carle Health to explore the integration of Methodist, Proctor and Pekin hospitals and clinics, Methodist College and other healthcare services into the Carle Health organization. In addition, UnityPoint Health (as a whole) and Carle Health signed a separate non-binding letter of intent to evaluate system-to-system opportunities for collaboration and efficiency. If all approvals are obtained, a closing date is anticipated in mid-to-late 2022.

Schedule 1

IOWA HEALTH SYSTEM AND SUBSIDIARIES

(d/b/a UnityPoint Health)

Consolidating Balance Sheet Information

December 31, 2021

(In thousands)

Assets	UPHDM	MHSC	TRHS	MHS	SLHC	AHS	SLHS	THS	TRI-ST	KEO	UPC	UPAH	UPH	Eliminations	Consolidated
Current assets:															
Cash and cash equivalents	$ 64,381	26,599	19,349	33,787	37,381	39,110	14,736	16,399	7,343	—	—	14,476	177,323	—	450,884
Short-term investments	28,160	6,328	7,225	13,706	11,579	13,413	4,257	7,733	2,972	—	—	6,690	100,065	—	202,128
Assets limited as to use – required for current liabilities	10,691	—	6,993	—	3,775	3,483	3,396	1,434	—	—	—	—	—	—	29,772
Patient accounts receivable	134,040	78,268	64,656	35,324	66,350	50,412	29,884	16,339	18,317	—	42,196	27,794	5	—	563,585
Other receivables	26,272	30,183	4,594	32,476	6,809	4,314	1,604	3,409	1,917	—	1,255	303	75,319	—	188,455
Inventories	20,592	15,009	11,510	5,949	10,183	9,096	4,885	4,251	2,676	—	5,341	9,410	8,249	—	107,151
Prepaid expenses	4,277	2,822	2,244	593	2,740	1,476	758	315	339	—	2,932	421	41,651	—	60,568
Due from affiliates	15,079	27,014	13,697	4	9,634	7,460	2,962	3,906	2,165	—	19,446	2,124	119,399	(222,890)	—
Total current assets	303,492	186,223	130,268	121,839	148,451	128,764	62,482	53,786	35,729	—	71,170	61,218	522,011	(222,890)	1,602,543
Assets limited as to use, noncurrent:															
Held by trustee under bond indenture agreements	—	—	—	—	—	—	—	—	—	—	—	—	304	—	304
Internally designated for capital improvements	911,507	10,062	234,870	—	167,851	—	61,000	61,442	117,273	—	—	—	—	—	1,564,005
Internally designated for insurance reserve	3,944	6,637	6,426	—	1,870	671	633	(18)	—	—	—	—	—	—	20,163
Total assets limited as to use, noncurrent	915,451	16,699	241,296	—	169,721	671	61,633	61,424	117,273	—	—	—	304	—	1,584,472
Property, plant and equipment, net	331,169	324,059	196,438	285,571	182,654	176,675	71,830	71,289	78,117	—	41,283	5,768	69,997	—	1,834,850
Operating lease right-of-use assets	17,710	6,774	12,489	8,379	13,865	11,160	—	937	5,048	—	80,197	6,034	14,923	—	177,516
Other long-term investments	159,563	298,519	38,899	548,276	138,774	220,156	11,299	59,538	7,985	—	60,306	28,371	197,698	—	1,769,384
Investments in joint ventures and other investments	70,431	20,457	14,092	33,109	19,087	7,391	26,777	8,813	1,682	—	214	2,401	43,601	(111,279)	136,776
Contributions receivable and other assets held in trust	12,021	36,321	557	22	52,903	4,659	5,379	4,384	13,797	—	39	1,400	—	—	131,482
Other	815	18,001	37,061	(674)	760	1,004	542	245	197	—	4,421	66	18,286	—	80,724
Due from affiliates	(1)	—	—	—	—	—	—	—	—	—	19,841	—	656,396	(676,236)	—
Total assets	$ 1,810,651	907,053	671,100	996,522	726,215	550,480	239,942	260,416	259,828	—	277,471	105,258	1,523,216	(1,010,405)	7,317,747
Liabilities and Net Assets															
Current liabilities:															
Current maturities of long-term debt	$ 377	246	722	18	20	3,168	74	—	15	—	947	—	53,105	—	58,692
Current portion of operating lease liabilities	2,403	2,079	2,193	1,685	3,313	1,294	—	106	782	—	12,761	1,003	3,728	—	31,347
Accounts payable	39,423	26,468	27,638	30,882	17,665	25,876	12,162	5,088	5,710	—	8,790	7,789	45,790	—	253,281
Accrued payroll	35,030	20,600	15,866	25,668	20,552	13,511	7,631	5,906	5,987	—	23,162	8,140	138,885	—	320,938
Accrued interest	—	—	—	—	—	2	—	—	—	—	—	—	11,484	—	11,486
Estimated settlements due to third-party payors	9,866	39,407	18,460	5,736	5,095	5,681	2,693	1,184	549	—	26	(164)	26,069	—	114,602
Medical claims payable	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Due to affiliates	24,664	28,857	16,794	9,857	11,404	11,438	9,829	4,868	3,728	—	17,271	4,637	93,840	(237,187)	—
Other current liabilities	63,231	59,273	40,289	26,573	34,742	25,176	16,992	13,235	8,511	—	20,859	7,539	3,750	(127)	320,043
Total current liabilities	174,994	176,930	121,962	100,419	92,791	86,146	49,381	30,387	25,282	—	83,816	28,944	376,651	(237,314)	1,110,389
Long-term debt, net	1,396	1,397	3,397	—	372	699	37	—	(7)	—	4,275	—	1,174,877	—	1,186,443
Long-term operating lease liabilities	15,445	5,046	10,597	6,694	10,611	10,022	—	831	4,326	—	70,414	5,206	12,999	—	152,191
Other long-term liabilities	45,106	112,351	26,492	(20,513)	5,174	24,070	14,698	20,498	2,189	—	86,975	2,064	69,428	—	388,532
Due to affiliates	67,511	130,625	111,151	155,325	58,975	101,659	17,155	6,300	13,086	—	—	—	—	(661,787)	—
Total liabilities	304,452	426,349	273,599	241,925	167,923	222,596	81,271	58,016	44,876	—	245,480	36,214	1,633,955	(899,101)	2,837,555
Net assets (deficit):															
Without donor restrictions:															
Attributable to UnityPoint Health	1,434,295	414,155	357,481	745,012	500,796	301,008	147,152	191,343	201,141	—	31,772	65,793	(110,787)	(109,136)	4,170,025
Attributable to noncontrolling interest	—	—	26,635	—	(226)	1,736	4,624	—	—	—	—	—	—	—	32,769
Total without donor restrictions	1,434,295	414,155	384,116	745,012	500,570	302,744	151,776	191,343	201,141	—	31,772	65,793	(110,787)	(109,136)	4,202,794
With donor restrictions:															
Attributable to UnityPoint Health	71,904	66,549	13,385	9,585	57,051	25,140	6,895	11,057	13,811	—	219	3,251	48	(2,168)	276,727
Attributable to noncontrolling interest	—	—	—	—	671	—	—	—	—	—	—	—	—	—	671
Total with donor restrictions	71,904	66,549	13,385	9,585	57,722	25,140	6,895	11,057	13,811	—	219	3,251	48	(2,168)	277,398
Total net assets (deficit)	1,506,199	480,704	397,501	754,597	558,292	327,884	158,671	202,400	214,952	—	31,991	69,044	(110,739)	(111,304)	4,480,192
Total liabilities and net assets	$ 1,810,651	907,053	671,100	996,522	726,215	550,480	239,942	260,416	259,828	—	277,471	105,258	1,523,216	(1,010,405)	7,317,747

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. (Sioux City)
- THS – Trinity Health Systems, Inc. and Subsidiaries (Fort Dodge)
- TRI-ST – Finley Tri-States Health Group, Inc. and Subsidiaries (Dubuque)
- KEO – Keokuk Area Hospital, Inc. and Subsidiaries (Keokuk)
- UPC – UnityPoint Clinic
- UPAH – UnityPoint at Home
- UPH Corp – UnityPoint Health and other Subsidiaries

See accompanying independent auditors' report.

Schedule 1

IOWA HEALTH SYSTEM AND SUBSIDIARIES
(d/b/a UnityPoint Health)

Consolidating Statement of Operations Information

December 31, 2021

(In thousands)

	UPHDM	MHSC	TRHS	MHS	SLHC	AHS	SLHS	THS	TRI-ST	KEO	UPC	UPAH	UPH Corp	Eliminations	Consolidated
Operating revenues:															
Patient service revenue	$ 1,179,665	655,478	594,932	458,841	548,442	435,264	227,777	177,356	121,528	1,658	400,670	231,726	1,648	(632,392)	4,402,593
Other operating revenue	104,945	81,721	37,182	71,442	37,297	42,818	31,467	18,422	8,714	60	44,647	5,668	460,090	(502,268)	442,205
Net assets released from restrictions used for operations	7,753	1,509	868	211	893	1,614	—	305	505	—	114	719	2	(801)	13,692
Total operating revenue	1,292,363	738,708	632,982	530,494	586,632	479,696	259,244	196,083	130,747	1,718	445,431	238,113	461,740	(1,135,461)	4,858,490
Operating expenses:															
Salaries and wages	424,358	218,338	207,019	193,346	202,083	145,023	85,281	58,744	51,299	1,241	126,580	84,460	182,034	(171,945)	1,807,861
Physician compensation and services	222,600	124,622	96,526	40,006	81,664	79,527	35,643	36,701	11,227	361	270,101	248	1,474	(271,232)	729,468
Employee benefits	99,364	50,199	46,215	53,676	50,866	36,268	19,832	14,298	12,097	311	36,161	20,699	44,915	(48,774)	436,127
Supplies	255,451	118,112	120,084	97,882	99,677	103,974	47,964	30,639	21,018	327	37,447	97,553	826	(135,454)	895,500
Other expenses	250,810	183,178	146,262	94,887	129,637	94,559	66,112	43,590	31,206	538	126,417	31,689	155,751	(614,686)	739,950
Depreciation and amortization	32,458	24,597	18,393	22,914	17,379	16,661	6,149	5,580	5,558	127	5,416	930	36,976	(6,132)	187,006
Interest	6,384	6,123	7,581	7,858	4,157	5,026	1,634	828	1,085	145	289	(1)	34,061	(40,654)	34,516
Provision for uncollectible accounts	(273)	108	(36)	—	64	53	30	(2)	(25)	(6)	(18)	1	10	—	(94)
Total operating expenses	1,291,152	725,277	642,044	510,569	585,527	481,091	262,645	190,378	133,465	3,044	602,393	235,579	456,047	(1,288,877)	4,830,334
Operating income (loss)	1,211	13,431	(9,062)	19,925	1,105	(1,395)	(3,401)	5,705	(2,718)	(1,326)	(156,962)	2,534	5,693	153,416	28,156
Nonoperating gains (losses):															
Investment income	110,024	32,337	28,754	59,109	32,897	20,144	6,965	10,103	13,776	—	1,106	1,421	(940)	—	315,696
Contribution received in affiliations	—	—	—	—	—	—	—	—	—	—	—	—	(5,765)	—	(5,765)
Other, net	(9)	6,194	—	9,673	1,421	516	—	—	—	—	—	(2)	7,779	—	25,572
Total nonoperating gains, net	110,015	38,531	28,754	68,782	34,318	20,660	6,965	10,103	13,776	—	1,106	1,419	1,074	—	335,503
Revenue over (under) expenses before gain (loss) on bond refinancing transactions	111,226	51,962	19,692	88,707	35,423	19,265	3,564	15,808	11,058	(1,326)	(155,856)	3,953	6,767	153,416	363,659
Gain (loss) on bond refinancing transactions															
Excess of revenues over expenses	111,226	51,962	19,692	88,707	35,423	19,265	3,564	15,808	11,058	(1,326)	(155,856)	3,953	6,767	153,416	363,659
Less noncontrolling interest	—	—	(2,764)	—	38	(768)	(3,632)	—	—	—	—	—	—	—	(7,126)
Excess of revenues over expenses attributable to UnityPoint Health	$ 111,226	51,962	16,928	88,707	35,461	18,497	(68)	15,808	11,058	(1,326)	(155,856)	3,953	6,767	153,416	356,533

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. (Sioux City)

THS – Trinity Health Systems, Inc. and Subsidiaries (Fort Dodge)
TRI-ST – Finley Tri-States Health Group, Inc. and Subsidiaries (Dubuque)
KEO – Keokuk Area Hospital, Inc. and Subsidiaries (Keokuk)
UPC – UnityPoint Clinic
UPAH – UnityPoint at Home
UPH Corp – UnityPoint Health and other Subsidiaries

See accompanying independent auditors' report.

Schedule 2

IOWA HEALTH SYSTEM AND SUBSIDIARIES
(d/b/a UnityPoint Health)

UnityPoint Health – Des Moines and Subsidiaries (Des Moines)

Consolidating Balance Sheet Information

December 31, 2021

(In thousands)

Assets	UPHDM	CIHC	UPHF	CIHP	EB	GRMC	UPC	UPAH	Eliminations	Consolidated
Current assets:										
Cash and cash equivalents	$ —	57,425	1,631	12	2,911	2,402	—	—	—	64,381
Short-term investments	—	27,770	310	—	—	80	—	—	—	28,160
Assets limited as to use – required for current liabilities	—	10,691	—	—	—	—	—	—	—	10,691
Patient accounts receivable	—	125,268	—	—	943	7,829	—	—	—	134,040
Other receivables	—	24,202	49	14	249	1,758	—	—	—	26,272
Inventories	—	18,915	66	—	—	1,611	—	—	—	20,592
Prepaid expenses	—	3,715	120	18	207	217	—	—	—	4,277
Due from affiliates	—	20,938	2	33,478	—	2,897	—	—	(42,236)	15,079
Total current assets	—	288,924	2,178	33,522	4,310	16,794	—	—	(42,236)	303,492
Assets limited as to use, noncurrent:										
Internally designated for capital improvements	—	780,556	128,254	—	2,697	—	—	—	—	911,507
Internally designated for insurance reserve	—	3,944	—	—	—	—	—	—	—	3,944
Total assets limited as to use, noncurrent	—	784,500	128,254	—	2,697	—	—	—	—	915,451
Property, plant and equipment, net	—	299,956	5	18,367	1,140	11,701	—	—	—	331,169
Operating lease right-of-use assets	—	13,270	28	4,262	150	—	—	—	—	17,710
Other long-term investments	—	71,550	80,771	—	—	7,242	—	—	—	159,563
Investments in joint ventures and other investments	—	68,149	1,513	—	—	—	17,950	37,231	(54,412)	70,431
Contributions receivable and other assets held in trust	—	2	11,445	—	38	536	—	—	—	12,021
Other	—	745	—	(1)	1	70	—	—	—	815
Due from affiliates	—	7,053	—	—	—	—	—	—	(7,054)	(1)
Total assets	$ —	1,534,149	224,194	56,150	8,336	36,343	17,950	37,231	(103,702)	1,810,651
Liabilities and Net Assets										
Current liabilities:										
Current maturities of long-term debt	$ —	260	—	—	—	117	—	—	—	377
Current portion of operating lease liabilities	—	2,207	28	75	93	—	—	—	—	2,403
Accounts payable	—	36,598	70	23	368	2,364	—	—	—	39,423
Accrued payroll	—	32,402	197	11	694	1,726	—	—	—	35,030
Accrued interest	—	—	—	—	—	—	—	—	—	—
Estimated settlements due to third-party payors	—	8,331	—	—	—	1,535	—	—	—	9,866
Due to affiliates	—	58,136	4,386	182	—	4,196	—	—	(42,236)	24,664
Other current liabilities	—	58,619	67	764	343	3,440	(1)	—	(1)	63,231
Total current liabilities	—	196,553	4,748	1,055	1,498	13,378	(1)	—	(42,237)	174,994
Long-term debt, net	—	1,153	—	—	—	243	—	—	—	1,396
Long-term operating lease liabilities	—	11,253	—	4,187	57	(52)	—	—	—	15,445
Other long-term liabilities	—	42,646	159	—	—	2,301	—	—	—	45,106
Due to affiliates	—	67,512	3,589	1,304	—	2,160	—	—	(7,054)	67,511
Total liabilities	—	319,117	8,496	6,546	1,555	18,030	(1)	—	(49,291)	304,452
Net assets (deficit):										
Total without donor restrictions	—	1,160,205	151,245	49,604	6,781	12,529	17,764	36,167	—	1,434,295
Total with donor restrictions	—	54,827	64,453	—	—	5,784	187	1,064	(54,411)	71,904
Total net assets (deficit)	—	1,215,032	215,698	49,604	6,781	18,313	17,951	37,231	(54,411)	1,506,199
Total liabilities and net assets	$ —	1,534,149	224,194	56,150	8,336	36,343	17,950	37,231	(103,702)	1,810,651

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.

Schedule 2

IOWA HEALTH SYSTEM AND SUBSIDIARIES
(d/b/a UnityPoint Health)

UnityPoint Health – Des Moines and Subsidiaries (Des Moines)

Consolidating Statement of Operations Information

December 31, 2021

(In thousands)

	UPHDM	CIHC	UPHF	CIHP	EB	GRMC	UPC	UPAH	Eliminations	Consolidated
Operating revenues:										
Patient service revenue	$ —	869,496	—	—	13,636	58,179	152,966	85,390	(2)	1,179,665
Other operating revenue	—	94,300	980	5,306	3,583	1,737	8,073	2,295	(11,329)	104,945
Net assets released from restrictions used for operations	—	6,849	523	—	—	52	37	292	—	7,753
Total operating revenue	—	970,645	1,503	5,306	17,219	59,968	161,076	87,977	(11,331)	1,292,363
Operating expenses:										
Salaries and wages	—	329,615	1,737	107	9,984	19,462	35,832	27,621	—	424,358
Physician compensation and services	—	124,454	—	—	136	10,574	91,626	74	(4,264)	222,600
Employee benefits	—	73,873	343	32	2,293	5,305	10,915	6,610	(7)	99,364
Supplies	—	193,633	456	6	151	11,023	15,605	34,598	(21)	255,451
Other expenses	—	175,807	1,129	1,942	2,526	9,902	48,507	17,946	(6,949)	250,810
Depreciation and amortization	—	27,278	1	573	114	1,640	2,499	353	—	32,458
Interest	—	6,122	—	—	—	105	247	—	(90)	6,384
Provision for uncollectible accounts	—	(267)	—	—	—	(6)	—	—	—	(273)
Total operating expenses	—	930,515	3,666	2,660	15,204	58,005	205,231	87,202	(11,331)	1,291,152
Operating income (loss)	—	40,130	(2,163)	2,646	2,015	1,963	(44,155)	775	—	1,211
Nonoperating gains (losses):										
Investment income	—	91,336	18,481	—	168	39	—	—	—	110,024
Other, net	—	—	(4)	—	—	(5)	—	—	—	(9)
Total nonoperating gains, net	—	91,336	18,477	—	168	34	—	—	—	110,015
Excess of revenues over expenses attributable to UnityPoint Health	$ —	131,466	16,314	2,646	2,183	1,997	(44,155)	775	—	111,226

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.

Schedule 3

IOWA HEALTH SYSTEM AND SUBSIDIARIES
(d/b/a UnityPoint Health)

Methodist Health Services Corporation and Subsidiaries (Peoria)

Consolidating Balance Sheet Information

December 31, 2021

(In thousands)

Assets	MHSC	MMCI	MS	MMCF	PHC	PH	Belcrest	Hult	PHS	HP
Current assets:										
Cash and cash equivalents	$ 505	4,845	—	2,168	—	3,165	566	558	66	—
Short-term investments	212	23	—	—	—	1,335	263	—	30	—
Patient accounts receivable	225	51,571	—	—	—	17,299	102	—	397	—
Other receivables	421	7,695	(28)	—	—	17,282	—	124	—	—
Inventories	—	9,073	—	—	—	4,495	—	—	—	—
Prepaid expenses	(2)	1,977	197	—	—	290	—	—	5	—
Due from affiliates	4,286	48,302	12,160	5	—	8,042	3,546	9	975	2
Total current assets	5,647	123,486	12,329	2,173	—	51,908	4,477	691	1,473	2
Assets limited as to use, noncurrent:										
Internally designated for capital improvements	—	6,974	—	2,954	—	—	—	—	—	—
Internally designated for insurance reserve	—	6,376	—	—	—	—	—	—	—	—
Total assets limited as to use, noncurrent	—	13,350	—	2,954	—	—	—	—	—	—
Property, plant and equipment, net	2,193	147,225	85,113	—	—	40,737	16	884	62	—
Operating lease right-of-use assets	—	788	5,986	—	—	—	—	—	—	—
Other long-term investments	469	242,472	—	40,050	—	2,957	583	1,296	67	—
Investments in joint ventures and other investments	18,427	56,194	—	58	—	1,228	—	—	—	—
Contributions receivable and other assets held in trust	—	6,700	—	1,011	—	6,706	—	126	—	—
Other	1,218	6,310	—	(1)	—	5,676	(1)	—	—	—
Total assets	$ 27,954	596,525	103,428	46,245	—	109,212	5,075	2,997	1,602	2
Liabilities and Net Assets										
Current liabilities:										
Current maturities of long-term debt	$ 179	—	—	—	—	—	—	—	—	—
Current portion of operating lease liabilities	—	146	1,933	—	—	—	—	—	—	—
Accounts payable	44	17,058	293	5	—	6,071	1	16	144	—
Accrued payroll	5	15,605	—	64	—	2,621	—	47	6	—
Accrued interest	—	—	—	—	—	—	—	—	—	—
Estimated settlements due to third-party payors	—	21,640	—	—	—	11,825	—	—	—	—
Medical claims payable	—	—	—	—	—	—	—	—	—	—
Due to affiliates	1,405	33,062	3,653	174	—	3,530	19,321	240	368	92
Other current liabilities	17	38,353	1,313	2	—	11,299	83	29	37	—
Total current liabilities	1,650	125,864	7,192	245	—	35,346	19,405	332	555	92
Long-term debt, net	499	—	—	—	—	—	—	—	—	—
Long-term operating lease liabilities	—	642	4,404	—	—	—	—	—	—	—
Other long-term liabilities	—	99,838	124	10	—	7,047	—	—	(1)	—
Due to affiliates	—	98,305	—	—	—	6,800	—	—	—	—
Total liabilities	2,149	324,649	11,720	255	—	49,193	19,405	332	554	92
Net assets (deficit):										
Total without donor restrictions	25,805	236,058	91,708	17,080	—	53,313	(14,330)	2,539	1,048	(90)
Total with donor restrictions	—	35,818	—	28,910	—	6,706	—	126	—	—
Total net assets (deficit)	25,805	271,876	91,708	45,990	—	60,019	(14,330)	2,665	1,048	(90)
Total liabilities and net assets	$ 27,954	596,525	103,428	46,245	—	109,212	5,075	2,997	1,602	2

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

UP- UnityPlace
HSC- Human Service Center
TMHC – Tazwood Mental Health Center
PVV – Prarie View Villas
UPE- UnityPlace Eliminations
UPC – UnityPoint Clinic, MHSC portion
UPAH – UnityPoint at Home, MHSC portion

(Continued)

Schedule 3

IOWA HEALTH SYSTEM AND SUBSIDIARIES
(d/b/a UnityPoint Health)

Methodist Health Services Corporation and Subsidiaries (Peoria)

Consolidating Balance Sheet Information

December 31, 2021

(In thousands)

Assets	PPHS	PMH	PPH	PCL	UP	HSC	TMHC	PVV	UPE	UPC	UPAH	Eliminations	Consolidated
Current assets:													
Cash and cash equivalents	$ —	8,305	3	1	—	3,821	2,580	16	—	—	—	—	26,599
Short-term investments	—	3,823	—	—	—	642	—	—	—	—	—	—	6,328
Patient accounts receivable	—	6,810	347	—	—	1,481	36	—	—	—	—	—	78,268
Other receivables	—	2,820	6	63	—	1,553	240	7	—	—	—	—	30,183
Inventories	—	1,441	—	—	—	—	—	—	—	—	—	—	15,009
Prepaid expenses	—	157	—	—	—	147	30	21	—	—	—	—	2,822
Due from affiliates	—	7,972	417	1,808	—	145	16	—	(6)	—	—	(60,665)	27,014
Total current assets	—	31,328	773	1,872	—	7,789	2,902	44	(6)	—	—	(60,665)	186,223
Assets limited as to use, noncurrent:													
Internally designated for capital improvements	—	—	—	—	—	—	—	134	—	—	—	—	10,062
Internally designated for insurance reserve	—	261	—	—	—	—	—	—	—	—	—	—	6,637
Total assets limited as to use, noncurrent	—	261	—	—	—	—	—	134	—	—	—	—	16,699
Property, plant and equipment, net	—	25,210	292	17,520	—	2,056	1,736	1,015	—	—	—	—	324,059
Operating lease right-of-use assets	—	—	—	—	—	—	—	—	—	—	—	—	6,774
Other long-term investments	—	8,466	1	1	—	2,157	—	—	—	—	—	—	298,519
Investments in joint ventures and other investments	—	—	—	—	—	—	—	—	—	6,876	1,849	(64,175)	20,457
Contributions receivable and other assets held in trust	—	—	—	—	21,778	—	—	—	—	—	—	—	36,321
Other	—	4,785	(1)	—	—	—	15	—	—	—	—	—	18,001
Total assets	$ —	70,050	1,065	19,393	21,778	12,002	4,653	1,193	(6)	6,876	1,849	(124,840)	907,053
Liabilities and Net Assets													
Current liabilities:													
Current maturities of long-term debt	$ —	—	—	—	—	—	67	—	—	—	—	—	246
Current portion of operating lease liabilities	—	—	—	—	—	—	—	—	—	—	—	—	2,079
Accounts payable	—	1,978	359	13	—	457	17	12	—	—	—	—	26,468
Accrued payroll	—	1,474	—	—	—	616	161	1	—	—	—	—	20,600
Accrued interest	—	—	—	—	—	—	—	—	—	—	—	—	—
Estimated settlements due to third-party payors	—	5,923	15	—	—	—	4	—	—	—	—	—	39,407
Medical claims payable	—	—	—	—	—	—	—	—	—	—	—	—	—
Due to affiliates	—	5,137	17,097	4,176	—	1,051	222	—	(6)	—	—	(60,665)	28,857
Other current liabilities	—	6,759	1	134	—	995	249	4	—	(1)	—	(1)	59,273
Total current liabilities	—	21,271	17,472	4,323	—	3,119	720	17	(6)	(1)	—	(60,666)	176,930
Long-term debt, net	—	—	—	—	—	—	898	—	—	—	—	—	1,397
Long-term operating lease liabilities	—	—	—	—	—	—	—	—	—	—	—	—	5,046
Other long-term liabilities	—	5,333	—	—	—	—	—	—	—	—	—	—	112,351
Due to affiliates	—	8,048	—	17,472	—	—	—	—	—	—	—	—	130,625
Total liabilities	—	34,652	17,472	21,795	—	3,119	1,618	17	(6)	(1)	—	(60,666)	426,349
Net assets (deficit):													
Total without donor restrictions	—	35,398	(16,407)	(2,402)	—	8,770	3,035	(838)	—	6,883	1,849	(35,264)	414,155
Total with donor restrictions	—	—	—	—	21,778	113	—	2,014	—	(6)	—	(28,910)	66,549
Total net assets (deficit)	—	35,398	(16,407)	(2,402)	21,778	8,883	3,035	1,176	—	6,877	1,849	(64,174)	480,704
Total liabilities and net assets	$ —	70,050	1,065	19,393	21,778	12,002	4,653	1,193	(6)	6,876	1,849	(124,840)	907,053

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

UP- UnityPlace
HSC- Human Service Center
TMHC – Tazwood Mental Health Center
PVV – Prarie View Villas
UPE- UnityPlace Eliminations
UPC – UnityPoint Clinic, MHSC portion
UPAH – UnityPoint at Home, MHSC portion

See accompanying independent auditors' report.

Schedule 3

IOWA HEALTH SYSTEM AND SUBSIDIARIES

(d/b/a UnityPoint Health)

Methodist Health Services Corporation and Subsidiaries (Peoria)

Consolidating Statement of Operations Information

December 31, 2021

(In thousands)

	MHSC	MMCI	MS	MMCF	PHC	PH	Belcrest	Hult	PHS	HP
Operating revenues:										
Patient service revenue	$ 122	387,965	—	—	—	138,632	(24)	—	3,076	—
Other operating revenue	3,214	59,990	13,006	(2)	—	5,493	1	827	(51)	—
Net assets released from restrictions used for operations	—	571	—	321	—	400	—	195	—	—
Total operating revenue	3,336	448,526	13,006	319	—	144,525	(23)	1,022	3,025	—
Operating expenses:										
Salaries and wages	862	138,682	—	442	—	31,226	—	608	417	—
Physician compensation and services	343	85,992	—	—	—	1,922	—	—	3,672	—
Employee benefits	235	31,642	—	82	—	6,142	—	137	110	—
Supplies	47	70,227	57	1	—	25,022	2	30	70	—
Other expenses	975	116,175	8,206	450	—	38,738	52	266	156	1
Depreciation and amortization	157	13,488	2,903	—	—	4,023	8	75	14	—
Interest	35	4,488	—	—	—	462	—	—	—	—
Provision for uncollectible accounts	—	102	4	—	—	2	—	—	—	—
Total operating expenses	2,654	460,796	11,170	975	—	107,537	62	1,116	4,439	1
Operating income (loss)	682	(12,270)	1,836	(656)	—	36,988	(85)	(94)	(1,414)	(1)
Nonoperating gains (losses):										
Investment income	76	29,916	1	2,002	—	47	2	143	(3)	—
Other, net	—	6,192	—	2	—	—	—	—	—	—
Total nonoperating gains, net	76	36,108	1	2,004	—	47	2	143	(3)	—
Excess of revenues over expenses attributable to UnityPoint Health	$ 758	23,838	1,837	1,348	—	37,035	(83)	49	(1,417)	(1)

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
UP- UnityPlace
HSC- Human Service Center
TMHC – Tazwood Mental Health Center
PVV – Prarie View Villas
UPE- UnityPlace Eliminations
UPC – UnityPoint Clinic, MHSC portion
UPAH – UnityPoint at Home, MHSC portion

Schedule 3

IOWA HEALTH SYSTEM AND SUBSIDIARIES
(d/b/a UnityPoint Health)

Methodist Health Services Corporation and Subsidiaries (Peoria)

Consolidating Statement of Operations Information

December 31, 2021

(In thousands)

	PPHS	PMH	PPH	PCL	UP	HSC	TMHC	PVV	UPE	UPC	UPAH	Eliminations	Consolidated
Operating revenues:													
Patient service revenue	$ —	59,669	2,887	—	—	6,178	2,411	—	—	42,765	11,797	—	655,478
Other operating revenue	—	795	131	1,495	—	10,357	1,752	121	—	4,866	1,242	(21,516)	81,721
Net assets released from restrictions used for operations	—	15	5	—	—	—	—	—	—	2	—	—	1,509
Total operating revenue	—	60,479	3,023	1,495	—	16,535	4,163	121	—	47,633	13,039	(21,516)	738,708
Operating expenses:													
Salaries and wages	—	16,969	416	—	—	9,656	2,319	23	—	15,830	888	—	218,338
Physician compensation and services	—	1,135	4,487	—	—	463	267	—	—	26,878	—	(537)	124,622
Employee benefits	—	3,737	124	—	—	2,207	476	4	—	5,020	282	1	50,199
Supplies	—	8,481	37	2	—	1,142	27	—	—	3,930	9,079	(42)	118,112
Other expenses	—	14,801	219	605	—	3,295	681	104	—	17,914	1,478	(20,938)	183,178
Depreciation and amortization	—	2,559	77	525	—	197	87	65	—	389	30	—	24,597
Interest	—	522	—	580	—	—	36	—	—	—	—	—	6,123
Provision for uncollectible accounts	—	—	—	—	—	—	—	—	—	—	—	—	108
Total operating expenses	—	48,204	5,360	1,712	—	16,960	3,893	196	—	69,961	11,757	(21,516)	725,277
Operating income (loss)	—	12,275	(2,337)	(217)	—	(425)	270	(75)	—	(22,328)	1,282	—	13,431
Nonoperating gains (losses):													
Investment income	—	14	—	—	—	132	7	—	—	—	—	—	32,337
Other, net	—	—	—	—	—	—	—	—	—	—	—	—	6,194
Total nonoperating gains, net	—	14	—	—	—	132	7	—	—	—	—	—	38,531
Excess of revenues over expenses attributable to UnityPoint Health	$ —	12,289	(2,337)	(217)	—	(293)	277	(75)	—	(22,328)	1,282	—	51,962

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

UP- UnityPlace
HSC- Human Service Center
TMHC – Tazwood Mental Health Center
PVV – Prarie View Villas
UPE- UnityPlace Eliminations
UPC – UnityPoint Clinic, MHSC portion
UPAH – UnityPoint at Home, MHSC 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 Balance Sheet Information

December 31, 2021

(In thousands)

Assets	TRHS	TMC	THF	THE	TM	UPC	UPAH	Eliminations	Consolidated
Current assets:									
Cash and cash equivalents	$ 253	11,298	585	8	7,205	—	—	—	19,349
Short-term investments	—	3,512	255	3	3,455	—	—	—	7,225
Assets limited as to use – required for current liabilities	—	6,993	—	—	—	—	—	—	6,993
Patient accounts receivable	—	56,953	—	—	7,703	—	—	—	64,656
Other receivables	3	4,047	—	243	301	—	—	—	4,594
Inventories	—	10,556	—	102	852	—	—	—	11,510
Prepaid expenses	3	2,117	—	—	124	—	—	—	2,244
Due from affiliates	4,257	14,573	59	207	1,379	—	—	(6,778)	13,697
Total current assets	4,516	110,049	899	563	21,019	—	—	(6,778)	130,268
Assets limited as to use, noncurrent:									
Internally designated for capital improvements	30,328	191,845	—	—	12,697	—	—	—	234,870
Internally designated for insurance reserve	—	6,426	—	—	—	—	—	—	6,426
Total assets limited as to use, noncurrent	30,328	198,271	—	—	12,697	—	—	—	241,296
Property, plant and equipment, net	—	171,331	—	77	25,030	—	—	—	196,438
Operating lease right-of-use assets	85	12,404	—	—	—	—	—	—	12,489
Other long-term investments	—	15,059	12,958	7	10,875	—	—	—	38,899
Investments in joint ventures and other investments	1,432	20,191	—	—	—	4,821	1,699	(14,051)	14,092
Contributions receivable, and other assets held in trust	—	—	556	—	1	—	—	—	557
Other	(1)	37,024	—	—	39	—	—	(1)	37,061
Due from affiliates	—	10,484	—	—	—	—	—	(10,484)	—
Total assets	$ 36,360	574,813	14,413	647	69,661	4,821	1,699	(31,314)	671,100
Liabilities and Net Assets									
Current liabilities:									
Current maturities of long-term debt	$ —	437	—	—	285	—	—	—	722
Current portion of operating lease liabilities	72	2,121	—	—	—	—	—	—	2,193
Accounts payable	175	24,861	1	33	2,568	—	—	—	27,638
Accrued payroll	4,546	9,978	15	38	1,289	—	—	—	15,866
Estimated settlements due to third-party payors	—	17,446	—	—	1,014	—	—	—	18,460
Due to affiliates	716	19,546	103	35	3,172	—	—	(6,778)	16,794
Other current liabilities	1,724	35,214	24	(6)	3,333	—	—	—	40,289
Total current liabilities	7,233	109,603	143	100	11,661	—	—	(6,778)	121,962
Long-term debt, net	—	1,061	—	—	2,336	—	—	—	3,397
Long-term operating lease liabilities	12	10,585	—	—	—	—	—	—	10,597
Other long-term liabilities	1,991	22,353	40	4	2,104	—	—	—	26,492
Due to affiliates	—	103,656	—	—	17,979	—	—	(10,484)	111,151
Total liabilities	9,236	247,258	183	104	34,080	—	—	(17,262)	273,599
Net assets (deficit):									
Without donor restrictions:									
Attributable to UnityPoint Health	27,124	288,042	2,114	543	34,676	4,821	1,653	(1,492)	357,481
Attributable to noncontrolling interest	—	26,635	—	—	—	—	—	—	26,635
Total without donor restrictions	27,124	314,677	2,114	543	34,676	4,821	1,653	(1,492)	384,116
With donor restrictions:									
Attributable to UnityPoint Health	—	12,878	12,116	—	905	—	46	(12,560)	13,385
Attributable to noncontrolling interest	—	—	—	—	—	—	—	—	—
Total with donor restrictions	—	12,878	12,116	—	905	—	46	(12,560)	13,385
Total net assets (deficit)	27,124	327,555	14,230	543	35,581	4,821	1,699	(14,052)	397,501
Total liabilities and net assets	$ 36,360	574,813	14,413	647	69,661	4,821	1,699	(31,314)	671,100

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.

Schedule 4

IOWA HEALTH SYSTEM AND SUBSIDIARIES
(d/b/a UnityPoint Health)

Trinity Regional Health System and Subsidiaries (Rock Island)

Consolidating Statement of Operations Information

Year ended December 31, 2021

(In thousands)

	TRHS	TMC	THF	THE	TM	UPC	UPAH	Eliminations	Consolidated
Operating revenues:									
Patient service revenue	$ —	436,506	—	—	55,523	61,677	41,231	(5)	594,932
Other operating revenue	(192)	32,337	—	1,876	3,126	5,529	328	(5,822)	37,182
Net assets released from restrictions used for operations	192	455	169	—	5	20	27	—	868
Total operating revenue	—	469,298	169	1,876	58,654	67,226	41,586	(5,827)	632,982
Operating expenses:									
Salaries and wages	19,007	140,358	422	501	16,304	15,696	14,731	—	207,019
Physician compensation and services	8	38,452	—	—	11,674	47,144	68	(820)	96,526
Employee benefits	3,865	29,039	90	111	4,685	5,012	3,650	(237)	46,215
Supplies	196	91,001	13	1,949	5,506	6,263	15,182	(26)	120,084
Other expenses	(23,076)	128,771	260	(207)	14,112	22,545	8,578	(4,721)	146,262
Depreciation and amortization	—	15,689	—	7	1,742	849	106	—	18,393
Interest	—	6,964	—	—	598	42	—	(23)	7,581
Provision for uncollectible accounts	—	(36)	—	—	—	—	—	—	(36)
Total operating expenses	—	450,238	785	2,361	54,621	97,551	42,315	(5,827)	642,044
Operating income (loss)	—	19,060	(616)	(485)	4,033	(30,325)	(729)	—	(9,062)
Nonoperating gains (losses):									
Investment income	3,485	22,922	539	—	1,808	—	—	—	28,754
Other, net	—	—	—	—	—	—	—	—	—
Total nonoperating gains, net	3,485	22,922	539	—	1,808	—	—	—	28,754
Excess of revenues over expenses	3,485	41,982	(77)	(485)	5,841	(30,325)	(729)	—	19,692
Less noncontrolling interest	—	(2,764)	—	—	—	—	—	—	(2,764)
Excess of revenues over expenses attributable to UnityPoint Health	$ 3,485	39,218	(77)	(485)	5,841	(30,325)	(729)	—	16,928

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.

Schedule 5

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UnityPoint Health

Meriter Health System, Inc. and Subsidiaries (Madison)

Consolidating Balance Sheet Information

December 31, 2021

(In thousands)

Assets	MHS	MH	MF	MMS	UPAH	Eliminations	Consolidated
Current assets:							
Cash and cash equivalents	$ 741	31,231	1,079	736	—	—	33,787
Short-term investments	—	13,706	—	—	—	—	13,706
Patient accounts receivable	—	34,808	—	516	—	—	35,324
Other receivables	—	30,143	463	1,870	—	—	32,476
Inventories	—	5,949	—	—	—	—	5,949
Prepaid expenses	—	538	—	55	—	—	593
Due from affiliates	(166)	304,447	520	17,353	—	(322,150)	4
Total current assets	575	420,822	2,062	20,530	—	(322,150)	121,839
Property, plant and equipment, net	—	284,803	—	1,278	—	(510)	285,571
Operating lease right-of-use assests	—	8,379	—	—	—	—	8,379
Other long-term investments	7,129	506,211	28,093	6,843	—	—	548,276
Investments in joint ventures and other investments	5,095	45,368	—	4,269	56	(21,679)	33,109
Contributions receivable and other assets held in trust	—	—	22	—	—	—	22
Other	—	—	1	(675)	—	—	(674)
Total assets	$ 12,799	1,265,583	30,178	32,245	56	(344,339)	996,522
Liabilities and Net Assets							
Current liabilities:							
Current maturities of long-term debt	$ —	18	—	—	—	—	18
Current portion of operating lease liabilities	—	1,685	—	—	—	—	1,685
Accounts payable	55	28,253	1,143	1,462	—	(31)	30,882
Accrued payroll	700	23,321	82	1,565	—	—	25,668
Estimated settlements due to third-party payors	—	5,736	—	—	—	—	5,736
Due to affiliates	93	314,382	502	17,034	—	(322,154)	9,857
Other current liabilities	(1)	26,476	1	91	—	6	26,573
Total current liabilities	847	399,871	1,728	20,152	—	(322,179)	100,419
Long-term debt, net:							
Long-term operating lease liabilities	—	6,694	—	—	—	—	6,694
Other long-term liabilities	1,537	(21,528)	(63)	(459)	—	—	(20,513)
Due to affiliates	—	155,325	—	—	—	—	155,325
Total liabilities	2,384	540,362	1,665	19,693	—	(322,179)	241,925
Net assets (deficit):							
Total without donor restrictions	10,415	719,380	15,555	12,552	56	(12,946)	745,012
Total with donor restrictions	—	5,841	12,958	—	—	(9,214)	9,585
Total net assets (deficit)	10,415	725,221	28,513	12,552	56	(22,160)	754,597
Total liabilities and net assets	$ 12,799	1,265,583	30,178	32,245	56	(344,339)	996,522

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.

Schedule 5

IOWA HEALTH SYSTEM AND SUBSIDIARIES

d/b/a UnityPoint Health

Meriter Health System, Inc. and Subsidiaries (Madison)

Consolidating Statement of Operations Information

Year ended December 31, 2021

(In thousands)

	MHS	MH	MF	MMS	UPAH	Eliminations	Consolidated
Operating revenues:							
Patient service revenue	$ —	456,889	—	1,891	61	—	458,841
Other operating revenue	3,948	72,010	1,345	26,325	—	(32,186)	71,442
Net assets released from restrictions used for operations	—	147	64	—	—	—	211
Total operating revenue	3,948	529,046	1,409	28,216	61	(32,186)	530,494
Operating expenses:							
Salaries and wages	2,954	179,218	554	10,619	1	—	193,346
Physician compensation and services	—	40,006	—	—	—	—	40,006
Employee benefits	837	49,600	114	3,125	—	—	53,676
Supplies	—	92,505	3	5,373	1	—	97,882
Other expenses	722	115,625	877	10,165	3	(32,505)	94,887
Depreciation and amortization	—	22,623	—	291	—	—	22,914
Interest	—	7,858	—	—	—	—	7,858
Total operating expenses	4,513	507,435	1,548	29,573	5	(32,505)	510,569
Operating income (loss)	(565)	21,611	(139)	(1,357)	56	319	19,925
Nonoperating gains (losses):							
Investment income	613	55,910	2,027	559	—	—	59,109
Other, net	174	8,670	23	806	—	—	9,673
Total nonoperating gains, net	787	64,580	2,050	1,365	—	—	68,782
Excess of revenues over expenses attributable to UnityPoint Health	$ 222	86,191	1,911	8	56	319	88,707

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.

Schedule 6

IOWA HEALTH SYSTEM AND SUBSIDIARIES

d/b/a UnityPoint Health

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

Consolidating Balance Sheet Information

December 31, 2021

(In thousands)

Assets	SLMH	CARE	JRMC	ABBE	UPC	UPAH	Eliminations	Consolidated
Current assets:								
Cash and cash equivalents	$ 17,081	4,725	9,252	6,323	—	—	—	37,381
Short-term investments	7,648	—	3,810	121	—	—	—	11,579
Assets limited as to use – required for current liabilities	3,775	—	—	—	—	—	—	3,775
Patient accounts receivable	56,431	1,588	4,308	4,023	—	—	—	66,350
Other receivables	5,820	(56)	1,045	—	—	—	—	6,809
Inventories	9,498	—	685	—	—	—	—	10,183
Prepaid expenses	2,116	28	106	490	—	—	—	2,740
Due from affiliates	11,901	5,026	752	634	—	—	(8,679)	9,634
Total current assets	114,270	11,311	19,958	11,591	—	—	(8,679)	148,451
Assets limited as to use, noncurrent								
Internally designated for capital improvements	167,851	—	—	—	—	—	—	167,851
Internally designated for insurance reserve	1,870	—	—	—	—	—	—	1,870
Total assets limited as to use, noncurrent	169,721	—	—	—	—	—	—	169,721
Property, plant and equipment, net	143,990	13,421	19,238	6,005	—	—	—	182,654
Operating lease right-of-use assets	12,356	—	1,266	243	—	—	—	13,865
Other long-term investments	98,763	—	25,198	14,813	—	—	—	138,774
Investments in joint ventures and other investments	14,085	—	—	—	8,419	4,069	(7,486)	19,087
Contributions receivable and other assets held in trust	50,345	—	1,728	830	—	—	—	52,903
Other	690	—	(2)	72	—	—	—	760
Due from affiliates	710	—	—	—	—	—	(710)	—
Total assets	$ 604,930	24,732	67,386	33,554	8,419	4,069	(16,875)	726,215
Liabilities and Net Assets								
Current liabilities:								
Current maturities of long-term debt	$ —	—	—	20	—	—	—	20
Current portion of operating lease liabilities	2,883	—	206	224	—	—	—	3,313
Accounts payable	14,767	369	1,778	751	—	—	—	17,665
Accrued payroll	16,230	296	1,606	2,420	—	—	—	20,552
Estimated settlements due to third-party payors	2,620	—	2,157	318	—	—	—	5,095
Due to affiliates	18,244	37	1,598	204	—	—	(8,679)	11,404
Other current liabilities	29,758	—	3,310	1,674	—	—	—	34,742
Total current liabilities	84,502	702	10,655	5,611	—	—	(8,679)	92,791
Long-term debt, net:	—	—	—	372	—	—	—	372
Long-term operating lease liabilities	9,555	—	1,036	20	—	—	—	10,611
Other long-term liabilities	5,059	—	—	115	—	—	—	5,174
Due to affiliates	59,685	—	—	—	—	—	(710)	58,975
Total liabilities	158,801	702	11,691	6,118	—	—	(9,389)	167,923
Net assets (deficit)								
Without donor restrictions:								
Attributable to UnityPoint Health	392,086	24,030	53,972	27,145	8,380	2,669	(7,486)	500,796
Attributable to noncontrolling interest	(226)	—	—	—	—	—	—	(226)
Total without donor restrictions	391,860	24,030	53,972	27,145	8,380	2,669	(7,486)	500,570
With donor restrictions:								
Attributable to UnityPoint Health	53,598	—	1,723	291	39	1,400	—	57,051
Attributable to noncontrolling interest	671	—	—	—	—	—	—	671
Total with donor restrictions	54,269	—	1,723	291	39	1,400	—	57,722
Total net assets (deficit)	446,129	24,030	55,695	27,436	8,419	4,069	(7,486)	558,292
Total liabilities and net assets	$ 604,930	24,732	67,386	33,554	8,419	4,069	(16,875)	726,215

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.

Schedule 6

IOWA HEALTH SYSTEM AND SUBSIDIARIES
(d/b/a UnityPoint Health)

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

Consolidating Statement of Operations Information

Year ended December 31, 2021

(In thousands)

	SLMH	CARE	JRMC	ABBE	UPC	UPAH	Eliminations	Consolidated
Operating revenues:								
Patient service revenue	$ 386,148	10,473	43,274	26,409	58,932	23,319	(113)	548,442
Other operating revenue	37,800	183	3,357	7,650	2,537	(25)	(14,205)	37,297
Net assets released from restrictions used for operations	652	—	17	—	9	215	—	893
Total operating revenue	424,600	10,656	46,648	34,059	61,478	23,509	(14,318)	586,632
Operating expenses:								
Salaries and wages	142,585	6,075	12,949	18,862	15,817	5,795	—	202,083
Physician compensation and services	33,225	—	7,899	—	41,376	20	(856)	81,664
Employee benefits	33,868	787	3,632	6,382	4,702	1,495	—	50,866
Supplies	78,385	920	4,813	785	5,203	9,600	(29)	99,677
Other expenses	99,294	3,029	10,053	5,909	19,063	5,709	(13,420)	129,637
Depreciation and amortization	14,159	638	1,188	699	610	85	—	17,379
Interest	4,153	—	—	17	—	—	(13)	4,157
Provision for uncollectible accounts	(6)	—	—	70	—	—	—	64
Total operating expenses	405,663	11,449	40,534	32,724	86,771	22,704	(14,318)	585,527
Operating income (loss)	18,937	(793)	6,114	1,335	(25,293)	805	—	1,105
Nonoperating gains (losses):								
Investment income	29,086	—	1,942	1,869	—	—	—	32,897
Other, net	1,421	—	—	—	—	—	—	1,421
Total nonoperating gains, net	30,507	—	1,942	1,869	—	—	—	34,318
Revenue over (under) expenses before gain (loss) on bond refinancing transactions	49,444	(793)	8,056	3,204	(25,293)	805	—	35,423
Gain (loss) on bond refinancing transactions	—	—	—	—	—	—	—	—
Excess of revenues over expenses	49,444	(793)	8,056	3,204	(25,293)	805	—	35,423
Less noncontrolling interest	38	—	—	—	—	—	—	38
Excess of revenues over expenses attributable to UnityPoint Health	$ 49,482	(793)	8,056	3,204	(25,293)	805	—	35,461

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)

Allen Health Systems, Inc. and Subsidiaries (Waterloo)

Consolidating Balance Sheet Information

December 31, 2021

(In thousands)

Assets	AHS	AMH	MFAH	AC	Marshalltown	BHGMHC	UMPA	UPC	UPAH	Eliminations	Consolidated
Current assets:											
Cash and cash equivalents	$ —	26,821	1,764	517	1,994	93	7,921	—	—	—	39,110
Short-term investments	—	12,788	583	—	—	42	—	—	—	—	13,413
Assets limited as to use – required for current liabilities	—	3,483	—	—	—	—	—	—	—	—	3,483
Patient accounts receivable	—	40,646	—	—	8,091	149	1,526	—	—	—	50,412
Other receivables	—	3,000	—	(140)	1,140	314	—	—	—	—	4,314
Inventories	—	7,476	—	—	1,620	—	—	—	—	—	9,096
Prepaid expenses	—	1,014	—	117	181	16	148	—	—	—	1,476
Due from affiliates	33,732	28,400	36	13,910	2,505	116	7	—	—	(71,246)	7,460
Total current assets	33,732	123,628	2,383	14,404	15,531	730	9,602	—	—	(71,246)	128,764
Assets limited as to use, noncurrent:											
Held by trustee under bond indenture agreements	—	—	—	—	—	—	—	—	—	—	—
Internally designated for capital improvements	—	—	—	—	—	—	—	—	—	—	—
Internally designated for insurance reserve	—	671	—	—	—	—	—	—	—	—	671
Total assets limited as to use, noncurrent	—	671	—	—	—	—	—	—	—	—	671
Property, plant and equipment, net	—	115,787	—	—	57,982	2,049	4,488	—	—	(3,631)	176,675
Operating lease right-of-use assets	—	9,494	—	—	1,667	(1)	—	—	—	—	11,160
Other long-term investments	—	201,210	17,723	—	199	1,024	—	—	—	—	220,156
Investments in joint ventures and other investments	39,571	9,198	627	16,356	1,329	—	—	(4,251)	9,626	(65,065)	7,391
Contributions receivable and other assets held in trust	—	—	4,278	—	381	—	—	—	—	—	4,659
Other	1	174	—	708	121	—	—	—	—	—	1,004
Due from affiliates	—	—	—	—	—	—	—	—	—	—	—
Total assets	$ 73,304	460,162	25,011	31,468	77,210	3,802	14,090	(4,251)	9,626	(139,942)	550,480
Liabilities and Net Assets											
Current liabilities:											
Current maturities of long-term debt	$ —	—	—	—	368	—	2,800	—	—	—	3,168
Current portion of operating lease liabilities	—	1,102	—	—	192	—	—	—	—	—	1,294
Accounts payable	—	12,715	6	95	5,937	11	7,112	—	—	—	25,876
Accrued payroll	—	10,173	55	392	2,432	316	143	—	—	—	13,511
Accrued interest	—	—	—	—	2	—	—	—	—	—	2
Estimated settlements due to third-party payors	—	3,905	—	—	1,777	(1)	—	—	—	—	5,681
Medical claims payable	—	—	—	—	—	—	—	—	—	—	—
Due to affiliates	2,440	53,162	28	283	26,528	243	—	—	—	(71,246)	11,438
Other current liabilities	—	20,349	4	18	4,779	2	24	—	—	—	25,176
Total current liabilities	2,440	101,406	93	788	42,015	571	10,079	—	—	(71,246)	86,146
Long-term debt, net	—	—	—	—	412	—	287	—	—	—	699
Long-term operating lease liabilities	—	8,421	—	—	1,601	—	—	—	—	—	10,022
Other long-term liabilities	—	20,275	19	695	2,621	460	—	—	—	—	24,070
Due to affiliates	53,080	48,579	—	—	—	—	—	—	—	—	101,659
Total liabilities	55,520	178,681	112	1,483	46,649	1,031	10,366	—	—	(71,246)	222,596
Net assets (deficit):											
Without donor restrictions:											
Attributable to UnityPoint Health	17,784	274,958	2,030	13,659	28,949	2,482	2,429	(4,251)	9,483	(46,515)	301,008
Attributable to noncontrolling interest	—	—	—	—	—	—	1,295	—	—	441	1,736
Total without donor restrictions	17,784	274,958	2,030	13,659	28,949	2,482	3,724	(4,251)	9,483	(46,074)	302,744
Without donor restrictions:											
Attributable to UnityPoint Health	—	6,523	22,869	16,326	1,612	289	—	—	143	(22,622)	25,140
Attributable to noncontrolling interest	—	—	—	—	—	—	—	—	—	—	—
Total with donor restrictions	—	6,523	22,869	16,326	1,612	289	—	—	143	(22,622)	25,140
Total net assets (deficit)	17,784	281,481	24,899	29,985	30,561	2,771	3,724	(4,251)	9,626	(68,696)	327,884
Total liabilities and net assets	$ 73,304	460,162	25,011	31,468	77,210	3,802	14,090	(4,251)	9,626	(139,942)	550,480

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
UMPA – United Medical Park ASC
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 Information

Year ended December 31, 2021

(In thousands)

	AHS	AMH	MFAH	AC	Marshalltown	BHGMHC	UMPA	UPC	UPAH	Eliminations	Consolidated
Operating revenues:											
Patient service revenue	$ —	263,484	—	—	65,355	4,611	11,222	59,543	31,545	(496)	435,264
Other operating revenue	1,819	29,303	2	13,216	5,597	942	11	3,934	610	(12,616)	42,818
Net assets released from restrictions used for operations	—	459	12	814	4	254	—	6	65	—	1,614
Total operating revenue	1,819	293,246	14	14,030	70,956	5,807	11,233	63,483	32,220	(13,112)	479,696
Operating expenses:											
Salaries and wages	—	88,132	472	7,104	21,104	2,761	1,926	14,761	8,764	(1)	145,023
Physician compensation and services	—	24,153	—	16	12,289	2,148	—	42,194	67	(1,340)	79,527
Employee benefits	—	21,180	109	1,667	5,602	834	507	4,393	2,021	(45)	36,268
Supplies	—	73,976	3	97	8,281	24	3,862	4,537	13,199	(5)	103,974
Other expenses	—	57,995	192	4,105	12,021	420	2,708	20,730	6,290	(9,902)	94,559
Depreciation and amortization	—	11,561	—	—	3,946	79	917	733	84	(659)	16,661
Interest	1,819	3,534	—	—	1,395	8	89	—	—	(1,819)	5,026
Provision for uncollectible accounts	—	41	—	12	—	—	—	—	—	—	53
Total operating expenses	1,819	280,572	776	13,001	64,638	6,274	10,009	87,348	30,425	(13,771)	481,091
Operating income (loss)	—	12,674	(762)	1,029	6,318	(467)	1,224	(23,865)	1,795	659	(1,395)
Nonoperating gains (losses):											
Investment income	—	19,812	227	—	28	77	—	—	—	—	20,144
Other, net	—	511	5	—	—	—	—	—	—	—	516
Total nonoperating gains, net	—	20,323	232	—	28	77	—	—	—	—	20,660
Excess of revenues over expenses	—	32,997	(530)	1,029	6,346	(390)	1,224	(23,865)	1,795	659	19,265
Less noncontrolling interest	—	—	—	—	—	—	(498)	—	—	(270)	(768)
Excess of revenues over expenses attributable to UnityPoint Health	$ —	32,997	(530)	1,029	6,346	(390)	726	(23,865)	1,795	389	18,497

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
UMPA – United Medical Park ASC
UPC – UnityPoint Clinic, AHS portion
UPAH – UnityPoint at Home, AHS portion

See accompanying independent auditors' report.

Schedule 8

IOWA HEALTH SYSTEM AND SUBSIDIARIES
(d/b/a UnityPoint Health)

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

Consolidating Balance Sheet Information

December 31, 2021

(In thousands)

Assets	SLHS	SLRMC	SLHR	PACE	UPC	UPAH	Eliminations	Consolidated
Current assets:								
Cash and cash equivalents	$ 1,269	8,984	996	3,487	—	—	—	14,736
Short-term investments	591	2,376	353	937	—	—	—	4,257
Assets limited as to use – required for current liabilities	—	3,396	—	—	—	—	—	3,396
Patient accounts receivable	—	29,349	524	36	—	—	(25)	29,884
Other receivables	5	1,583	—	16	—	—	—	1,604
Inventories	—	4,871	14	—	—	—	—	4,885
Prepaid expenses	—	733	—	25	—	—	—	758
Due from affiliates	3,989	54,317	67	—	—	—	(55,411)	2,962
Total current assets	5,854	105,609	1,954	4,501	—	—	(55,436)	62,482
Assets limited as to use, noncurrent:								
Internally designated for capital improvements	—	61,000	—	—	—	—	—	61,000
Internally designated for insurance reserve	—	633	—	—	—	—	—	633
Total assets limited as to use, noncurrent	—	61,633	—	—	—	—	—	61,633
Property, plant and equipment, net	7,461	60,264	986	3,119	—	—	—	71,830
Other long-term investments	1,308	7,135	781	2,075	—	—	—	11,299
Investments in joint ventures and other investments	13,822	181	—	—	(750)	13,524	—	26,777
Contributions receivable and other assets held in trust	—	5,379	—	—	—	—	—	5,379
Other	(1)	544	(1)	—	—	—	—	542
Total assets	$ 28,444	240,745	3,720	9,695	(750)	13,524	(55,436)	239,942
Liabilities and Net Assets								
Current liabilities:								
Current maturities of long-term debt	$ —	74	—	—	—	—	—	74
Accounts payable	16	9,782	49	2,340	—	—	(25)	12,162
Accrued payroll	—	7,227	161	243	—	—	—	7,631
Estimated settlements due to third-party payors	—	2,499	—	194	—	—	—	2,693
Due to affiliates	1,710	10,747	52,431	352	—	—	(55,411)	9,829
Other current liabilities	376	16,470	146	—	—	—	—	16,992
Total current liabilities	2,102	46,799	52,787	3,129	—	—	(55,436)	49,381
Long-term debt, net	—	37	—	—	—	—	—	37
Other long-term liabilities	—	14,536	162	—	—	—	—	14,698
Due to affiliates	2,760	14,395	—	—	—	—	—	17,155
Total liabilities	4,862	75,767	52,949	3,129	—	—	(55,436)	81,271
Net assets (deficit):								
Without donor restrictions:								
Attributable to UnityPoint Health	22,664	154,377	(49,229)	6,566	(750)	13,524	—	147,152
Attributable to noncontrolling interest	—	4,624	—	—	—	—	—	4,624
Total without donor restrictions	22,664	159,001	(49,229)	6,566	(750)	13,524	—	151,776
Without donor restrictions:								
Attributable to UnityPoint Health	918	5,977	—	—	—	—	—	6,895
Attributable to noncontrolling interest	—	—	—	—	—	—	—	—
Total with donor restrictions	918	5,977	—	—	—	—	—	6,895
Total net assets (deficit)	23,582	164,978	(49,229)	6,566	(750)	13,524	—	158,671
Total liabilities and net assets	$ 28,444	240,745	3,720	9,695	(750)	13,524	(55,436)	239,942

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.

Schedule 8

IOWA HEALTH SYSTEM AND SUBSIDIARIES
(d/b/a UnityPoint Health)

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

Consolidating Statement of Operations Information

Year ended December 31, 2021

(In thousands)

	SLHS	SLRMC	SLHR	PACE	UPC	UPAH	Eliminations	Consolidated
Operating revenues:								
Patient service revenue	$ —	193,246	3,169	—	15,829	15,533	—	227,777
Other operating revenue	3,993	7,399	736	21,450	705	57	(2,873)	31,467
Total operating revenue	3,993	200,645	3,905	21,450	16,534	15,590	(2,873)	259,244
Operating expenses:								
Salaries and wages	—	73,684	1,272	3,722	3,297	3,306	—	85,281
Physician compensation and services	—	22,868	1,620	783	11,141	—	(769)	35,643
Employee benefits	—	16,561	339	1,078	1,024	830	—	19,832
Supplies	1	38,846	171	234	1,617	7,126	(31)	47,964
Other expenses	1,047	44,954	488	14,635	4,130	2,931	(2,073)	66,112
Depreciation and amortization	343	5,387	37	204	122	56	—	6,149
Interest	212	1,422	—	—	—	—	—	1,634
Provision for uncollectible accounts	—	30	—	—	—	—	—	30
Total operating expenses	1,603	203,752	3,927	20,656	21,331	14,249	(2,873)	262,645
Operating income (loss)	2,390	(3,107)	(22)	794	(4,797)	1,341	—	(3,401)
Nonoperating gains (losses):								
Investment income	3	6,954	2	6	—	—	—	6,965
Total nonoperating gains, net	3	6,954	2	6	—	—	—	6,965
Excess of revenues over expenses	2,393	3,847	(20)	800	(4,797)	1,341	—	3,564
Less noncontrolling interest	—	(3,632)	—	—	—	—	—	(3,632)
Excess of revenues over expenses attributable to UnityPoint Health	$ 2,393	215	(20)	800	(4,797)	1,341	—	(68)

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.

Schedule 9

IOWA HEALTH SYSTEM AND SUBSIDIARIES
(d/b/a UnityPoint Health)

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

Consolidating Balance Sheet Information

December 31, 2021

(In thousands)

Assets	**THS**	**TRMC**	**THF**	**TPG**	**BMHC**	**UPC**	**UPAH**	**Eliminations**	**Consolidated**
Current assets:									
Cash and cash equivalents	$ 99	13,650	217	131	2,302	—	—	—	16,399
Short-term investments	493	6,228	52	—	960	—	—	—	7,733
Assets limited as to use – required for current liabilities	—	1,434	—	—	—	—	—	—	1,434
Patient accounts receivable	—	15,573	—	(1)	767	—	—	—	16,339
Other receivables	150	2,560	—	—	699	—	—	—	3,409
Inventories	—	4,251	—	—	—	—	—	—	4,251
Prepaid expenses	—	311	—	—	4	—	—	—	315
Due from affiliates	—	10,765	29	458	58	—	—	(7,404)	3,906
Total current assets	742	54,772	298	588	4,790	—	—	(7,404)	53,786
Assets limited as to use, noncurrent:									
Internally designated for capital improvements	—	61,442	—	—	—	—	—	—	61,442
Internally designated for insurance reserve	—	(18)	—	—	—	—	—	—	(18)
Total assets limited as to use, noncurrent	—	61,424	—	—	—	—	—	—	61,424
Property, plant and equipment, net	24	70,908	—	—	357	—	—	—	71,289
Operating lease right-of-use assets	—	928	—	—	9	—	—	—	937
Other long-term investments	585	14,291	26,300	16,235	2,127	—	—	—	59,538
Investments in joint ventures and other investments	30,731	29,461	—	—	24	3,960	4,847	(60,210)	8,813
Contributions receivable and other assets held in trust	—	—	4,384	—	—	—	—	—	4,384
Other	1	178	(1)	—	67	—	—	—	245
Total assets	$ 32,083	231,962	30,981	16,823	7,374	3,960	4,847	(67,614)	260,416
Liabilities and Net Assets									
Current liabilities:									
Current portion of operating lease liabilities	$ —	97	—	—	9	—	—	—	106
Accounts payable	1	5,018	17	5	47	—	—	—	5,088
Accrued payroll	838	4,849	23	—	196	—	—	—	5,906
Estimated settlements due to third-party payors	—	1,184	—	—	—	—	—	—	1,184
Due to affiliates	362	4,419	19	6,933	539	—	—	(7,404)	4,868
Other current liabilities	2	13,234	—	(1)	(1)	—	—	1	13,235
Total current liabilities	1,203	28,801	59	6,937	790	—	—	(7,403)	30,387
Long-term operating lease liabilities	—	831	—	—	—	—	—	—	831
Other long-term liabilities	483	3,746	—	16,235	34	—	—	—	20,498
Due to affiliates	—	6,300	—	—	—	—	—	—	6,300
Total liabilities	1,686	39,678	59	23,172	824	—	—	(7,403)	58,016
Net assets (deficit):									
Total without donor restrictions	30,397	183,115	22,217	(6,349)	6,526	3,960	4,250	(52,773)	191,343
With donor restrictions:									
Total with donor restrictions	—	9,169	8,705	—	24	—	597	(7,438)	11,057
Total net assets (deficit)	30,397	192,284	30,922	(6,349)	6,550	3,960	4,847	(60,211)	202,400
Total liabilities and net assets	$ 32,083	231,962	30,981	16,823	7,374	3,960	4,847	(67,614)	260,416

Definitions:

THS – Trinity Health Systems
TRMC – Trinity Regional Medical Center
THF – Trinity Health Foundation
TPG – Trimark Physicians Group
BMHC – Berryhill Mental Health Clinic
UPC – UnityPoint Clinic, THS portion
UPAH – UnityPoint at Home, THS portion

See accompanying independent auditors' report.

Schedule 9

IOWA HEALTH SYSTEM AND SUBSIDIARIES
(d/b/a UnityPoint Health)

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

Consolidating Statement of Operations Information

Year ended December 31, 2021

(In thousands)

	THS	TRMC	THF	TPG	BMHC	UPC	UPAH	Eliminations	Consolidated
Operating revenues:									
Patient service revenue	$ —	143,501	—	28	4,099	8,953	20,775	—	177,356
Other operating revenue	2,689	14,760	65	—	2,880	440	31	(2,443)	18,422
Net assets released from restrictions used for operations	—	145	32	—	—	9	119	—	305
Total operating revenue	2,689	158,406	97	28	6,979	9,402	20,925	(2,443)	196,083
Operating expenses:									
Salaries and wages	3,139	44,726	214	—	2,080	2,056	6,529	—	58,744
Physician compensation and services	—	25,901	—	(19)	2,347	8,617	19	(164)	36,701
Employee benefits	581	10,838	55	—	658	570	1,596	—	14,298
Supplies	—	21,866	2	—	23	362	8,389	(3)	30,639
Other expenses	22	35,509	212	6	329	4,655	5,133	(2,276)	43,590
Depreciation and amortization	11	5,292	—	—	62	93	122	—	5,580
Interest	—	828	—	—	—	—	—	—	828
Provision for uncollectible accounts	—	(2)	—	—	—	—	—	—	(2)
Total operating expenses	3,753	144,958	483	(13)	5,499	16,353	21,788	(2,443)	190,378
Operating income (loss)	(1,064)	13,448	(386)	41	1,480	(6,951)	(863)	—	5,705
Nonoperating gains (losses):									
Investment income	—	7,172	2,925	—	6	—	—	—	10,103
Total nonoperating gains, net	—	7,172	2,925	—	6	—	—	—	10,103
Excess of revenues over expenses attributable to UnityPoint Health	$ (1,064)	20,620	2,539	41	1,486	(6,951)	(863)	—	15,808

Definitions:
THS – Trinity Health Systems
TRMC – Trinity Regional Medical Center
THF – Trinity Health Foundation
TPG – Trimark Physicians Group
BMHC – Berryhill Mental Health Clinic
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 Information

December 31, 2021

(In thousands)

Assets	TRI-ST	Finley	VNA	UPAH	Eliminations	Consolidated
Current assets:						
Cash and cash equivalents	$ —	7,032	311	—	—	7,343
Short-term investments	—	2,972	—	—	—	2,972
Patient accounts receivable	—	18,243	74	—	—	18,317
Other receivables	—	1,538	379	—	—	1,917
Inventories	—	2,676	—	—	—	2,676
Prepaid expenses	—	334	5	—	—	339
Due from affiliates	—	2,513	178	—	(526)	2,165
Total current assets	—	35,308	947	—	(526)	35,729
Assets limited as to use, noncurrent:						
Internally designated for capital improvements	—	117,273	—	—	—	117,273
Total assets limited as to use, noncurrent	—	117,273	—	—	—	117,273
Property, plant and equipment, net	—	77,819	298	—	—	78,117
Operating lease right-of-use assets	—	4,522	526	—	—	5,048
Other long-term investments	—	7,985	—	81	—	8,066
Investments in joint ventures and other investments	14	1,587	2,344	—	—	3,945
Contributions receivable and other assets held in trust	—	11,453	—	—	—	11,453
Other	—	197	—	—	—	197
Total assets	$ 14	256,144	4,115	81	(526)	259,828
Liabilities and Net Assets						
Current liabilities:						
Current maturities of long-term debt	$ —	15	—	—	—	15
Current portion of operating lease liabilities	—	750	32	—	—	782
Accounts payable	—	5,704	6	—	—	5,710
Accrued payroll	—	5,795	192	—	—	5,987
Estimated settlements due to third-party payors	—	529	20	—	—	549
Due to affiliates	—	3,635	619	—	(526)	3,728
Other current liabilities	—	8,498	13	—	—	8,511
Total current liabilities	—	24,926	882	—	(526)	25,282
Long-term debt, net	—	(7)	—	—	—	(7)
Long-term operating lease liabilities	—	3,832	494	—	—	4,326
Other long-term liabilities	—	2,189	—	—	—	2,189
Due to affiliates	—	13,086	—	—	—	13,086
Total liabilities	—	44,026	1,376	—	(526)	44,876
Net assets (deficit):						
Without donor restrictions:						
Total without donor restrictions	14	200,660	386	81	—	201,141
Total with donor restrictions	—	11,458	2,353	—	—	13,811
Total net assets (deficit)	14	212,118	2,739	81	—	214,952
Total liabilities and net assets	$ 14	256,144	4,115	81	(526)	259,828

Definitions:
TRI-ST – Finley Tri-States Health Group, Inc.
Finley – The Finley Hospital
VNA – Visiting Nurse Association
UPAH – UnityPoint at Home, TRI-ST portion

See accompanying independent auditors' report.

Schedule 10

IOWA HEALTH SYSTEM AND SUBSIDIARIES
(d/b/a UnityPoint Health)

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

Consolidating Statement of Operations Information

Year ended December 31, 2021

(In thousands)

	TRI-ST	Finley	VNA	UPAH	Eliminations	Consolidated
Operating revenues:						
Patient service revenue	$ —	121,039	61	428	—	121,528
Other operating revenue	—	5,774	2,940	—	—	8,714
Net assets released from restrictions used for operations	—	292	213	—	—	505
Total operating revenue	—	127,105	3,214	428	—	130,747
Operating expenses:						
Salaries and wages	—	49,222	2,052	25	—	51,299
Physician compensation and services	—	11,227	—	—	—	11,227
Employee benefits	—	11,451	640	6	—	12,097
Supplies	—	20,644	72	302	—	21,018
Other expenses	—	30,727	417	62	—	31,206
Depreciation and amortization	—	5,535	22	1	—	5,558
Interest	—	1,085	—	—	—	1,085
Provision for uncollectible accounts	—	(25)	—	—	—	(25)
Total operating expenses	—	129,866	3,203	396	—	133,465
Operating income (loss)	—	(2,761)	11	32	—	(2,718)
Nonoperating gains (losses):						
Investment income	—	13,776	—	—	—	13,776
Other, net	—	—	—	—	—	—
Total nonoperating gains, net	—	13,776	—	—	—	13,776
Excess of revenues over expenses attributable to UnityPoint Health	$ —	11,015	11	32	—	11,058

Definitions:
TRI-ST – Finley Tri-States Health Group, Inc.
Finley – The Finley Hospital
VNA – Visiting Nurse Association
UPAH – UnityPoint at Home, TRI-ST portion

See accompanying independent auditors' report.

Schedule 11

IOWA HEALTH SYSTEM AND SUBSIDIARIES
(d/b/a UnityPoint Health)

Keokuk Area Hospital, Inc. and Subsidiaries (Keokuk)

Consolidating Balance Sheet Information

December 31, 2021

(In thousands)

Assets		KAH	TSMG	KAME	KAHF	Eliminations	Consolidated
Current assets:							
Cash and cash equivalents	$	—	—	—	—	—	—
Patient accounts receivable		—	—	—	—	—	—
Inventories		—	—	—	—	—	—
Prepaid expenses		—	—	—	—	—	—
Due from affiliates		—	—	—	—	—	—
Total current assets		—	—	—	—	—	—
Assets limited as to use, noncurrent:							
Internally designated for capital improvements		—	—	—	—	—	—
Total assets limited as to use, noncurrent		—	—	—	—	—	—
Property, plant and equipment, net		—	—	—	—	—	—
Other		—	—	—	—	—	—
Total assets	$	—	—	—	—	—	—
Liabilities and Net Assets							
Current liabilities:							
Current maturities of long-term debt	$	—	—	—	—	—	—
Accounts payable		—	—	—	—	—	—
Accrued payroll		—	—	—	—	—	—
Estimated settlements due to third-party payors		—	—	—	—	—	—
Due to affiliates		—	—	—	—	—	—
Other current liabilities		—	—	—	—	—	—
Total current liabilities		—	—	—	—	—	—
Long-term debt, net		—	—	—	—	—	—
Other long-term liabilities		—	—	—	—	—	—
Due to affiliates		—	—	—	—	—	—
Total liabilities		—	—	—	—	—	—
Net assets (deficit):							
Without donor restrictions		—	—	—	—	—	—
Total without donor restrictions		—	—	—	—	—	—
Total with donor restrictions		—	—	—	—	—	—
Total net assets (deficit)		—	—	—	—	—	—
Total liabilities and net assets	$	—	—	—	—	—	—

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

See accompanying independent auditors' report.

Schedule 11

IOWA HEALTH SYSTEM AND SUBSIDIARIES
(d/b/a UnityPoint Health)

Keokuk Area Hospital, Inc. and Subsidiaries (Keokuk)

Consolidating Statement of Operations Information

Year ended December 31, 2021

(In thousands)

	KAH	TSMG	KAME	KAHF	Eliminations	Consolidated
Operating revenues:						
Patient service revenue	$ 1,549	—	109	—	—	1,658
Other operating revenue	39	19	1	1	—	60
Net assets released from restrictions used for operations	—	—	—	—	—	—
Total operating revenue	1,588	19	110	1	—	1,718
Operating expenses:						
Salaries and wages	1,210	—	31	—	—	1,241
Physician compensation and services	361	—	—	—	—	361
Employee benefits	300	—	11	—	—	311
Supplies	287	—	40	—	—	327
Other expenses	492	—	45	1	—	538
Depreciation and amortization	112	4	11	—	—	127
Interest	145	—	—	—	—	145
Provision for uncollectible accounts	—	—	(6)	—	—	(6)
Total operating expenses	2,907	4	132	1	—	3,044
Operating income (loss)	(1,319)	15	(22)	—	—	(1,326)
Nonoperating gains (losses):						
Investment income	—	—	—	—	—	—
Total nonoperating gains, net	—	—	—	—	—	—
Excess of revenues over expenses attributable to UnityPoint Health	$ (1,319)	15	(22)	—	—	(1,326)

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

See accompanying independent auditors' report.

Schedule 12

IOWA HEALTH SYSTEM AND SUBSIDIARIES

(d/b/a UnityPoint Health)

Affiliated Colleges

Consolidating Balance Sheet Information

December 31, 2021

(In thousands)

Assets		MC	TCN	AC	SLC	Consolidated
Current assets:						
Cash and cash equivalents	$	2,127	3,667	517	334	6,645
Short-term investments		—	1,392	—	—	1,392
Student loan and other receivables		911	(2)	(140)	93	862
Inventories		68	—	—	—	68
Prepaid expenses		9	40	117	59	225
Due from affiliates		—	—	13,910	—	13,910
Total current assets		3,115	5,097	14,404	486	23,102
Property, plant and equipment, net		849	678	—	396	1,923
Other long-term investments		9,386	3,082	—	—	12,468
Interest in net assets of foundation		5,750	4,379	16,356	2,557	29,042
Other		—	—	708	465	1,173
Due from affiliates		—	—	—	—	—
Total assets	$	19,100	13,236	31,468	3,904	67,708
Liabilities and Net Assets						
Current liabilities:						
Accounts payable	$	55	16	95	2	168
Accrued payroll		104	29	392	71	596
Due to affiliates		—	174	283	—	457
Other current liabilities		—	628	18	197	843
Total current liabilities		159	847	788	270	2,064
Other long-term liabilities		—	—	695	16	711
Total liabilities		159	847	1,483	286	2,775
Net assets (deficit):						
Without donor restrictions:						
Attributable to UnityPoint Health		13,191	7,982	13,659	104	34,936
Attributable to noncontrolling interest		—	—	—	—	—
Total without donor restrictions		13,191	7,982	13,659	104	34,936
With donor restrictions:						
Attributable to UnityPoint Health		5,750	4,407	16,326	3,514	29,997
Attributable to noncontrolling interest		—	—	—	—	—
Total with donor restrictions		5,750	4,407	16,326	3,514	29,997
Total net assets (deficit)		18,941	12,389	29,985	3,618	64,933
Total liabilities and net assets	$	19,100	13,236	31,468	3,904	67,708

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.

Schedule 12

IOWA HEALTH SYSTEM AND SUBSIDIARIES

(d/b/a UnityPoint Health)

Affiliated Colleges

Consolidating Statement of Operations Information

Year ended December 31, 2021

(In thousands)

	MC	TCN	AC	SLC	Consolidated
Operating revenues:					
Tuition and student revenue	$ 11,559	4,075	11,795	2,876	30,305
Governmental pass-through	—	—	—	—	—
Grant revenue	998	331	1,356	14	2,699
Other revenue	41	61	65	159	326
Net assets released from restrictions used for operations	1	113	814	—	928
Total operating revenues	12,599	4,580	14,030	3,049	34,258
Operating expenses:					
Salaries and wages	6,140	1,772	7,104	2,404	17,420
Physician compensation and services	—	—	16	—	16
Employee benefits	1,542	410	1,667	614	4,233
Supplies	133	63	97	103	396
Other expenses	3,848	1,360	4,105	1,059	10,372
Depreciation and amortization	240	43	—	32	315
Provision for uncollectible accounts	86	26	12	30	154
Total operating expenses	11,989	3,674	13,001	4,242	32,906
Operating income (loss)	610	906	1,029	(1,193)	1,352
Nonoperating gains:					
Investment income	—	8	—	—	8
Total nonoperating gains, net	—	8	—	—	8
Revenues over (under) expenses	$ 610	914	1,029	(1,193)	1,360

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.

Schedule 13

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UNITYPOINT HEALTH
Supplementary Schedule of Financial Responsibility Data
As of and for the year ended December 31, 2021
(in thousands)

Financial element	Amount reported in financial statements or disclosed under U.S. GAAP	Amount used for financial responsibility ratio input	Location in financial statements or related notes
Primary reserve ratio: Expendable net assets:			
Net assets without donor restrictions	$ 4,202,794	—	Consolidated Balance Sheets
Net assets with donor restrictions	277,398	—	Consolidated Balance Sheets
Net assets with donor restrictions restricted in perpetuity	—	95,102	Note 16, Endowment
Net assets with donor restrictions: Other for purpose or time	—	182,296	Note 18, Financial Responsibility Standards
Purchase of equipment	—	26,079	
Indigent care/operations	—	101,096	
Health education	—	11,080	
For use in future periods	—	44,041	
Annuities with donor restrictions	—	—	
Term endowments with donor restrictions	—	—	
Life income funds with donor restrictions	—	—	
Secured and unsecured related-party receivables	—	—	
Unsecured related-party receivables	—	—	
Unsecured other related-party assets	—	—	
Property, plant and equipment, net (includes construction in progress and capital leases)	1,834,850	—	Consolidated Balance Sheets
Property, plant and equipment – pre-implementation (includes capital Leases)	—	—	
Property, plant and equipment – post-implementation with outstanding debt for original purchase (includes capital leases)	—	—	
Property, plant and equipment- post-implementation without outstanding debt for original purchase	1,742,560	—	Note 1(h), Property, Plant and Equipment
Construction in process	92,290	—	Note 1(h), Property, Plant and Equipment
Lease right-of-use asset, net	177,516	—	Consolidated Balance Sheets
Lease right-of-use asset post-implementation	177,516	—	
Intangible assets	—	38,569	Note 18, Financial Responsibility Standards
Post-employment and pension liabilities	—	179,111	Note 18, Financial Responsibility Standards
Long-term debt – for long-term purposes	1,834,850	—	Consolidated Balance Sheets
Long-term debt – for long-term purposes pre-implementation	—	—	
Long-term debt – for long-term purposes post-implementation	1,186,443	—	Consolidated Balance Sheets
Line of credit for construction in process	—	—	
Lease right-of-use asset liability	—	—	Consolidated Balance Sheets
Pre-implementation right-of-use leases liabilities	—	—	
Post-implementation right-of-use leases liabilities	177,516	—	Consolidated Balance Sheets
Total expenses and losses	—	—	
Primary reserve ratio: Total expenses and losses			
Total expenses without donor restrictions – taken directly from statement of activities	4,830,334	—	Note 18, Financial Responsibility Standards
Non-Operating and net investment (loss)	25,572	—	Consolidated Statements of Operations and Changes in Net Assets
Other components of net periodic pension costs	—	(18,658)	Note 18, Financial Responsibility Standards
Interest cost	—	19,198	
Expected return on plan assets	—	(45,726)	
Amortization of prior service credit	—	199	
Amortization of net (gain) loss	—	7,904	
Change in value of split-interest agreements	—	—	
Other losses	—	—	
Net investment losses	—	—	
Pension – related changes other than net periodic costs	—	—	Footnote 9, Retirement Benefit Plans
Equity ratio: Modified net assets:			
Net assets without donor restrictions	4,202,794	—	Consolidated Balance Sheets
Net assets with donor restrictions	277,398	—	Consolidated Balance Sheets
Lease right-of-use asset pre-implementation	—	—	
Pre-implementation right-of-use leases liabilities	—	—	
Intangible assets	38,569	—	Note 18, Financial Responsibility Standards
Unsecured related-party receivables	—	—	
Unsecured related-party other assets	—	—	
Equity ratio: Modified assets:			
Total assets	7,317,747	—	Consolidated Balance Sheets
Lease right-of-use asset pre-implementation	—	—	
Intangible assets	38,569	—	Note 18, Financial Responsibility Standards
Unsecured related-party receivables	—	—	
Unsecured related-party other assets	—	—	
Net income ratio: Change in net assets without donor restrictions:			
Change in net assets without donor restriction	4,202,794	—	Consolidated Statements of Operations and Changes in Net Assets
Net income ratio: Total revenues and gains:			
Total operating revenue and other additions (gains)	4,858,490	—	Consolidated Statements of Operations and Changes in Net Assets
Investment return appropriated for spending	1,648	—	Footnote 16, Endowment
Non-operating revenue and other gains	315,696	—	Consolidated Statements of Operations and Changes in Net Assets

See accompanying independent auditors' report.