Advocate Aurora Health, Inc. and its Affiliates and Subsidiaries

Consolidated Financial Statements and Supplementary Information
As of and for the Period Ended December 31, 2018

AdvocateAuroraHealth

Advocate Health Care   Aurora Health Care

Document Dated as of March 27, 2019

ADVOCATE AURORA HEALTH, INC. AND ITS AFFILIATES AND SUBSIDIARIES

TABLE OF CONTENTS

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Report of Independent Auditors

The Board of Directors
Advocate Aurora Health, Inc. and its Affiliates and Subsidiaries

We have audited the accompanying consolidated financial statements of Advocate Aurora Health Care, Inc. and its Affiliates and Subsidiaries, which comprise the consolidated balance sheet as of December 31, 2018, and the related consolidated statements of operations and changes in net assets, and cash flows for the period from April 1, 2018 through December 31, 2018, 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 financial statements in conformity 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 financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Advocate Aurora Health Care, Inc. and its Affiliates and Subsidiaries at December 31, 2018, and the consolidated results of their operations and their cash flows for the period from April 1, 2018 through December 31, 2018, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

March 27, 2019

ADVOCATE AURORA HEALTH, INC. AND ITS AFFILIATES AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(dollars in thousands)

		December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$	584,887
Assets limited as to use		106,244
Patient accounts receivable		1,486,260
Other current assets		512,556
Third-party payors receivables		17,793
Collateral proceeds under securities lending program		18,869
Total current assets		2,726,609
Asset limited as to use:		
Internally designated for capital and other		6,941,646
Held for self-insurance		632,372
Donor restricted		119,759
Investments under securities lending program		18,310
Total assets limited as to use		7,712,087
Property and equipment, net		5,626,475
Other assets:		
Intangible assets and goodwill, net		89,329
Investments in unconsolidated entities		202,331
Reinsurance receivable		60,741
Other noncurrent assets		315,217
Total other assets		667,618
Total assets	$	16,732,789

ADVOCATE AURORA HEALTH, INC. AND ITS AFFILIATES AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(dollars in thousands)

		December 31, 2018
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	$	49,927
Long-term debt subject to short-term financing arrangements		162,025
Accounts payable and accrued liabilities		1,671,124
Third-party payors payables		303,633
Current portion of accrued insurance and claim costs		122,361
Collateral under securities lending program		18,869
Total current liabilities		2,327,939
Noncurrent liabilities:		
Long-term debt, less current portion		2,796,906
Accrued insurance and claims cost, less current portion		593,296
Accrued losses subject to insurance recovery		60,741
Obligations under swap agreements		65,376
Other noncurrent liabilities		645,554
Total noncurrent liabilities		4,161,873
Total liabilities		6,489,812
Net assets:		
Without donor restrictions:		
Controlling interest		9,900,718
Noncontrolling interest in subsidiaries		118,468
Total net assets without donor restrictions		10,019,186
With donor restrictions		223,791
Total net assets		10,242,977
Total liabilities and net assets	$	16,732,789

See accompanying notes to consolidated financial statements.

ADVOCATE AURORA HEALTH, INC. AND ITS AFFILIATES AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

(dollars in thousands)

	Nine Months Ended December 31, 2018
Revenue:	
Patient service revenue	$ 7,533,468
Capitation revenue	1,035,995
Other revenue	643,943
Total revenue	9,213,406
Expenses:	
Salaries, wages and benefits	4,993,014
Supplies and purchased services	2,233,107
Contract medical services	478,393
Depreciation and amortization	410,790
Interest	81,385
Other	602,668
Total expenses	8,799,357
Operating income before nonrecurring expenses	414,049
Nonrecurring expenses	55,182
Operating income	358,867
Nonoperating loss:	
Investment loss, net	(258,118)
Loss on debt refinancing	(29,859)
Change in fair value of interest rate swaps	993
Other nonoperating income, net	646
Total nonoperating loss, net	(286,338)
Excess of revenue over expenses	72,529
Less noncontrolling interest	(34,383)
Excess of revenue over expenses – attributable to controlling interest	$ 38,146

ADVOCATE AURORA HEALTH, INC. AND ITS AFFILIATES AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
(dollars in thousands)

	Nine Months Ended December 31, 2018
Net assets without donor restrictions, controlling interest	
Excess of revenue over expenses – attributable to controlling interest	$ 38,146
Pension-related changes other than net periodic pension costs	(86,283)
Net assets released from restrictions for purchase of property and equipment	5,460
Other, net	(414)
Decrease in net assets without donor restrictions, controlling interest	(43,091)
Net assets without donor restrictions, noncontrolling interest	
Excess of revenue over expenses	34,383
Distributions to noncontrolling interest	(20,572)
Other, net	(81)
Increase in net assets without donor restrictions, noncontrolling interest	13,730
Net assets with donor restrictions	
Contributions	16,614
Investment loss, net	(2,347)
Net assets released from restrictions for operations	(17,720)
Net assets released from restrictions for purchase of property and equipment	(5,460)
Other, net	858
Decrease in net assets with donor restrictions	(8,055)
Decrease in net assets	(37,416)
Net assets at beginning of period	10,280,393
Net assets at end of period	$ 10,242,977

See accompanying notes to consolidated financial statements.

ADVOCATE AURORA HEALTH, INC. AND ITS AFFILIATES AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(dollars in thousands)

	Nine Months Ended December 31, 2018
Cash flows from operating activities	
Decrease in net assets	$ (37,416)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation, amortization and accretion	404,012
Loss on debt refinancing	29,859
Gain on sale of property and equipment	(3,853)
Change in fair value of swap agreements	(993)
Pension-related changes other than net periodic pension cost	86,283
Restricted contributions and gains on investments, net of assets released from restrictions used for operations	(11,304)
Distribution to noncontrolling interest	33,101
Changes in operating assets and liabilities:	
Trading securities, net	348,851
Accounts receivable, net	(15,547)
Accounts payable and accrued liabilities	141,680
Third-party payors receivable and payable, net	(14,993)
Other assets and liabilities, net	(79,962)
Net cash provided by operating activities	879,718
Cash flows from investing activities	
Capital expenditures	(552,933)
Proceeds from sale of property and equipment	7,626
Sales of investments designated as non-trading, net	10,093
Investments in unconsolidated entities, net	(3,100)
Other	3,118
Net cash used in investing activities	(535,196)
Cash flows from financing activities	
Proceeds from long-term debt	1,226,853
Repayments of long-term debt and other obligations	(1,371,174)
Distribution to noncontrolling interest	(33,101)
Proceeds from restricted contributions and gains on investments	9,682
Net cash used in financing activities	(167,740)
Net increase in cash and cash equivalents	176,782
Cash and cash equivalents at beginning of period	408,105
Cash and cash equivalents at end of period	$ 584,887

See accompanying notes to consolidated financial statements.

1. ORGANIZATION AND BASIS OF PRESENTATION

Description of Business

On April 1, 2018, Advocate Aurora Health, Inc., a Delaware nonprofit corporation (the Parent Corporation) became the sole corporate member of Advocate Health Care Network, an Illinois not-for-profit corporation (Advocate) and Aurora Health Care, Inc., a Wisconsin nonstock not-for-profit corporation (Aurora) (the Affiliation). The Parent Corporation, Advocate and Aurora and their controlled subsidiaries and affiliates are collectively referred to herein as the "System." The System was formed to further the parties' common and unifying charitable health care mission to promote and improve the quality and expand the scope and accessibility of affordable health care and health care-related services for the communities they serve.

The System is comprised of various not-for-profit and for-profit entities, the primary activities of which are the delivery of health care services and the provision of goods and services ancillary thereto.

The System provides a continuum of care through its 25 acute care hospitals, an integrated children's hospital, psychiatric hospital, primary and specialty physician services, outpatient centers, physician office buildings, pharmacies, behavioral health care, rehabilitation and home health and hospice care in northern and central Illinois and eastern Wisconsin.

Principles of Consolidation

Included in the System's consolidated financial statements are all of its wholly owned or controlled subsidiaries and affiliates. All significant intercompany transactions have been eliminated in consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities and notes to the consolidated financial statements at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Although estimates are considered to be fairly stated at the time made, actual results could differ materially from those estimates.

Cash Equivalents

The System considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

The System has designated substantially all of its investments as trading. Investments in debt and equity securities with readily determinable fair values are measured at fair value using quoted market prices or otherwise observable inputs. Investments in private equity limited partnerships and derivative products (hedge funds) are reported at fair value using net asset value as a practical expedient. Commingled funds are carried at fair value based on other observable inputs. Investment income or loss (including realized gains and losses, interest, dividends and unrealized gains and losses) is included in the nonoperating section of the consolidated statement of operations and changes in net assets unless the income or loss is restricted by donor or law or is related to assets designated for self-insurance programs. Investment income on self-insurance trust funds is reported in other revenue. Investment income that is restricted by donor or law is reported as a change in net assets with donor restrictions.

Assets Limited as to Use

Assets limited as to use consist of investments set aside by the System for future capital improvements and certain medical education and other health care programs. The System retains control of these investments and may, at its discretion, subsequently use them for other purposes. Additionally, assets limited as to use include investments held by trustees or in trust under debt agreements, self-insurance trusts, assets held in reinsurance trust accounts and donor-restricted funds.

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 are due from patients, third-party payors (including managed care payors and government programs) and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, patients and third-party payors are billed within days after the services are performed or shortly after discharge. Revenue is recognized as performance obligations are satisfied. Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and final settlements are determined.

As the System's performance obligations relate to contracts with a duration of less than one year, the System has applied the optional exemption provided in the guidance 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.

As provided for under the guidance, the System does not adjust the promised amount of consideration from patients and third-party payers 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 payer pays for that service will be one year or less.

The System has entered into payment arrangements with patients that allow for payments over a term in excess of one year. The System has evaluated historical collections in excess of one year and current market interest rates to determine whether a significant financing component exists which would require an adjustment to the promised amount of consideration from patients and third-party payors. The System has determined that the impact of implicit financing arrangements for payment agreements in excess of one year is insignificant to the consolidated statement of operations and changes in net assets.

The System does not incur significant incremental costs in obtaining contracts with patients. As permitted in the guidance, any costs which are incurred are expensed in the period of occurrence, as the amortization period of any asset that the System would have recognized is one year or less in duration.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is a possibility that recorded estimates will change by a material amount.

Inventories

Inventories, consisting primarily of medical supplies, pharmaceuticals and durable medical equipment, are stated at the lower of cost (first-in, first-out) or market. Retail pharmaceutical inventories are stated at replacement cost.

Reinsurance Receivables

Reinsurance receivables are recognized in a manner consistent with the liabilities relating to the underlying reinsured contracts.

Intangible Assets and Goodwill, Net

Goodwill of $65,862 is included in intangible assets and goodwill, net in the accompanying consolidated balance sheet. Goodwill is not amortized and is evaluated for impairment at least annually. Intangible assets with expected useful lives are amortized over that period.

Asset Impairment

The System considers whether indicators of impairment are present and performs the necessary tests to determine if the carrying value of an asset is appropriate. Impairment write-downs are recognized in the statement of operations and changes in net assets as a component of operating expense at the time the impairment is identified.

Property and Equipment, Net

Property and equipment are reported at cost or, if donated, at fair value at the date of the gift. Costs of computer software developed or obtained for internal use, including external and internal direct costs of materials and labor directly associated with internal-use software development projects, are capitalized and included in property and equipment. Internal labor and interest expense incurred during the period of construction of significant capital projects is capitalized as a component of the costs of the asset.

Property and equipment capitalized under capital leases are recorded at the net present value of future minimum lease payments and are amortized on the straight-line method over the lessor of the related lease term or the estimated useful life of the asset. Amortization of property and equipment under capital leases is included in the accompanying consolidated statement of operations and changes in net assets in depreciation and amortization expense.

Property and equipment assets are depreciated on the straight-line method over a period ranging from 3 years to 80 years.

Investments in Unconsolidated Entities

Investments in unconsolidated entities are accounted for using the cost or equity method. The System applies the equity method of accounting for investments in unconsolidated entities when its ownership or membership interest is 50% or less and the System has the ability to exercise significant influence over the operating and financial policies of the investee. All other unconsolidated entities are accounted for using the cost method. The income (loss) on health-related unconsolidated entities is included in other operating revenue in the accompanying consolidated statement of operations and changes in net assets. Nonhealth-related unconsolidated entities are included within other nonoperating income, net.

Derivative Financial Instruments

The System has entered into transactions to manage its interest rate, credit and market risks. Derivative instruments, including exchange-traded and over-the-counter derivative contracts and interest rate swaps, are recorded as either assets or liabilities at fair value. Subsequent changes in a derivatives fair value are recognized in nonoperating loss.

Bond Issuance Costs, Discounts and Premiums

Bond issuance costs, discounts and premiums are amortized over the term of the bonds using the effective interest method and are included in long-term debt in the consolidated balance sheet.

General and Professional Liability Risks

The provision for self-insured general and professional liability claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. The System measures the cost of its unfunded obligations under such programs based upon actuarial calculations and records a liability on a discounted basis.

Net Assets With Donor Restrictions

Net assets with donor restrictions are those assets whose use by the System has been limited by donors to a specific time period or purpose, or consist of gifts with corpus values that have been restricted by donors to be maintained in perpetuity. Net assets with donor restrictions are used in accordance with the donor's wishes primarily to purchase property and equipment, to fund medical education or to fund health programs.

Assets released from restrictions to fund purchases of property and equipment are reported in the consolidated statement of operations and changes in net assets as increases to net assets without donor restrictions. Those assets released from restriction for operating purposes are reported in the consolidated statement of operations and changes in net assets as other revenue. When restricted, earnings are recorded as net assets with donor restrictions until amounts are expended in accordance with the donor's specifications.

Other Nonoperating Income, Net

Revenues and expenses from delivering health care services and the provision of goods and services ancillary thereto are reported in operations. Income and losses that arise from transactions that are peripheral or incidental to the System's main purpose are included in other nonoperating income, net. Other nonoperating income, net primarily consists of impairment charges that are not related to delivering health care services, fund-raising expenses, contributions to charitable organizations, income taxes and the net non-service components of the periodic benefit income on the System's pension plans.

Excess of Revenues Over Expenses and Changes in Net Assets

The consolidated statement of operations and changes in net assets includes the excess of revenues over expenses as the performance indicator. Changes in net assets without donor restrictions, which are excluded from excess of revenues over expenses, primarily include contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets), pension-related changes other than net periodic pension costs and distributions to noncontrolling interests.

Nonrecurring Expenses

The System has incurred salary, purchased services and other expenses in connection with the Affiliation and the implementation of an electronic medical records system. As a result, these costs were recorded as nonrecurring in the consolidated statement of operations and changes in net assets.

Accounting Pronouncements Adopted

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.* The guidance requires net assets to be categorized either as net assets with donor restrictions or net assets without donor restrictions rather than the previous three classes of net assets. The guidance also requires additional quantitative and qualitative disclosures related to liquidity and financial performance, as well as disclosure of expenses by their natural and functional classifications. The System adopted this guidance for annual reporting as of December 31, 2018.

Accounting Pronouncements Not Yet Adopted

In August 2018, the FASB issued ASU 2018-15, *Intangibles–Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Contract*. This guidance requires an entity in a hosting arrangement that is a service contract to follow the guidance in Subtopic 350-40 to determine which implementation costs to capitalize as an asset and which costs to expense as incurred. Also, this guidance requires the entity to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. Further, the guidance requires the entity to present the expense related to the capitalized implementation costs in the same line item in the consolidated statement of operations and changes in net assets as the fees associated with the hosting element (service) of the arrangement and classify payments for capitalized implementation costs in the consolidated statement of cash flows in the same manner as payments made for fees associated with the hosting element. The entity is also required to present the capitalized implementation costs in the consolidated balance sheet in the same line item that a prepayment for the fees of the associated hosting arrangement would be presented. This guidance is effective for the fiscal years and interim periods within those fiscal years beginning after December 15, 2020, early adoption is permitted. The System early adopted this guidance effective January 1, 2019, on a prospective basis.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance clarifies whether a transfer of assets is a contribution or an exchange transaction and further clarifies how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. This standard was effective for the System beginning January 1, 2019, on a modified prospective basis. This guidance did not have a material impact on the System's consolidated statement of operations and changes in net assets.

In November 2016, the FASB issued ASU 2016-18, *Restricted Cash*. This guidance will require restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the consolidated statement of cash flows. This guidance is effective for the fiscal years and interim periods within those fiscal years beginning after December 15, 2018. The System adopted this standard effective January 1, 2019. This guidance did not have a material impact on the System's consolidated statement of cash flows.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, which amends guidance in Accounting Standards Codification (ASC) 230 on the classification of certain cash receipts and payments in the statement of cash flows. This standard is effective for the System beginning January 1, 2019. This guidance did not have a material impact on the System's consolidated statement of cash flows, with the primary change being the movement of certain distributions from equity method investees from cash used in investing activities to cash flows from operations.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This guidance introduces a lessee model that brings most leases on to the balance sheet. The standard also aligns certain of the underlying principles of the new lessor model with those in ASU 2014-09, the new revenue recognition standard. This standard was effective for the System effective January 1, 2019, and was adopted using a modified retrospective approach. The System recorded a right of use asset and right of use liability of approximately $425,000 due to the adoption of this standard. This guidance did not have a material impact on the System's consolidated statement of operations and changes in net assets.

3. COMMUNITY BENEFIT

Community Benefit

The System provides health care services without charge to patients who meet the criteria of its charity care policies. Charity care services are not reported as patient service revenue because payment is not anticipated while the related costs to provide the health care are included in operating expenses. Charity care is provided to patients who meet the criteria established under the applicable financial assistance policy. Qualifying patients can receive up to 100% discounts from charges and extended payments plans. The System's cost of providing charity care for the nine months ended December 31, 2018, as determined using total cost to charge ratios, was $101,192.

In addition to the provision of charity care, the System provides significant financial support to its communities to sustain and improve health care services.

These activities include:

- The unreimbursed cost of providing care to patients covered by the Medicare and Medicaid programs.

- The cost of providing services, which are not self-sustaining, for which patient service revenues are less than the costs required to provide the services. Such services benefit uninsured and low-income patients, as well as the broader community, but are not expected to be financially self-supporting.

- Other community benefits include the unreimbursed costs of community benefits programs and services for the general community, not solely for those demonstrating financial need, including the unreimbursed cost of medical education, health education, immunizations for children, support groups, health screenings and fairs.

4. REVENUE AND RECEIVABLES

Patient Service Revenue

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 are due from patients, third-party payors (including managed care payors and government programs) and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, patients and third-party payors are billed shortly after discharge. Revenue is recognized as performance obligations are satisfied.

Performance obligations are identified based on the nature of the services provided. Revenue associated with performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Performance obligations satisfied over time relate to patients receiving inpatient acute care services. The System measures the performance obligation from admission into the hospital to the point when there are no further services required for the patient, which is generally the time of discharge. For outpatient services, the performance obligation is satisfied as the patient simultaneously receives and consumes the benefits provided as the services are performed. In the case of these outpatient services, recognition of the obligation over time yields the same result as recognizing the obligation at a point in time. Management believes this method provides a faithful depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations.

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 analysis, 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 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 (and underinsured in the case of Advocate) 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.

For the nine months ended December 31, 2018, changes in the System's estimates of implicit price concessions, discounts and contractual adjustments or other reductions to expected payments for performance obligations in prior years were not significant.

In certain instances, the System does receive payment in advance of the services provided and would consider these amounts to represent contract liabilities. Contract liabilities at December 31, 2018 were not significant.

Currently, the state of Illinois utilizes supplemental reimbursement programs to supplement reimbursement to providers to offset a portion of the cost of providing care to Medicaid and indigent patients. These programs are designed with input from the Centers for Medicare and Medicaid Services and are funded with a combination of state and federal resources, including assessments levied on the providers. Under these supplemental programs, the System recognizes revenue and related expenses in the period in which amounts are estimable and collection is reasonably assured. Reimbursement under these programs is reflected in patient service revenue and the assessment is reflected in other expense in the consolidated statement of operations and changes in net assets. For the nine months ended December 31, 2018, patient service revenue includes $197,614 related to this program and expenses include $124,898 of tax assessment fees.

The state of Wisconsin assesses a fee or tax on patient service revenue. The revenues from this assessment are used to increase payments made to hospitals for services provided to Medicaid and other medically indigent patients. The System's patient service revenue reflects this increase in payment for services to Medicaid and other medically indigent patients and hospital tax assessment expense reflects the fees assessed by the state. For the nine months ended December 31, 2018, patient service revenue includes $79,600, related to this program, and other expenses include $73,800 of tax assessment fees.

The System has filed formal appeals relating to the settlement of certain prior-year Medicare cost reports. The outcome of these appeals cannot be determined at this time.

Management has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the payors geographical location, the line of business that renders services to patients and the timing of when revenue is recognized and billed. The composition of patient service revenue by payor for the nine months ended December 31, 2018, is as follows:

Managed care	$ 4,232,627	56%
Medicare	2,269,578	30
Medicaid – Wisconsin	299,951	4
Medicaid – Illinois	529,780	7
Self-pay and other	201,532	3
	$ 7,533,468	100%

Deductibles, copayments and coinsurance under third-party payment programs which are the patient's responsibility are included within the primary payor category in the table above.

The composition of patient service revenue by service line and state for the nine months ended December 31, 2018, is as follows:

	Wisconsin	Illinois	Patient Service Revenue	Percent of Total
Hospital	$ 2,679,106	$ 2,927,812	$ 5,606,918	75%
Clinic	1,235,242	433,896	1,669,138	22
Home Health	88,529	79,310	167,839	2
Other	22,898	66,675	89,573	1
Total	**$ 4,025,775**	**$ 3,507,693**	**$ 7,533,468**	**100%**

Capitation Revenue

The System has agreements with various managed care organizations under which the System provides or arranges for medical care to members of the organizations in return for a monthly payment per member. Revenue is earned each month as a result of agreeing to provide or arrange for their medical care.

Substantially all of the System's capitation revenue is generated in Illinois.

Other Revenue

Other revenue is recognized at an amount that reflects the consideration to which the System expects to be entitled in exchange for providing goods and services. The amounts recognized reflect consideration due from customers, third-party payors and others. Primary categories of other revenue include income from joint ventures, retail pharmacy revenue, grant revenue, cafeteria revenue, rent revenue and other miscellaneous revenue.

Patient Accounts Receivable

The System's patient accounts receivable is reported at the amount that reflects the consideration to which it expects to be entitled, in exchange for providing patient care.

The revenues related to patient accounts receivable are reported at net realizable value based on certain assumptions. For third-party payors including Medicare, Medicaid and Managed Care, the net realizable value is based on the estimated contractual reimbursement percentage, which is based on current contract prices or historical paid claims data by payor. For self-pay, the net realizable value is determined using estimates of historical collection experience including an analysis by aging category. These estimates are adjusted for expected recoveries and any anticipated changes in trends including significant changes in payor mix, shared revenue cycle operations, economic conditions or trends in federal and state governmental health care coverage.

The composition of patient accounts receivable is summarized as follows:

	December 31, 2018			April 1, 2018		
Managed care	$	627,409	42%	$	607,349	41%
Medicare		285,837	19		261,674	18
Medicaid – Wisconsin		39,958	3		45,394	3
Medicaid – Illinois		229,139	15		223,888	15
Self-pay and other		303,917	21		332,408	23
	$	1,486,260	100%	$	1,470,713	100%

The self-pay patient accounts receivable above includes amounts due from patients for co-insurance, deductibles, installment payment plans and amounts due from patients without insurance.

5. POOLED INVESTMENT FUND

In September 2018, a pooled investment fund (pool) was created. The pool investments are owned by Advocate Health and Hospitals Corporation (AHHC), a System subsidiary. Each participant in the pool is an affiliate of AHHC. Per the Investment Agreement, each participant in the pool has no ownership interest in the pool's investment assets. The participant receives a commensurate value in units of the pool which is adjusted each month to the current market value. If redemption is sought under the terms of the agreement, the participant is only entitled to receive the fair market value of its units in cash.

At December 31, 2018, the total value of the pool investments is $7,483,361. The pool invests in a diversified portfolio of investments, including alternative investments, such as real asset funds, hedge funds and private equity limited partnerships. Collectively, these funds have liquidity terms ranging from daily to annual with notice periods typically ranging from 1 to 90 days. Due to redemption restrictions, investments in certain of these funds, whose fair value was approximately $3,685,071 at December 31, 2018, cannot currently be redeemed for periods ranging from one to eleven years. However, the potential for the pool to sell its interest in these funds in a secondary market prior to the end of the fund term does exist, for prices at or other than the then carrying value.

At December 31, 2018, the System had additional commitments to fund alternative investments, including recallable distributions of $1,043,005 over the next seven years.

In the normal course of operations and within established investment policy guidelines, the System may enter into various exchange-traded and over-the-counter derivative contracts for trading purposes, including futures, options and forward contracts. These instruments are used primarily to maintain the System's strategic asset allocation. These instruments require the System to deposit cash collateral with the broker or custodian. At December 31, 2018, the collateral provided was $44,560. At December 31, 2018, the notional value of the derivatives in long positions was $190,305 and those in a short position was $(129,391).

By using derivative financial instruments, the System exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparty owes the System, which creates credit risk for the System. When the fair value of a derivative contract is negative, the System owes the counterparty, and therefore, it does not possess credit risk. The System minimizes the credit risk in derivative instruments by entering into transactions that may require the counterparty to post collateral for the benefit of the System based on the credit rating of the counterparty and the fair value of the derivative contract. Market risk is the adverse effect on the value of a financial instrument that results from a change in the underlying reference security. The market risk associated with market changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

Receivables and payables for investment trades not settled are presented with other current assets and accounts payable and accrued liabilities. Unsettled sales resulted in receivables due from brokers of $37,699 at December 31, 2018. Unsettled purchases resulted in payables of $13,494 at December 31, 2018.

6. CASH AND CASH EQUIVALENTS AND INVESTMENTS (including assets limited as to use)

Investments (including assets limited as to use) and other financial instruments at December 31, 2018, are summarized as follows:

Assets limited as to use:	
Internally designated for capital and other	$ 6,941,646
Held for self-insurance	738,616
Donor restricted	119,759
Investments under securities lending program	18,310
	7,818,331
Other financial instruments:	
Cash and cash equivalents	584,887
	$ 8,403,218

The composition and carrying value of assets limited as to use, investments and cash and cash equivalents at December 31, 2018, are set forth in the following table:

Cash and short-term investments	$ 807,549
Corporate bonds and other debt securities	577,406
United states governmental obligations	609,160
Non-governmental fixed-income obligations	26,328
Bond and other debt security funds	578,088
Hedge funds	2,593,506
Private equity limited partnerships	1,113,544
Equity securities	1,164,533
Equity funds	933,104
	$ 8,403,218

Investment returns for assets limited as to use and cash and cash equivalents are comprised of the following for the nine months ended December 31, 2018:

Interest income and dividends	$ 55,944
Income from alternative investments	19,556
Net realized gains	156,757
Net unrealized losses	(474,189)
Total	$ (241,932)

Investment returns are included in the consolidated statement of operations and changes in net assets as follows for the nine months ended December 31, 2018:

Other revenue	$	18,533
Investment loss, net		(258,118)
Net assets with donor restrictions		(2,347)
Total	$	(241,932)

As part of the management of the investment portfolio, the System has entered into an arrangement whereby securities owned by the System are loaned primarily to brokers and investment banks. The loans are arranged through a bank. Borrowers are required to post collateral for securities borrowed equal to no less than 102% of the value of the security on a daily basis, at a minimum. The bank is responsible for reviewing the creditworthiness of the borrowers. The System has also entered into an arrangement whereby the bank is responsible for the risk of borrower bankruptcy and default. At December 31, 2018, the System loaned $18,310 in securities and accepted collateral for these loans in the amount $18,869, which represents cash and governmental securities and are included in current liabilities and current assets, respectively, in the accompanying consolidated balance sheet.

7. FAIR VALUE

The System accounts for certain assets and liabilities at fair value and categorizes assets and liabilities measured at fair value in the consolidated financial statements based upon whether the inputs used to determine their fair values are observable or unobservable. Observable inputs are inputs which are based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about pricing the asset or liability, based on the best information available under the circumstances.

The fair value of all assets and liabilities recognized or disclosed at fair value is classified based on the lowest level of significant inputs. Assets and liabilities that are measured at fair value are disclosed and classified in one of three categories. Category inputs are defined as follows:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities on the reporting date.

Level 2 — Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 — Inputs that are unobservable for the asset or liability for which there is little or no market data.

The following section describes the valuation methodologies used by the System to measure financial assets and liabilities at fair value. In general, where applicable, the System uses quoted prices in active markets for identical assets and liabilities to determine fair value. This pricing methodology applies to Level 1 investments such as domestic and international equities, exchange-traded funds and agency securities.

If quoted prices in active markets for identical assets and liabilities are not available to determine fair value, then quoted prices for similar assets and liabilities or inputs other than quoted prices that are observable either directly or indirectly are used. These investments are included in Level 2 and consist primarily of corporate notes and bonds, foreign government bonds, mortgage-backed securities, fixed-income securities, including fixed-income government obligations, commercial paper and certain agency, United States and international equities, which are not traded on an active exchange. The fair value for the obligations under swap agreements included in Level 2 is estimated using industry standard valuation models. These models project future cash flows and discount the future amounts to a present value using market-based observable inputs, including interest rate curves. The fair values of the obligation under swap agreements include adjustments related to the System's credit risk.

Investments owned by the System are exposed to various kinds and levels of risk. Equity securities and equity funds expose the entity to market risk, performance risk and liquidity risk for both domestic and international investments. Market risk is the risk associated with major movements of the equity markets. Performance risk is that risk associated with a company's operating performance. Fixed-income securities and fixed-income mutual funds expose the System to interest rate risk, credit risk and liquidity risk. As interest rates change, the value of many fixed-income securities is affected, including those with fixed interest rates. Credit risk is the risk that the obligor of the security will not fulfill its obligations. Liquidity risk is affected by the willingness of market participants to buy and sell particular securities. Liquidity risk tends to be higher for equities related to small capitalization companies and certain alternative investments. Due to the volatility in the capital markets, there is a reasonable possibility of subsequent changes in fair value resulting in additional gains and losses in the near term.

The carrying values of cash and cash equivalents, accounts receivable and payable, other current assets and accrued liabilities are reasonable estimates of their fair values due to the short-term nature of these financial instruments.

The fair values of financial assets and liabilities that are measured at fair value on a recurring basis at December 31, 2018, are as follows:

	December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Cash and short-term investments	$ 807,549	$ 430,889	$ 376,660	$ —
Corporate bonds and other debt securities	577,406	—	577,406	—
United States government obligations	609,160	—	609,160	—
Bond and other debt security funds	578,088	102,552	475,536	—
Non-government fixed-income obligations	26,328	—	26,328	—
Equity securities	1,164,533	1,164,533	—	—
Equity funds	933,104	185,247	747,857	—
	4,696,168	$ 1,883,221	$ 2,812,947	—
Investments at net asset value				
Hedge funds	2,593,506			
Private equity limited partnerships	1,113,544			
Total investments	$ 8,403,218			
Collateral proceeds received under securities lending program	$ 18,869		$ 18,869	
Liabilities				
Obligations under swap agreements	$ (65,376)		$ (65,376)	
Obligations to return capital under securities lending program	$ (18,869)		$ (18,869)	

8. PROPERTY AND EQUIPMENT, NET

The components of property and equipment at December 31, 2018, are summarized as follows:

Land and improvements	$ 473,862
Buildings and fixed equipment	7,102,622
Movable equipment and computer software	2,956,722
Construction-in-progress	306,531
Total property and equipment	10,839,737
Accumulated depreciation and amortization	(5,213,262)
Property and equipment, net	$ 5,626,475

Property and equipment include net assets under capitalized leases and other financing arrangements totaling $157,452 (gross of $232,971, accumulated amortization of $75,519) at December 31, 2018.

For the nine months ending December 31, 2018, depreciation expense was $409,950.

9. INVESTMENTS IN UNCONSOLIDATED ENTITIES

The System has a 49% interest in Bay Area Medical Center (BAMC), a 99-bed general acute care hospital located in Marinette, Wisconsin. The System's investment in BAMC is accounted for under the equity method of accounting and is presented within investments in unconsolidated entities in the accompanying consolidated balance sheet. The System's investment in BAMC at December 31, 2018, was $26,547. In January 2019, the System entered into an agreement to acquire the remaining 51% interest in BAMC. See additional discussion of this transaction in Note 21. SUBSEQUENT EVENTS.

The System has a 27% interest in Aurora Bay Area Medical Group (ABAMG), which provides inpatient, outpatient and other necessary professional medical services in Marinette, Wisconsin and its surrounding communities. BAMC owns the remaining 73% of ABAMG. The System's investment in ABAMG is accounted for under the equity method and is presented within investments in unconsolidated entities in the accompanying consolidated balance sheet. The System leases employees and buildings to ABAMG and recognized $12,888 of other revenue for the nine months ended December 31, 2018, under these leasing agreements. The System made additional capital contributions to ABAMG of $4,361 during the nine months ended December 31, 2018. The System's investment in ABAMG was $703 at December 31, 2018.

In connection with the acquisition of a medical center, the System acquired an interest in the net assets of the Masonic Family Health Foundation (MFHF), an independent organization, under the terms of an asset purchase agreement (the Agreement). The use of substantially all MFHF's net assets are designated to support the operations and/or capital needs of one of the System's medical facilities. Additionally, 90% of MFHF's investment yield, net of expenses, on substantially all MFHF's investments is designated for the support of one of the System's medical facilities. MFHF must pay the System, annually, 90% of the investment yield or an agreed-upon percentage of the beginning of the year net assets.

The interest in the net assets of MFHF amounted to $81,865 at December 31, 2018, and is presented within investments in unconsolidated entities in the accompanying consolidated balance sheet. The System's interest in the investment income is reflected in the consolidated statement of operations and changes in net assets and amounted to $(4,270) for the nine months ended December 31, 2018. There were no cash distributions received by the System from MFHF under terms of the Agreement during the nine months ended December 31, 2018. In addition, MFHF made $354 in contributions to the System for program support during the nine months ended December 31, 2018.

At December 31, 2018, the System had a 49.5% ownership interest in RML Health Providers, L.P. (RML) that is accounted for on an equity basis. RML is an Illinois, not-for-profit limited partnership that operates a 115-bed licensed long-term acute care hospital in Hinsdale, Illinois, and 86-bed licensed long-term acute care hospital in Chicago, Illinois. The System's investment in RML was $33,883 at December 31, 2018, and is presented within investments in unconsolidated entities in the accompanying consolidated balance sheet.

RML leases the Chicago, Illinois, facility from the System. The lease has a fixed term through June 30, 2020, with a five-year renewal term remaining executable at the option of RML. The System recorded rental income of $847 for the nine months ended December 31, 2018.

The summarized financial position and results of operations for significant entities accounted for under the equity method as of and for the periods ended December 31, 2018, is as follows:

	BAMC	ABAMG	RML	MFHF
Total assets	$ 232,239	$ 4,898	$ 125,087	$ 85,533
Total liabilities	106,444	2,294	56,994	3,440
Equity	125,795	2,604	68,093	82,093
Total revenue	80,715	17,091	83,208	(3,075)
Net income (loss)	13,478	(14,942)	11,400	(5,265)

10. LONG-TERM DEBT

Long-term debt, net of unamortized original issue discount or premium and unamortized deferred bond issuance costs, consisted of the following at December 31, 2018:

Revenue bonds and revenue refunding bonds:	
Series 2003A (weighted average rate of 1.38% during the nine-month period ended December 31, 2018), principal payable in varying annual installments through November 2022; interest based on prevailing market conditions at time of remarketing	$ 10,153

Series 2003C (weighted average rate of 1.60% during the nine-month period ended December 31, 2018), principal payable in varying annual installments through November 2022; interest based on prevailing market conditions at time of remarketing	10,169
Series 2008A (weighted average rate of 5.00% during the nine-month period ended December 31, 2018), principal payable in varying annual installments through November 2030; interest based on prevailing market conditions at time of remarketing	123,078
Series 2008C (weighted average rate of 1.43% during the nine-month period ended December 31, 2018), principal payable in varying annual installments through November 2038; interest based on prevailing market conditions at time of remarketing	320,718
Series 2010D, 5.00%, principal payable in annual installments through April 2019	15,014
Series 2011A, 4.00% to 5.00%, principal payable in annual installments through April 2041	32,378
Series 2011B (weighted average rate of 1.78% during the nine-month period ended December 31, 2018), principal payable in varying annual installments through April 2051, subject to a put provision that provides for a cumulative seven-month notice and remarketing period; interest tied to a market index plus a spread	69,274
Series 2011C (weighted average rate of 2.31% during the nine-month period ended December 31, 2018), principal payable in varying annual installments through April 2049, subject to a put provision on September 3, 2024; interest tied to a market index plus a spread	49,722
Series 2011D (weighted average rate of 2.31% during the nine-month period ended December 31, 2018), principal payable in varying annual installments through April 2049, subject to a put provision on September 3, 2024; interest tied to a market index plus a spread	49,722
Series 2012, 4.00% to 5.00%, principal payable in varying annual installments through June 2047	147,826
Series 2013A, 5.00%, principal payable in varying annual installments through June 2031	93,356
Series 2014, 4.00% to 5.00%, principal payable in varying annual installments through August 2038	330,682
Series 2015, 4.13% to 5.00%, principal payable in varying annual installments through May 2045	102,705
Series 2015B, 4.00% to 5.00%, principal payable in varying annual installments through May 2044	72,428
Series 2018A, 4.00% to 5.00%, principal payable in varying annual installments through August 2044	106,345
Series 2018B (weighted average rate of 5.00% during the period August 16, 2018 through December 31, 2018), principal payable in varying annual installments through August 2054; interest based on prevailing market conditions at time of remarketing	211,196

Series 2018C (weighted average rate of 2.09% during the period August 16,2018 through December 31, 2018), principal payable in varying annual installments through August 2054; interest tied to a market index plus a spread	198,182
	1,942,948
Taxable bonds:	
Taxable Bond Series 2018, 3.83% to 4.27%, principal payable in varying annual installments through August 2048	709,392
	709,392
Capital lease obligations and financing arrangements	241,677
Taxable Term Loan, (weighted average rate of 2.61% during the nine-month period ended December 31, 2018), principal payable in varying annual installments through September 2024	114,841
	3,008,858
Less amounts classified as current:	
Current portion of long-term debt	(49,927)
Long-term debt subject to short-term financing arrangements	(162,025)
	(211,952)
	$ 2,796,906

Maturities of long-term debt, capital leases, and sinking fund requirements, assuming remarketing of the variable rate demand revenue refunding bonds, for the five years ending December 31, 2023, are as follows: 2019 – $49,927; 2020 – $53,631; 2021 – $53,333; 2022 – $56,603; and 2023 – $58,164.

The System's outstanding bonds are secured by obligations issued under the Second Amended and Restated Master Trust Indenture dated as of August 1, 2018, as the same may be amended from time to time, between Advocate Aurora Health, Inc., the other affiliates identified therein as the Members of the Obligated Group and U.S. Bank National Association, as master trustee (the System Master Indenture). Under the terms of the bond indentures and other arrangements, various amounts are to be on deposit with trustees, and certain specified payments are required for bond redemption and interest payments. The System Master Indenture and other debt agreements, including a bank credit agreement, also place restrictions on the System and require the System to maintain certain financial ratios.

The System's unsecured variable rate revenue bonds, Series 2008A-3 of $42,795 and Series 2011B of $70,000, while subject to a long-term amortization period, may be put to the System at the option of the bondholders in connection with certain remarketing dates. To the extent that bondholders may, under the terms of the debt, put their bonds within 12 months after December 31, 2018, the principal amount of such bonds has been classified as a current obligation in the accompanying consolidated balance sheet. Management believes the likelihood of a material amount of bonds being put to the System is remote. However, to address this possibility, the System has taken steps to provide various sources of liquidity, including assessing alternate sources of financing, including lines of credit and/or net assets without donor restrictions as a source of self-liquidity.

The System has standby bond purchase agreements with banks to provide liquidity support for substantially all of the Series 2008C Bonds. In the event of a failed remarketing of the supported Series 2008C Bond upon its tender by an existing holder and subject to compliance with the terms of the standby bond purchase agreement, the standby bank would provide the funds for the purchase of such tendered bonds, and the System would be obligated to repay the bank for the funds it provided for such bond purchase (if such bond is not subsequently remarketed), with the first installment of such repayment commencing on the date one year and one day after the bank purchases the bond. As of December 31, 2018, there were no bank-purchased bonds outstanding. To the extent that the standby bond purchase agreement expiration date is within 12 months after December 31, 2018, the principal amount of such bonds has been classified as a current obligation in the accompanying consolidated balance sheet. The standby bond purchase agreements expire as follows: $49,829 in August 2019; $129,456 in August 2020; and $145,919 in August 2021.

In August 2018, the Wisconsin Health and Educational Facilities Authority (WHEFA), for the benefit of the System, issued its Revenue Bonds, Series 2018ABC, in the amount of $487,895 and the System issued Taxable Bonds, Series 2018 in the amount of $714,500. The proceeds of the Series 2018ABC Bonds and the Series 2018 Taxable Bonds were used to refund certain WHEFA Bonds previously issued for the benefit of Aurora, refinance Aurora's taxable bonds, the drawn portion of an Aurora line of credit and to pay certain financing costs. In connection with this transaction, the System recognized a loss on refinancing in the amount of $29,859.

The System maintains an interest rate swap program on certain of its variable rate debt as described in Note 11. INTEREST RATE SWAP PROGRAM.

The System's interest paid, net of capitalized interest, amounted to $80,559 for the nine months ended December 31, 2018. The System capitalized interest of $1,207 for the nine months ended December 31, 2018.

At December 31, 2018, the System had lines of credit with banks aggregating to $585,000. These lines of credit provide for various interest rates and payment terms and expire as follows: $100,000 in December 2019, $275,000 in August 2020, $50,000 in September 2020 and $160,000 in August 2021. These lines of credit may be used to redeem bonded indebtedness, to pay costs related to such redemptions, for capital expenditures or for general working capital purposes. At December 31, 2018, under a line of credit there were three letters of credit issued totaling $40,947. At December 31, 2018, no amounts were outstanding on these lines or letters of credit.

11. INTEREST RATE SWAP PROGRAM

The System has interest rate-related derivative instruments to manage exposure of its variable rate debt instruments. By using derivative financial instruments to manage the risk of changes in interest rates, the System exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparty owes the System, which creates credit risk for the System. When the fair value of a derivative contract is negative, the System owes the counterparty, and therefore, it does not possess credit risk. The System minimizes the credit risk in derivative instruments by entering into transactions that may require the counterparty to post collateral for the benefit of the System based on the credit rating of the counterparty and the fair value of the derivative contract. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. The System also mitigates risk through periodic reviews of its derivative positions in the context of its total blended cost of capital.

At December 31, 2018, the System maintains an interest rate swap program on its Series 2008C variable rate demand revenue bonds. These bonds expose the System to variability in interest payments due to changes in interest rates. The System believes that it is prudent to limit the variability of its interest payments. To meet this objective and to take advantage of low interest rates, the System entered into various interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk. These swaps convert the variable rate cash flow exposure on the variable rate demand revenue bonds to synthetically fixed cash flows. The notional amount under each interest rate swap agreement is reduced over the term of the respective agreement to correspond with reductions in the principal outstanding under various bond series. The following is a summary of the outstanding positions under these interest rate swap agreements at December 31, 2018:

Bond Series	Notional Amount	Maturity Date	Rate Received	Rate Paid
2008C-1	$ 129,900	November 1, 2038	61.7% of LIBOR + 26 bps	3.605 %
2008C-2	108,425	November 1, 2038	61.7% of LIBOR + 26 bps	3.605 %
2008C-3	88,000	November 1, 2038	61.7% of LIBOR + 26 bps	3.605 %

The swaps are not designated as hedging instruments, and therefore, hedge accounting has not been applied. As such, unrealized changes in fair value of the swaps are classified as changes in fair value of interest rate swaps in the consolidated statement of operations and changes in net assets. The net cash settlement payments, representing the realized changes in fair value of the swaps, are included as interest expense in the consolidated statement of operations and changes in net assets.

The fair value of the interest rate swap agreements was a liability of $65,376 and no collateral was posted under these swap agreements at December 31, 2018.

Amounts recorded in the consolidated statement of operations and changes in net assets for the swap agreements for the nine months ended December 31, 2018, are as follows:

Net cash payments on interest rate swap agreements (interest expense)	$	4,850
Change in fair value of interest rate swaps	$	993

The interest rate swap instruments contain provisions that require the System to maintain an investment grade credit rating on its tax-exempt bonds from certain major credit rating agencies. If the System's tax-exempt bonds were to fall below investment grade on the valuation date, it would be in violation of these provisions and the counterparty to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions.

12. RETIREMENT PLANS

The System maintains various employee retirement benefit plans available to qualifying employees and retirees.

Advocate maintains defined benefit pension plans that cover substantially all its employees. The consolidated balance sheet contains an other noncurrent liability related to the Advocate Health Care Network Pension Plan (Advocate Plan) totaling $45,570 at December 31, 2018. In addition, the consolidated balance sheet contains an other noncurrent asset related to the Condell Health Network Retirement Plan (Condell Plan) of $1,424 at December 31, 2018. The Condell Plan was frozen effective January 1, 2008, to new participants and participants ceased to accrue additional pension benefits. During the nine months ended December 31, 2018, no contributions were made to the Advocate or Condell Plans.

The consolidated balance sheet contains an other noncurrent liability related to the Aurora defined benefit pension plan (Aurora Plan) of $104,979 at December 31, 2018. The Aurora Plan covers substantially all of its employees, hired before January 1, 2013, with at least 1,000 hours of work in a calendar year. The Aurora Plan was frozen on December 31, 2012. During the nine months ended December 31, 2018, cash contributions of $22,200 were made to the Aurora Plan.

A summary of changes in the plan assets, projected benefit obligation and the resulting funded status of the plans for the nine months ended December 31, 2018, is as follows:

	Advocate	Condell	Aurora	Total
Change in plan assets:				
Plan assets at fair value at beginning of period	$ 1,008,843	$ 66,731	$ 1,511,225	$ 2,586,799
Actual return on plan assets	(23,256)	(3,956)	(119,447)	(146,659)
Employer contributions	—	—	22,200	22,200
Benefits paid	(56,222)	(4,545)	(86,612)	(147,379)
Plan assets at fair value at end of period	$ 929,365	$ 58,230	$ 1,327,366	$ 2,314,961
Change in projected benefit obligation:				
Projected benefit obligation at beginning of period	$ 960,935	$ 70,993	$ 1,622,605	$ 2,654,533
Service cost	41,279	—	—	41,279
Interest cost	26,332	1,877	45,375	73,584
Actuarial loss (gain)	2,611	(11,520)	(149,023)	(157,932)
Benefits paid	(56,222)	(4,544)	(86,612)	(147,378)
Projected benefit obligation at end of period	$ 974,935	$ 56,806	$ 1,432,345	$ 2,464,086
Plan assets (less) greater than projected benefit obligation	$ (45,570)	$ 1,424	$ (104,979)	$ (149,125)
Accumulated benefit obligation at end of period	$ 907,526	$ 56,806	$ 1,432,345	$ 2,396,677

The Condell Plan paid lump sums totaling $3,854 in 2018. The amount in 2018 was greater than the sum of the Condell Plan's service cost and interest cost resulting in a settlement charge in the amount of $787.

Pension plan expense (income) included in the consolidated statement of operations and changes in net assets is as follows for the nine months ended December 31, 2018:

	Advocate	Condell	Aurora	Total
Service cost	$ 41,279	$ —	$ —	$ 41,279
Interest cost	26,332	1,877	45,375	73,584
Expected return on plan assets	(49,884)	(2,124)	(57,426)	(109,434)
Amortization of:				
Actuarial loss	3,974	1,259	8,816	14,049
Prior service cost	(2,987)	—	2	(2,985)
Settlement/curtailment	—	787	—	787
Net pension expense (income)	$ 18,714	$ 1,799	$ (3,233)	$ 17,280

The components of net periodic benefit costs other than the service cost component are included in other nonoperating income, net in the consolidated statement of operations and changes in net assets.

The net change recognized in net assets without donor restrictions as a component of pension-related changes other than net periodic pension cost was as follows:

	Advocate	Condell	Aurora	Total
Net change recognized	$ 74,763	$ (7,486)	$ 19,033	$ 86,310

Included in net assets without donor restrictions at December 31, 2018, are the following amounts that have not yet been recognized in net pension expense:

	Advocate	Condell	Aurora	Total
Unrecognized prior credit	$ (143)	$ —	$ 105	$ (38)
Unrecognized actuarial loss	198,918	11,609	460,317	670,844
	$ 198,775	$ 11,609	$ 460,422	$ 670,806

The expected amortization amount to be included in the net periodic pension cost in 2019 is as follows:

	Advocate	Condell	Aurora	Total
Net actuarial loss	$ 7,268	$ 108	$ 7,631	$ 15,007
Prior service (credit) cost	(143)	—	3	(140)
	$ 7,125	$ 108	$ 7,634	$ 14,867

Expected employee benefit payments are as follows:

	Advocate	Condell	Aurora	Total
2019	$ 79,786	$ 6,739	$ 62,238	$ 148,763
2020	66,794	4,310	66,384	137,488
2021	71,046	4,087	70,097	145,230
2022	75,632	3,865	73,191	152,688
2023	75,410	4,982	76,022	156,414
2024-2028	409,915	18,761	413,823	842,499
Total	$ 778,583	$ 42,744	$ 761,755	$ 1,583,082

Expected contributions to the pension plans employee benefit payments are as follows:

	Advocate	Condell	Aurora	Total
2019	$ 42,400	$ —	$ 57,200	$ 99,600

Employer contributions were paid from employer assets. No plan assets are expected to be returned to the employer. All benefits paid under the plans were paid from the plans' assets.

The System's asset allocation and investment strategies are designed to earn returns on plan assets consistent with a reasonable and prudent level of risk. Investments are diversified across classes, economic sectors and manager style to minimize the risk of loss. The System utilizes investment managers specializing in each asset category and, where appropriate, provides the investment manager with specific guidelines that include allowable and/or prohibited investment types. The System regularly monitors manager performance and compliance with investment guidelines.

The System's target and actual pension asset allocations for the plans at December 31, 2018, are as follows:

Asset Category – Advocate Plan	**Target**	**Actual**
Domestic and international equity securities	35%	34%
Alternative investments	45	46
Cash and fixed-income securities	20	20
	100%	100%

Asset Category – Condell Plan	**Target**	**Actual**
Domestic and international equity securities	15%	15%
Cash and fixed-income securities	85	85
	100%	100%

Asset Category – Aurora Plan	**Target**	**Actual**
Domestic and international equity securities	33%	33%
Real estate	3	3
Cash and fixed-income securities	64	64
	100%	100%

At December 31, 2018, the Advocate Plan had commitments to fund private equity limited partnerships, including recallable distributions of $107,305 over the next six years.

In the normal course of operations and within established investment policy guidelines, the Advocate Plan may enter into various exchange-traded and over-the-counter derivative contracts for trading purposes, including futures, options and forward contracts. These instruments are used primarily to maintain the Advocate Plan's strategic asset allocation. These instruments require the Advocate Plan to deposit cash collateral with the broker or custodian.

At December 31, 2018, the collateral provided was as follows:

	Advocate	**Aurora**	**Total**
Collateral provided	$ 6,239	$ 10,357	$ 16,596
Notional value – long position	45,061	65,053	110,114
Notional value – short position	(2,610)	(46,656)	(49,266)

By using derivative financial instruments, the System exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparty owes the System, which creates credit risk for the System. When the fair value of a derivative contract is negative, the System owes the counterparty, and therefore, it does not possess credit risk. The System minimizes the credit risk in derivative instruments by entering into transactions that may require the counterparty to post collateral for the benefit of the System based on the credit rating of the counterparty and the fair value of the derivative contract. Market risk is the adverse effect on the value of a financial instrument that results from a change in the underlying reference security. The market risk associated with market changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

Receivables and payables for investment trades not settled are presented within Advocate Plan assets. Unsettled sales resulted in receivables due from brokers of $4,105 at December 31, 2018. Unsettled purchases resulted in payables of $9,825 at December 31, 2018.

Receivables and payables for investment trades not settled are presented within Aurora Plan assets. Unsettled sales resulted in receivables due from brokers of $1,360 at December 31, 2018. Unsettled purchases resulted in payables of $3,174 at December 31, 2018.

Fair value methodologies for Level 1 and Level 2 are consistent with the inputs described in Note 4. Real estate commingled funds for which an active market exists are included in Level 2. The System opted to use the net asset value per share, or its equivalent, as a practical expedient for fair value of the plans' interest in hedge funds, private equity limited partnerships and real estate commingled funds for which there is not an active market. There is inherent uncertainty in such valuations and the estimated fair values may differ from the values that would have been used had a ready market for these investments existed. Private equity limited partnerships and real estate commingled funds typically have finite lives ranging from five to ten years, at the end of which all invested capital is returned. For hedge funds, the typical lockup period is one year, after which invested capital can be redeemed on a quarterly basis with at least 30 days' but no more than 90 days' notice. The plans' investment assets are exposed to the same kinds and levels of risk as described in Note 7.

The following are the plans' financial instruments at December 31, 2018, measured at fair value on a recurring basis by the valuation hierarchy defined in Note 7 FAIR VALUE:

Description		**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Other Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash and short-term investments	$ 86,131	$ 36,453	$ 49,678	$ —
Corporate bonds and other debt securities	647,429	—	647,429	—
United States government obligations	221,420	—	221,420	—
Non-government fixed-income obligations	571	—	571	—
Bond and other debt security funds	176,550	97,562	78,988	—
Equity securities	229,057	229,057	—	—
Equity funds	398,881	248,639	150,242	—
Real estate funds	19,302	2,516	16,786	—
Assets at net asset value:				
Hedge funds	264,726			
Private equity limited partnerships and real estate funds	270,894			
Total	$ 2,314,961			

Assumptions used to determine benefit obligations at December 31, 2018, are as follows:

Discount rate – Advocate and Condell Plans	4.38%
Discount rate – Aurora Plan	4.48%
Assumed rate of return on assets – Advocate Plan	7.00%
Assumed rate of return on assets – Condell Plan	4.25%
Assumed rate of return on assets – Aurora Plan	5.50%
Weighted average rate of increase in future compensation (age-based table) – Advocate Plan	3.77%

Assumptions used to determine net pension expense are as follows:

Discount rate – Advocate and Condell Plans	3.60%
Discount rate – Aurora Plan	3.79%
Assumed rate of return on assets – Advocate Plan	7.00%
Assumed rate of return on assets – Condell Plan	5.00%
Assumed rate of return on assets – Aurora Plan	5.50%
Weighted average rate of increase in future compensation (age-based table) – Advocate Plan	3.61%

The assumed rate of return on Advocate and Condell Plans assets is based on historical and projected rates of return for asset classes in which the portfolio is invested. The expected return for each asset class was then weighted based on the target asset allocation to develop the overall expected rate of return on assets for the portfolio. The Aurora Plan's expected long-term rate of return is based on the asset allocation of the total portfolio considering capital return assumptions from various sources.

The 2018 mortality assumption for the Advocate and Condell Plans was the RP-2014 no-collar adjustment with improvements projected generationally using Scale MP-2018. The 2018 mortality assumption for the Aurora Plan was the RP-2014 100% white-collar adjustment with improvements projected generationally using Scale MP-2018.

In addition to these plans, the System sponsors various defined contribution plans for its employees. Contributions to these plans, which are included in salaries, wages and benefits expense in the consolidated statement of operations and changes in net assets, were $140,381 for the nine months ended December 31, 2018.

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31, 2018:

Purchases of property and equipment	$ 22,767
Medical education and other health care programs	201,024
	$ 223,791

14. FUNCTIONAL OPERATING EXPENSES

Operating expenses directly attributable to a specific functional area of the System are reported as expenses of those functional areas. Expenses other than interest expense are directly allocated to functional departments at the time they are incurred. Interest expense that relates to debt financing is allocated based on the use of the related funds. General and administrative expenses primarily include legal, finance, purchasing and human resources. A majority of fundraising costs are reported as other nonoperating items, net in the consolidated statement of operations and changes in net assets.

Functional operating expenses for the nine months ended December 31, 2018, are as follows:

	Health Care Services	General and Administrative	Consolidated
Salaries, wages and benefits	$ 4,634,289	$ 381,527	$ 5,015,816
Supplies and purchased services	2,037,979	223,058	2,261,037
Contract medical services	478,393	—	478,393
Depreciation and amortization	346,655	64,380	411,035
Interest	81,385	—	81,385
Other	293,970	312,903	606,873
Total operating expenses	$ 7,872,671	$ 981,868	$ 8,854,539

15. LIQUIDITY

The System maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the System invests cash in excess of daily requirements in various investments.

As more fully described in Note 10. LONG-TERM DEBT, the System had lines of credit with banks aggregating to $585,000. These lines of credit may be used to redeem bonded indebtedness, to pay costs related to such redemptions, for capital expenditures or for general working capital purposes.

The System's financial assets available within one year of the consolidated balance sheet date for general expenditures are as follows:

Current assets:	
Cash and cash equivalents	$ 584,887
Assets limited as to use	106,244
Patient accounts receivable	1,486,260
Third-party payors receivables	17,793
Collateral proceeds under securities lending program	18,869
Total current assets	2,214,053
Asset limited as to use:	
Internally designated for capital and other	6,941,646
Held for self-insurance	632,372
Donor restricted	119,759
Investments under securities lending program	18,310
Total assets limited as to use	7,712,087
Total financial assets	$ 9,926,140
Less:	
Amounts unavailable for general expenditures:	
Private equity	$ (1,113,544)
Hedge funds	(343,603)
Total amounts unavailable for general expenditure	(1,457,147)
Amounts unavailable to management without approval:	
Held for self-insurance	(738,616)
Donor restricted	(119,759)
Investments under securities lending program	(18,310)
Total amounts unavailable to management without approval	(876,685)
Total financial assets available to management for general expenditure within one year	$ 7,592,308

16. COMMITMENTS AND CONTINGENCIES

The System has various noncancelable operating lease agreements, primarily for medical support buildings and equipment. Some leases contain renewal options, fair value purchase options and escalation clauses.

Net future minimum lease payments under non-cancelable operating leases with initial or remaining lease terms in excess of one year at December 31, 2018, are as follows:

	Lease Payments
2019	$ 91,870
2020	86,204
2021	78,659
2022	67,928
2023	58,784
Thereafter	139,111
Total	$ 522,556

Aurora West Allis Medical Center has the right to operate the hospital under the terms of a lease agreement with the City of West Allis (the City). In accordance with the lease agreement, the City has title to all assets and any subsequent additions (with the exception of certain equipment used by Aurora for laboratory services). Aurora West Allis Medical Center has exclusive right to the use of the assets and the obligation to maintain and replace them. The historical cost to the System of the leased facilities is included within the System's property and equipment, net. The agreement provides for annual payments of less than $100 in lieu of annual lease payments and includes payment escalations each subsequent year. The lease expires in 2063.

Rent expense, which is included in other expenses, amounted to $94,821 for the nine months ended December 31, 2018.

The System is committed to constructing additions and renovations to its medical facilities that are expected to be completed in future years. The estimated cost of these commitments is $455,188, of which $365,262 has been incurred as of December 31, 2018.

The System entered into agreements for information technology services provided by a third parties. The maximum amount of future payments that the System could be required to make under these agreements is approximately $250,000 over the next twelve years and approximately $40,000 is included in accrued liabilities in the consolidated balance sheet at December 31, 2018. The System has also entered into various other agreements. The future commitments under these agreements is $38,894 over the next seven years.

17. GENERAL AND PROFESSIONAL LIABILITY RISKS

The System is self-insured for substantially all general and professional liability risks. The self-insurance programs combine various levels of self-insured retention with excess commercial insurance coverage. Aurora's hospitals, clinics, surgery centers, physicians and certified registered nurse anesthetist providers that provide health care in Wisconsin are qualified health care providers that are fully covered for losses in excess of statutory limits through mandatory participation in the State of Wisconsin Injured Patients and Families Compensation Fund. In addition, various umbrella insurance policies have been purchased to provide coverage in excess of the self-insured limits. Revocable trust funds, administered by a trustee and a captive insurance company, have been established for the self-insurance programs. Actuarial consultants have been retained to determine the estimated cost of claims, as well as to determine the amount to fund into the irrevocable trust and captive insurance company.

The estimated cost of claims is actuarially determined based on past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. Accrued insurance liabilities and contributions to the trust were determined using a discount rate of 3.00% as of December 31, 2018. Total accrued insurance liabilities would have been $76,620 greater at December 31, 2018, had these liabilities not been discounted.

The System entities are defendants in certain litigation related to professional and general liability risks, and other matters. Although the outcome of the litigations cannot be determined with certainty, management believes, after consultation with legal counsel, that the ultimate resolution of the litigations will not have a material adverse effect on the System's operations or financial condition.

18. LEGAL, REGULATORY AND OTHER CONTINGENCIES

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. During the last few years, due to nationwide investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, exclusion from the Medicare and Medicaid programs and revocation of federal or state tax-exempt status. Moreover, the System expects that the level of review and audit to which it and other health care providers are subject will increase.

Various federal and state agencies have initiated investigations, which are in various stages of discovery, relating to reimbursement, billing practices and other matters of the System. There can be no assurance that regulatory authorities will not challenge the System's compliance with these laws and regulations, and it is not possible to determine the impact, if any, such claims or penalties would have on the System. To foster compliance with applicable laws and regulations, the System maintains a compliance program designed to detect and correct potential violations of laws and regulations related to its programs.

19. INCOME TAXES AND TAX STATUS

The affiliates and subsidiaries of the System are primarily tax-exempt organizations under Internal Revenue Code Section 501(c)(3) and their related income is exempt from federal income tax. Accordingly, no income taxes are provided for the majority of the income in the accompanying consolidated financial statements for these entities. Unrelated business income is generated by certain of these entities through the provision of services or other activities not directly related to the provision of patient care.

At December 31, 2018, the System had $40,338 of federal and $60,481 of state net operating loss carryforward with unutilized amounts expiring between 2021 and 2037.

The System calculated income taxes for its taxable subsidiaries and affiliates. Taxable income differs from pretax book income primarily due to certain income and deductions for tax purposes being recorded in the consolidated financial statements in different periods. Deferred income tax assets and liabilities are recorded for the tax effect of these differences using enacted tax rates for the years in which the differences are expected to reverse.

In assessing the realizability of deferred tax assets, management considers whether it is more likely that not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which those temporary differences become deductible.

At December 31, 2018, the System had deferred tax assets of $34,812, including $13,167 related to net operating loss carryforwards. These deferred tax assets are partially offset by a valuation allowance of $12,748, which was recorded due to the uncertainty regarding the use of the deferred tax assets.

Provisions for federal, state and deferred income taxes of $(3,480) for the nine months ended December 31, 2018, are included in other nonoperating income, net in the consolidated statement of operations and changes in net assets.

20. AFFILIATION

On April 1, 2018, Advocate Aurora Health, Inc. became the sole corporate member of Advocate Health Care Network and Aurora Health Care, Inc. The System was formed in furtherance of the parties' common and unifying charitable health care mission to promote and improve the quality and expand the scope and accessibility of affordable health care and health care-related services for the communities they serve.

The Affiliation was accounted for as a merger in accordance with accounting principles generally accepted in the United States; therefore, the System has accounted for the merger by applying the carryover method.

The following pro forma financial information is prepared on a consolidated basis utilizing accounting records of Advocate and Aurora as if the System had been operating for the twelve-month period ended December 31, 2018 as a combined company. The System's pro forma revenues have been adjusted to include a previously non-consolidated lab joint venture (A2CL) as well as associated eliminations of activity and balances due between Advocate and Aurora. Additionally, certain accounting policies have been adjusted to align Advocate and Aurora within the pro forma information presented. Management believes the assumptions underlying the pro forma financial information presented, including the assumptions regarding the elimination of inter-company activity and accounting policy changes are reasonable. Nevertheless, the pro forma information may not reflect the results of operations and financial position had the System been a combined company and is not intended to project the System's results of operations for any future periods.

Total revenue	$	12,155,979
Increase in net assets without donor restrictions - attributable to controlling interest	$	74,009
Increase in net assets without donor restrictions - noncontrolling interest	$	2,166
Decrease in net assets with donor restrictions	$	(10,597)

ADVOCATE AURORA HEALTH, INC. AND ITS AFFILIATES AND SUBSIDIARIES
PROFORMA CONSOLIDATED BALANCE SHEET
(dollars in thousands)

	April 1, 2018				
	Aurora	**Advocate**	**A2CL**	**Eliminations**	**Consolidated**
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 171,402	$ 235,425	$ 1,278	$ —	$ 408,105
Assets limited as to use	4,523	104,543	—	—	109,066
Patient accounts receivable	744,668	726,045	—	—	1,470,713
Other current assets	193,669	348,921	12,317	(21,510)	533,397
Total current assets	1,114,262	1,414,934	13,595	(21,510)	2,521,281
Assets limited as to use	1,737,381	6,187,437	—	—	7,924,818
Property and equipment, net	2,445,763	2,987,734	—	—	5,433,497
Total other assets	273,788	498,605	1,579	(10,075)	763,897
TOTAL	$ 5,571,194	$ 11,088,710	$ 15,174	$ (31,585)	$ 16,643,493
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Current portion of long term-debt	$ 136,239	$ 120,901	$ —	$ —	$ 257,140
Accounts payable and accrued liabilities	623,687	829,635	18,127	(21,510)	1,449,939
Other current liabilities	31,653	425,468	—	—	457,121
Total current liabilities	791,579	1,376,004	18,127	(21,510)	2,164,200
NONCURRENT LIABILITES:					
Long-term debt, less current portion	1,266,070	1,539,105	—	—	2,805,175
Accrued Insurance and claims costs, less current portion	27,381	636,856	—	—	664,237
Other long-term liabilities	382,919	359,597	—	(13,028)	729,488
Total noncurrent liabilities	1,676,370	2,535,558	—	(13,028)	4,198,900
Total liabilities	2,467,949	3,911,562	18,127	(34,538)	6,363,100
NET ASSETS:					
Without donor restrictions:					
Controlling interest	2,934,281	7,009,528	(2,953)	2,953	9,943,809
Noncontrolling interest in subsidiaries	104,168	570	—	—	104,738
Total net assets without donor restrictions	3,038,449	7,010,098	(2,953)	2,953	10,048,547
Net assets with donor restrictions	64,796	167,050	—	—	231,846
Total net assets	3,103,245	7,177,148	(2,953)	2,953	10,280,393
TOTAL	$ 5,571,194	$ 11,088,710	$ 15,174	$ (31,585)	$ 16,643,493

21. SUBSEQUENT EVENTS

In January 2019, Advocate Aurora Health, Inc., entered into a definitive agreement to acquire the remaining 51% interest in BAMC in exchange for a donation to a foundation to benefit BAMC. Upon completion of the transaction, BAMC and ABAMG will be fully consolidated within the consolidated financial statements of Aurora. This transaction is expected to close on April 1, 2019 pending regulatory approval. As of the issuance date of this report, management is unable to estimate the impact of this transaction to the consolidated financial statements.

On March 5, 2019, the System issued commercial paper in the amount of $50,000. The proceeds of the commercial paper were used to redeem the Series 2008C-2A bonds of $49,230 plus accrued interest, and certain costs related to the issuance of the commercial paper. The remaining proceeds were used for general corporate purposes. The standby bond purchase agreement related to the Series 2008C-2A bonds was canceled effective March 5, 2019.

The System evaluated events and transactions subsequent to December 31, 2018 through March 27, 2019, the date of financial statement issuance.

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