



**Iowa Health System and Subsidiaries
d/b/a UnityPoint Health**

Consolidated Financial Statements

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)

**Iowa Health System and Subsidiaries
d/b/a UnityPoint Health**

December 31, 2017 and 2016

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Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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



Other Matter

Report on Consolidated Financial Statements as of December 31, 2016 and for the Year Then Ended

The accompanying consolidated financial statements of Iowa Health System and its subsidiaries d/b/a UnityPoint Health as of December 31, 2016 and for the year then ended were audited by other auditors whose report thereon dated April 18, 2017, expressed an unmodified opinion on those financial statements, before the adjustment for discontinued operations in 2016 as described in note 1 to the consolidated financial statements.

As part of our audit of the 2017 consolidated financial statements, we also audited the adjustments described in note 1 that were applied to restate the 2016 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2016 consolidated financial statements of Iowa Health System and its subsidiaries d/b/a Unity Point Health other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2016 consolidated financial statements as a whole.

Other Matter

Report on Supplementary Information

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

KPMG LLP

Minneapolis, Minnesota
April 20, 2018

**Iowa Health System and Subsidiaries
d/b/a UnityPoint Health**

Consolidated Balance Sheets

December 31, 2017 and 2016

	2017	2016
	(In thousands)	
Current assets:		
Cash and cash equivalents	\$ 251,656	257,105
Short-term investments	19,528	13,547
Assets limited as to use – required for current liabilities	14,681	13,054
Patient accounts receivable, less estimated uncollectibles; 2017 – \$86,632, 2016 – \$57,582	584,903	509,899
Other receivables	96,806	85,179
Inventories	77,618	70,428
Prepaid expenses	48,288	53,318
Total current assets	1,093,480	1,002,530
Assets limited as to use, noncurrent:		
Held by trustee under bond indenture agreements	1,162	1,213
Internally designated	1,263,275	1,124,107
Total assets limited as to use, noncurrent	1,264,437	1,125,320
Property, plant, and equipment, net	1,868,779	1,804,269
Other long-term investments	1,022,219	970,821
Investments in joint ventures and other investments	147,638	140,508
Contributions receivable, net	94,753	87,657
Other	80,176	110,417
Total assets	\$ 5,571,482	5,241,522
Current liabilities:		
Current maturities of long-term debt	\$ 154,574	104,474
Accounts payable	179,047	185,315
Accrued payroll	218,975	209,603
Accrued interest	10,215	10,319
Estimated settlements due to third-party payers	91,992	76,727
Medical claims payable	—	20,993
Other current liabilities	71,057	74,975
Total current liabilities	725,860	682,406
Long-term debt, net	1,046,036	1,063,306
Other long-term liabilities	420,664	419,804
Total liabilities	2,192,560	2,165,516
Unrestricted:		
Attributable to UnityPoint Health	3,151,608	2,856,692
Attributable to noncontrolling interest	36,002	47,642
Total unrestricted	3,187,610	2,904,334
Temporarily restricted:		
Attributable to UnityPoint Health	116,267	103,638
Attributable to noncontrolling interest	902	960
Total temporarily restricted	117,169	104,598
Permanently restricted	74,143	67,074
Total net assets	3,378,922	3,076,006
Total liabilities and net assets	\$ 5,571,482	5,241,522

See accompanying notes to consolidated financial statements.

**Iowa Health System and Subsidiaries
d/b/a UnityPoint Health**

Consolidated Statements of Operations

Years ended December 31, 2017 and 2016

	2017	2016
	(In thousands)	
Unrestricted revenues:		
Patient service revenue (net of contractual allowances)	\$ 3,923,957	3,705,238
Provision for patient uncollectible accounts	(107,871)	(112,524)
Net patient service revenue	3,816,086	3,592,714
Premium revenue	14,495	—
Other operating revenue	315,303	264,570
Net assets released from restrictions used for operations	11,315	9,492
Total unrestricted revenues	4,157,199	3,866,776
Expenses:		
Salaries and wages	1,513,446	1,411,760
Physician compensation and services	618,991	554,551
Employee benefits	429,942	374,357
Medical claims and capitation payments	7,973	—
Supplies	662,072	633,801
Other expenses	659,151	621,271
Depreciation and amortization	247,005	229,325
Interest	38,234	34,017
Provision for uncollectible accounts	1,882	1,123
Total expenses	4,178,696	3,860,205
Operating income (loss)	(21,497)	6,571
Nonoperating gains (losses):		
Investment income	242,197	166,293
Contribution received in affiliations	41,771	—
Other, net	(119)	(2,420)
Total nonoperating gains (losses), net	283,849	163,873
Revenue over expenses before loss on bond refinancing transactions	262,352	170,444
Loss on bond refinancing transactions	—	(22,852)
Excess of revenues over expenses from continuing operations	262,352	147,592
Gain (loss) on discontinued operations	(32,840)	1,083
Excess of revenues over expenses	229,512	148,675
Less: Net income (loss) attributable to noncontrolling interest	(3,701)	3,964
Excess of revenue over expenses attributable to UnityPoint Health	\$ 233,213	144,711

See accompanying notes to consolidated financial statements.

**Iowa Health System and Subsidiaries
d/b/a UnityPoint Health**

Consolidated Statements of Changes in Net Assets

Years ended December 31, 2017 and 2016

	2017	2016
	(In thousands)	
Unrestricted net assets:		
Excess of revenues over expenses	\$ 233,213	144,711
Change in the fair value of interest rate swaps	2,340	2,514
Net assets released from restrictions used for capital expenditures	11,782	11,415
Change in defined-benefit pension plan gains and losses and prior costs and credits	44,795	12,375
Contributions of or for acquisition of property and equipment	159	360
Other, net	2,615	(1,872)
Increase in unrestricted net assets, UnityPoint Health	294,904	169,503
Unrestricted net assets, noncontrolling interest:		
Excess (deficit) of revenues over expenses	(3,737)	3,963
Distributions of capital	(7,985)	(7,507)
Net assets released from restrictions used for capital expenditures	58	58
Other	36	281
Decrease in unrestricted net assets, noncontrolling interests	(11,628)	(3,205)
Temporarily restricted net assets:		
Contributions	12,781	18,378
Contribution received in affiliations	984	—
Investment income	6,553	3,410
Government grants	162	106
Net assets released from restrictions used for operations	(11,315)	(9,492)
Net assets released from restrictions used for capital expenditures	(11,782)	(11,415)
Change in net unrealized gains on investments	5,192	2,419
Change in beneficial interest in net assets of affiliate	9,102	5,244
Other, net	946	(348)
Increase in temporarily restricted net assets, UnityPoint Health	12,623	8,302
Temporarily restricted net assets, noncontrolling interest:		
Net assets released from restrictions used for capital expenditures	(52)	(58)
Decrease in temporarily restricted net assets, noncontrolling interest	(52)	(58)
Permanently restricted net assets:		
Contributions	2,462	3,248
Contribution received in affiliations	75	—
Investment loss	(8)	(21)
Change in net unrealized gains on investments	848	442
Change in beneficial interest in net assets of affiliate	2,908	1,417
Other, net	784	1,262
Increase in permanently restricted net assets	7,069	6,348
Increase in net assets	302,916	180,890
Net assets, beginning of year	3,076,006	2,895,116
Net assets, end of year	\$ 3,378,922	3,076,006

See accompanying notes to consolidated financial statements.

**Iowa Health System and Subsidiaries
d/b/a UnityPoint Health**

Consolidated Statements of Cash Flows

Years ended December 31, 2017 and 2016

	2017	2016
	(In thousands)	
Operating activities:		
Increase in net assets	\$ 302,916	180,890
Items not requiring (providing) operating cash		
Net loss on investments	(206,132)	(144,959)
Net unrealized gains on swaps	(7,845)	(7,269)
Restricted contributions, investment income, and government grants received	(10,635)	(15,629)
Contributions of or for acquisition of property and equipment	(159)	(360)
Depreciation and amortization	247,005	229,507
Change in defined pension-plans' liability	(44,795)	(12,375)
Contribution received in affiliations	(42,830)	—
Amortization of bond premium and debt issuance costs, net	(1,988)	(1,160)
(Gain) loss on disposition of assets	(1,238)	375
Loss on bond refinancing transactions	—	22,852
Equity in earnings of joint ventures	(30,006)	(29,059)
Change in beneficial interest in net assets of affiliates	(12,010)	(6,661)
Provision for uncollectible accounts	109,753	113,650
Changes in:		
Receivables	(171,522)	(166,747)
Inventories, prepaid expenses, and other assets	19,279	3,823
Accounts payable, accrued liabilities, and other liabilities	9,668	35
Due to third-party payers	10,849	(1,559)
Net cash provided by operating activities	170,310	165,354
Investing activities:		
Capital expenditures	(215,719)	(238,756)
Proceeds from sale of assets	1,643	3,787
(Increase) decrease in assets limited as to use, net	(29,486)	1,476
Cash acquired in affiliations	13,589	—
Cash paid for affiliations	(39,564)	—
(Increase) decrease in loans receivable	(206)	1,258
Decrease in short-term investments	(2,804)	36,129
Decrease in other long-term investments	55,212	41,773
Investments in joint ventures	(2,543)	(6,636)
Distributions received from joint ventures	26,969	28,042
Net cash used in investing activities	(192,909)	(132,927)
Financing activities:		
Proceeds from issuance of long-term debt	75,730	513,176
Payments of debt	(56,190)	(61,675)
Payments of financing costs	(188)	(2,775)
Payments on early extinguishment of debt	(12,996)	(421,304)
Proceeds from restricted contributions, investment income, and government grants	10,635	15,629
Proceeds from contributions for acquisition of property and equipment	159	360
Net cash provided by financing activities	17,150	43,411
Increase (decrease) in cash and cash equivalents	(5,449)	75,838
Cash and cash equivalents, beginning of year	257,105	181,267
Cash and cash equivalents, end of year	\$ 251,656	257,105

**Iowa Health System and Subsidiaries
d/b/a UnityPoint Health**

Consolidated Statements of Cash Flows

Years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
	(In thousands)	
Supplemental cash flows information:		
Interest paid (net of amount capitalized)	\$ 39,340	34,119
Capital lease obligations incurred for property and equipment	2,631	2,497
Property and equipment purchases in accounts payable	15,526	25,278
Affiliations:		
Assets acquired	92,976	—
Liabilities assumed	60,076	—
Acquisitions:		
Assets acquired	49,616	—
Liabilities assumed	10,052	—

See accompanying notes to consolidated financial statements.

**Iowa Health System and Subsidiaries
d/b/a UnityPoint Health**

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

(Dollars in thousands)

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

(a) Organization

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

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

(b) Basis of Presentation

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

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

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

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

**Iowa Health System and Subsidiaries
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(Dollars in thousands)

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

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

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

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

Physicians Plus Insurance Company (PPIC) had net assets of \$16,366, which were contributed to Quartz Holding Company as of July 1, 2017 as part of an Exchange Agreement. The operating results of PPIC for the period through June 30, 2017 are reported in discontinued operations in the accompanying statements of operations for the year ended December 31, 2017. PPIC had unrestricted revenues of \$122,214 and expenses of \$130,721 through June 30, 2017. Additionally, the operating results of PPIC for the year ended December 31, 2016 were reclassified and reported as discontinued operations to be consistent with the 2017 presentation. This resulted in \$188,021 of unrestricted revenues, \$187,955 of operating expenses and \$1,017 of nonoperating gains, net being reported as discontinued operations in 2016.

(c) Noncontrolling Interests

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

(d) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Cash equivalents consist of demand deposits, money market funds and other debt securities with original maturities of three months or less at the date of purchase, other than those included in assets limited as to use or held in brokerage accounts. A portion of these balances are held in a pooled cash management account, with the balances and activity remaining within the respective subsidiaries. Short-term investments consist of debt securities with weighted average maturities between 91 and

**Iowa Health System and Subsidiaries
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Notes to Consolidated Financial Statements

December 31, 2017 and 2016

(Dollars in thousands)

365 days of the consolidated balance sheet date, and other debt securitized products, and other investments held as part of deferred compensation arrangements whose distributions will occur within one year.

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

(f) *Assets Limited as to Use*

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

(g) *Inventories*

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

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

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

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

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

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

Refer to notes 4 and 12 for additional disclosures regarding balance sheet line items and fair value of those investments carried under Financial Accounting Standards Board Topic 825.

**Iowa Health System and Subsidiaries
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Notes to Consolidated Financial Statements

December 31, 2017 and 2016

(Dollars in thousands)

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

(i) Property, Plant and Equipment

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

The System capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for a project, net of interest earned on investments acquired with the proceeds of the borrowing. During 2017 and 2016, the System capitalized \$456 and \$3,349 of interest expense, respectively.

(j) Long-Lived Asset Impairment

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

No asset impairment was recognized during the years ended December 31, 2017 and 2016.

(k) Other Assets

Other assets include certain intangible assets that are stated at cost less accumulated amortization. In addition, other assets include goodwill. Goodwill is an asset representing the future economic benefits arising from other assets acquired as part of business combinations that are not individually identified and separately recognized. The System has \$38,437 and \$51,282 of goodwill at December 31, 2017 and 2016, respectively. Annually, the System performs an impairment test of its goodwill and intangible assets, using a discounted cash flow method, and any identified impairment loss is recognized as expense. The analysis performed during 2017 and 2016 showed the carrying amount exceeded fair value for two of the System's subsidiaries and \$13,102 and \$5,574 of impairment was recognized in depreciation and amortization expense in the accompanying consolidated statements of operations in 2017 and 2016, respectively.

Other intangible assets at December 31, 2017 and 2016 were \$5,002 and \$12,578, respectively, which are subject to amortization.

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Notes to Consolidated Financial Statements

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(Dollars in thousands)

(l) Net Assets

Net assets are classified into three mutually exclusive classes: unrestricted, temporarily restricted and permanently restricted. The three classes are based on the presence or absence of donor-imposed restrictions. Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors in perpetuity. The release of net assets from donor restrictions is recorded in the period in which the restrictions are met.

Temporarily restricted net assets are generally restricted for capital expenditures, passage of time or other donor specified restrictions.

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

(m) Excess of Revenues over Expenses

Excess of revenues over expense transactions affecting unrestricted net assets are reflected in the consolidated statements of operations. Consistent with industry practice, the effective portion of derivative instruments qualifying for hedge accounting carried at fair value, changes in defined benefit plans, and contributions of long-lived assets (including assets acquired with donor-restricted cash contributions) are excluded from determination of the excess of revenues over expenses. Transactions related to temporarily or permanently restricted net assets are recorded as additions or deductions to net assets and reflected in the consolidated statements of changes in net assets.

(n) Net Patient Service Revenue and Accounts Receivable

Net patient service revenue is reported at the estimated net realizable amount, primarily from patients and third-party payers, for services provided, including retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period in which the related services are provided, and adjusted in future periods as final settlements are determined. The System recognizes patient service revenue in the period the services are provided on the basis of contractual or standard rates for services provided less a provision for uncollectible accounts.

Patient accounts receivable are stated at net realizable value. The receivables are netted down for allowances based on contractually due amounts as well as a provision for uncollectible accounts. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts. In evaluating the collectability of accounts receivable, the System analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for uncollectible accounts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts.

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Notes to Consolidated Financial Statements

December 31, 2017 and 2016

(Dollars in thousands)

The System's allowance for uncollectible accounts at December 31, 2017 and 2016 was \$86,632 and \$57,582, respectively. The allowance for uncollectible accounts (including a portion allowed for financial assistance) for self-pay patients was approximately 89% and 92% of self-pay accounts receivable at December 31, 2017 and 2016, respectively. The provision for patient uncollectible accounts for the year ended December 31, 2017 was \$107,871 compared to \$112,524 for the year ended December 31, 2016.

Patient service revenues at established rates less third-party payer contractual adjustments (but before the provision for uncollectible accounts), recognized in the years ended December 31 were:

	<u>2017</u>	<u>2016</u>
Medicare	\$ 1,380,619	1,239,891
Medicaid	536,656	518,356
Wellmark/Blue Cross	852,461	821,461
Commercial and other	1,091,703	991,059
Self-pay	<u>62,518</u>	<u>78,315</u>
	<u>\$ 3,923,957</u>	<u>3,649,082</u>

Patient accounts receivable, less allowances for contractual adjustments and uncollectible accounts at December 31 were as follows:

	<u>2017</u>	<u>2016</u>
Medicare	\$ 173,567	143,323
Medicaid	90,993	72,574
Wellmark/Blue Cross	108,823	84,965
Commercial and other	188,178	191,252
Self-pay	<u>23,342</u>	<u>17,785</u>
	<u>\$ 584,903</u>	<u>509,899</u>

(o) Premium Revenue

Premium revenue was billed in advance of its respective coverage periods. Those billings were recorded as deferred premium revenue until the month of coverage, at which time they were recognized as revenue in accordance with the terms of the contracts.

(p) Medical Claims and Capitation Payments

Medical claims and capitation payments consisted of fixed contractual payments to providers net of coordination of benefits and subrogation recoveries, and premiums paid for reinsurance, net of reinsurance recoveries. An unrelated organization had assumed a portion of the responsibility for certain medical and professional services provided in Dane County, Wisconsin, PPIC's primary service

**Iowa Health System and Subsidiaries
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area, that PPIC was obligated to provide to covered members enrolled in the plan in exchange for monthly capitation payments.

Claims payable resulted from both claims reported but not paid and claims that have been incurred but not yet reported. Such liabilities were based on assumptions and estimates, and while management believes the amount was adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in the period determined.

(q) Charity Care

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

(r) Functional Expenses

The System provides general health care services, including acute inpatient, outpatient, physician, ambulatory, long-term and home health care, and incurs related general and administrative expenses. Expenses related to providing these services for the years ended December 31 were as follows:

	2017	2016
General health care services	\$ 3,356,973	3,060,957
Management, general and administrative	803,877	782,439
Research	17,846	16,809
	\$ 4,178,696	3,860,205

(s) Contributions and Beneficial Interest in Net Assets

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

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

Interests in charitable trusts and perpetual trusts are carried at the present value of expected future cash flows, which approximates fair value. The System's interest in the net assets (the Interest) of certain foundations that raise and hold assets on behalf of the System is accounted for in a manner similar to the equity method. The Interest is recorded at our beneficial interest in the underlying assets,

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and changes in the Interest are included in the change in net assets. Transfers of assets between these foundations and the System are recognized as increases or decreases in the Interest.

(t) *Estimated Malpractice Costs, Health Insurance and Workers' Compensation*

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

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

(u) *Interest Rate Swap Agreements*

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

As described in note 7, the System has designated certain swaps as hedges, while other swaps have not been designated as hedging instruments. The effective portion of changes in the fair value of swaps designated as hedges is recognized as a component of other changes in net assets, while the ineffective portion of these swaps changes in fair value, and all changes in fair value of swaps not designated as hedges, is recorded as a component of nonoperating gains (losses) in excess of revenues over expenses.

The Swaps are recognized on the consolidated balance sheets at fair value. The net cash payments or receipts under the Swaps designated as hedging instruments are recorded as an increase or decrease to interest expense. The net cash payments or receipts under the Swaps not designated as hedges are recorded as an increase or decrease to other nonoperating income (loss).

(v) *Income Taxes*

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

The System files Form 990 for substantially all of its operating entities in the U.S. federal jurisdiction and is no longer subject to examination by tax authorities for the years before 2014. The System has no material uncertain tax positions.

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

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H.R. 1, originally known as the Tax Cuts and Jobs Act (the Act), was signed into law on December 22, 2017. The Act contains various provisions affecting both taxable and tax-exempt entities. Tax-exempt entities are impacted in part by the inclusion of a new excise tax on excess compensation for covered employees, changes to unrelated business income, changes to tax rates, as well as their ability to advance refund bonds. In addition, tax-exempt entities may be impacted through certain for-profit subsidiaries and/or joint ventures based on the Act's provisions for tax rates, elimination of the corporate alternative minimum tax, changes to net operating loss utilization and carryover/carryback period, and measurement of deferred taxes as well as other limitations on deductions. The Act's provisions may also impact donor tax incentives for charitable giving. The System is currently assessing the overall impact of the Act and its impact on the consolidated financial statements.

(w) Retirement Plans

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

(x) Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The standard requires an entity to recognize revenue when the entity transfers control of promised goods and services to the customer. Revenue is recognized in an amount that reflects the consideration an entity expects to receive in exchange for those goods and services. An entity is also required to disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The System has evaluated the requirements of the new standard to ensure that processes, systems and internal controls are in place to collect the necessary information to implement the standard, which became effective for the System on January 1, 2018, and the new disclosures required post implementation are in the process of being drafted. The System used a portfolio approach to apply the new model to classes of payers with similar characteristics and analyzed cash collection trends over an appropriate collection look-back period depending on the payer. Adoption of ASU 2014-09 will result in changes to the presentation and disclosure of revenue related to uninsured or underinsured patients. Prior to the adoption of ASU 2014-09, the provision for bad debts related to self-pay patients, as well as co-pays and deductibles owed by patients with insurance. Under ASU 2014-09, the estimated uncollectible amounts due from these patients are generally considered a direct reduction to net operating revenues and, correspondingly, result in a material reduction in the amounts presented separately as provision for bad debts. The System also assessed the impact of the new standard on various reimbursement programs that represent variable consideration and concluded that accounting for these programs under the new standard is substantially consistent with the historical accounting practices. While the adoption of ASU 2014-09 will have a material effect on the presentation of net operating revenues in the consolidated statements of

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operations and will impact certain disclosures, it will not materially impact the financial position, results of operations or cash flows of the System. There was no cumulative effect of a change in accounting principle recorded related to the adoption of ASU 2014-09 on January 1, 2018.

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

In August 2016, the FASB issued ASU 2016-14, *Not-for Profit Entities (Topic 958)*, to change the way a not-for-profit entity (NFP) classifies and presents net assets on the face of the financial statements, as well as the information presented in the financial statements and notes about the NFP's liquidity, financial performance and cash flows. The amendment changes the way an NFP reports classes of net assets, from the currently required three classes to two, by eliminating the distinction between resources with permanent restrictions and those with temporary restrictions. The amendment also requires the NFP to provide enhanced disclosure about the nature, amounts and effects of the various types of donor-imposed restrictions, the NFP's management of its liquidity to meet short-term demands for cash, and the types of resources used and how they are allocated to carrying out the NFP's activities. The standard is effective for the System beginning January 1, 2018. The System does not expect the standard to have a material effect on the consolidated financial statements, other than the additional disclosure required by the standard.

(2) Charity Care

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

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

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

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Cost of charity care is calculated by applying hospital specific cost-to-charge ratios to the total amount of charity care deductions from gross revenue. The cost-to-charge ratio is calculated by taking the hospital total expenses and gross charges and applying adjustments to remove the cost of nonpatient care activity, Medicaid provider taxes paid, identifiable community benefit expenses, as well as gross patient charges that are generated for identifiable community benefit services. The amount of charity care provided at cost was \$22,521 and \$18,451 for the years ended December 31, 2017 and 2016, respectively. The expansion of Medicaid coverage, under the provisions of the PPACA, for a large population of previously uninsured patients has had a significant impact on the amount of self-pay charges and resulting charity care provided.

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

(3) Third-Party Reimbursement

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

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

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

The Centers for Medicaid and Medicare Services (CMS) approved Iowa Medicaid's transition to managed care effective April 1, 2016. The System participates in the provider networks of the managed care organizations.

(a) Medicaid State Plans

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

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The System's aggregate tax assessment during 2017 and 2016 was \$54,954 and \$48,758, respectively, and is included in operating expenses in the consolidated statements of operations. Additional Medicaid reimbursement in the same periods was \$127,494 and \$117,540, respectively, and is included in net patient service revenue in the consolidated statements of operations, resulting in a net increase in operating income of \$72,540 and \$68,782 for 2017 and 2016, respectively.

(4) Investments

(a) Investment Summary

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

	<u>2017</u>	<u>2016</u>
Cash equivalents	\$ 633	36
U.S. Treasury obligations	1,499	—
U.S. government agency obligations	—	2,317
Asset-backed securities:		
Other	3,222	3,316
Mortgage-backed securities:		
Government	37	257
Nongovernment	837	197
Certificates of deposit	3,461	7
Corporate bonds	5,204	3,791
Municipal bonds	956	740
Mutual funds:		
Domestic	64	64
International	74	53
Index	224	148
Equity	272	185
Fixed income	428	206
Other	2,617	2,230
Total short-term investments	<u>\$ 19,528</u>	<u>13,547</u>

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

	<u>2017</u>	<u>2016</u>
Held by trustees under bond indenture agreements:		
Cash equivalents	\$ 1,162	1,213
Internally designated:		
Cash equivalents	1,919	1,641
U.S. Treasury obligations	4,341	1,929
Certificates of deposit	—	90
Corporate bonds	188	4,326
Equity securities:		
Domestic	13,619	7,968
International	875	351
	<u>2017</u>	<u>2016</u>
Mutual funds:		
Domestic	\$ 7,582	1,769
International	346,713	233,928
Equity	255,577	289,704
Fixed income	341,778	318,147
Other	—	897
Alternative investments	296,253	229,005
Hedge funds	2,123	40,306
Private equity funds	6,988	7,079
Interest receivable	—	21
	<u>1,277,956</u>	<u>1,137,161</u>
Total assets limited as to use	1,279,118	1,138,374
Less amount required to meet current obligations	<u>14,681</u>	<u>13,054</u>
Noncurrent portion of assets limited as to use	<u>\$ 1,264,437</u>	<u>1,125,320</u>

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

	<u>2017</u>	<u>2016</u>
Debt service accounts	\$ 1,162	1,213

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

	<u>2017</u>	<u>2016</u>
Capital improvements	\$ 1,241,519	1,104,928
Self-insured reserves	36,437	32,233
	<u>\$ 1,277,956</u>	<u>1,137,161</u>

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

	<u>2017</u>	<u>2016</u>
Cash equivalents	\$ 771	1,135
U.S. Treasury obligations	5,264	5,149
U.S. government agency obligations	881	1,801
Municipal bonds	—	9,105
Asset-backed securities:		
Home equity	—	196
Other	2,127	3,101
Mortgage-backed securities:		
Government	—	6,416
Nongovernment	1,447	1,481
Certificates of deposit	467	—
Corporate bonds	9,334	38,951
Municipal bonds	364	—
Equity securities:		
Domestic	3,208	21,326
International	—	533

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	<u>2017</u>	<u>2016</u>
Equity securities – PIF:		
Domestic	\$ 649	—
Mutual funds:		
Domestic	14,610	4,861
International	253,683	172,964
Emerging markets	758	379
Index	4,826	2,979
Equity	192,102	215,458
Fixed income	257,938	235,897
Other	49,615	42,363
Alternative investments	215,299	169,132
Hedge funds	1,543	29,768
Private equity funds	5,078	5,228
Insurance policies	1,727	1,917
Interest rate swaps (see note 7)	528	681
	<u>1,022,219</u>	<u>970,821</u>
Total other long-term investments	\$	

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

	<u>2017</u>	<u>2016</u>
Investment return:		
Interest and dividends	\$ 50,874	30,952
Realized gains on sales of investments	60,524	22,732
Unrealized gains on trading investments	103,931	65,414
Unrealized gains on other-than-trading investments	6,040	2,861
Equity in earnings of joint ventures	30,006	29,059
Change in fair value of investments accounted for under the fair value option of FASB ASC Topic 825	35,637	53,952
	<u>287,012</u>	<u>204,970</u>
Investment return classification:		
Unrestricted net assets:		
Other operating revenue	\$ 32,230	29,942
Nonoperating gains – investment income	242,197	168,778
Temporarily restricted net assets	11,745	5,829
Permanently restricted net assets	840	421
	<u>287,012</u>	<u>204,970</u>

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(b) Alternative Investments

At December 31, 2017 and 2016, 23% of the System's investments were invested in alternative investment vehicles. These investments are included in either internally designated or other long-term investments in the investment summary tables (previously presented) based on the underlying investments. Due to the nature of the alternative investments and the need for the fund managers to execute on long-term strategies, many of the vehicles contain specific lock-up periods, restricted redemption timing, as well as advanced notice of redemption requests.

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

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

	December 31, 2016			
	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Diversified property alternative fund	\$ 105,158	—	Quarterly	65 days
Diversified private equity alternative fund	31,525	48,540	No specific lock-up provision	N/A
Structured credit alternative fund	83,924	—	Quarterly, 2 year lock-up	65 days
Special situations alternative fund	99,826	—	Semi-annual, 2 year lock-up	95 days
Multi-strategy offshore hedge fund	70,073	—	Quarterly, 1 year lock-up	65 days
Energy debt alternative fund	77,705	—	Semi-annual, 3 year lock-up*	95 days
Healthcare private equity fund I	10,702	728	10 year lock-up**	N/A
Healthcare private equity fund II	1,605	8,274	10 year lock-up**	N/A
	<u>\$ 480,518</u>	<u>57,542</u>		

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- * Subject to 3 year lock-up based on initial subscriptions in the investment, which will expire in 2019 (50% available after lock-up period ends and 25% available for each of the following semi-annual reporting periods)
- ** Subject to 10 year lock-up based on initial subscriptions in the investment, which will expire between 2021 and 2025.
- *** Funds are held in escrow until July 2018, at that time they will be returned to the system

As of December 31, 2017, the alternative investment vehicles consist of seven alternative funds, two private equity funds and one hedge fund. The investment strategy of the diversified property alternative fund is to invest in income producing real estate properties utilizing a low level of leverage. The two diversified private equity alternative funds have an objective of investing in a diversified set of private equity real estate funds. The structured credit alternative fund is a fixed income fund with an objective of generating high total returns using a strategy of investing in domestic credit markets, primarily through collateralized debt obligations and other structured credit instruments, such as loan participations and derivative instruments. The special situations alternative fund is a multi-strategy hedge fund-of-funds with the objective of achieving high returns balanced against an appropriate level of volatility and market exposure over a full market cycle. The hedge fund segregated portfolio has an investment object to produce returns comparable to those of the equity markets over a full market cycle while targeting substantially less volatility than equities by investing in a diversified portfolio of hedge funds. The investment strategy of the energy debt alternative fund is to generate high absolute returns by taking advantage of the energy and related industries, market dislocation and commodity price volatility, primarily by investing in debt securities which are purchased or acquired at a significant discount to fair value and/or offer higher coupon rates. The hedge fund utilizes strategies aiming to provide low return volatility through tactical investment strategies while earning a total rate of return in excess of rates achieved from a standard index. The private equity funds have a strategy of investing in early stage companies and entrepreneurs within the health care industry. There is no public market for shares in these alternative investment vehicles. The value of the investments in the funds is determined based on the fair values of the underlying investments, as determined by the net asset value per share.

In December 2016, the System initiated the process of liquidating its investment in the special situations alternative fund and the multi-strategy offshore hedge fund. As of December 31, 2017, the these funds have been fully liquidated. A portion of the value remains held in escrow, per the liquidation provisions, and will be returned to the System in July 2018.

In situations when investments do not have readily determinable fair values, the fund managers provide the net asset value (NAV) per share, or its equivalent, to the System. The NAV provided by the fund managers is supported by underlying audit reports of the private investment funds. The System previously adopted ASU 2009-12, which provided a practical expedient for certain investments to use net asset value per share to measure fair value. Accordingly, the System uses the NAV as a practical expedient for fair value for each of its alternative investments.

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(c) Investments in Joint Ventures

At December 31, 2017 and 2016, investments in joint ventures amounted to \$138,088 and \$130,350, respectively. Other investments also included in this line in the consolidated balance sheets consist primarily of investments reported at cost and real estate held for investment.

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

	<u>2017</u>	<u>2016</u>
Total assets	\$ 363,418	334,897
Net revenues	512,475	514,605
Net income	74,570	72,893

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

	<u>2017</u>	<u>2016</u>
Earnings on investments in joint ventures	\$ 30,006	33,283
New investments in joint ventures	2,543	4,659
Distributions received from joint ventures	26,969	29,442

The System both purchases services and sells services and supplies to several joint ventures. In 2017 and 2016, services purchased from joint ventures totaled \$17,517 and \$22,465, respectively. Services and supplies sold to joint ventures in 2017 and 2016 were \$1,824 and \$9,650, respectively. The System has loaned \$4,500 to a joint venture as of December 31, 2017 and 2016. This loan is interest bearing and carries a rate of interest commensurate with prevailing market rates.

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(5) Property, Plant and Equipment

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

	<u>2017</u>	<u>2016</u>
Land	\$ 195,782	178,797
land improvements	68,361	64,823
Buildings, improvements and fixed equipment	2,344,967	2,181,320
Moveable equipment	<u>1,560,894</u>	<u>1,427,583</u>
	4,170,004	3,852,523
Less accumulated depreciation and amortization	<u>2,393,014</u>	<u>2,154,001</u>
	1,776,990	1,698,522
Construction/information system installation in progress	<u>91,789</u>	<u>105,747</u>
Net property, plant and equipment	<u>\$ 1,868,779</u>	<u>1,804,269</u>

As of December 31, 2017 and 2016, the System has committed \$173,260 and \$228,224, respectively, for costs related to various construction projects. The System plans to fund the majority of these projects through internal funds, with supplemental debt financing for certain projects.

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

Buildings	40–45 yrs
Fixed equipment	20–25 yrs
Moveable equipment	3–15 yrs
Computer software	3–10 yrs

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(6) Long-Term Debt

Long-term debt at December 31, 2017 and 2016 is summarized as follows:

	<u>Payable through</u>	<u>Issuance type (1)</u>	<u>Interest rate (2)</u>	<u>2017</u>	<u>2016</u>
Hospital facility revenue bonds:					
Series 2017A	2027	Fixed	3.15 %	\$ 19,500	—
Series 2016A	2035	Variable	1.58%, 0.93%	86,230	90,010
Series 2016B	2041	Variable	1.55%, 0.97%	51,220	51,220
Series 2016C	2031	Variable	1.30%, 0.73%	10,430	10,935
Series 2016D	2046		4.00% - 5.00%	44,100	45,820
Series 2016E	2046	Fixed	2.00% - 5.00%	168,690	172,100
Series 2016F	2041	Variable	1.49%, 0.91%	42,500	42,500
Series 2016G	2041	Variable	1.68%, 1.09%	42,500	42,500
Series 2014A (WHEFA)	2029	Fixed	4.98 %	74,245	78,125
Series 2014A	2019	Variable	3.25 %	7,447	7,892
Series 2014B	2018	Variable	5.00 %	1,875	1,973
Series 2014C	2035	Fixed	4.47% - 5.00%	69,145	69,145
Series 2013A	2044	Fixed	5.25 %	103,175	103,175
Series 2013B	2039	VRDB	1.26%, 0.73%	75,255	76,350
Series 2012A	2024	Fixed	2.16 %	10,850	12,400
Series 2012C	2037	Fixed	2.43 %	17,735	18,255
Series 2011A	2021	Fixed	3.29 %	25,415	31,280
Series 2011	2031	Fixed	4.40 %	446	486
Series 2009D	2035	Variable	1.65%, 1.08%	46,045	48,065
Series 2009E	2039	Variable	1.87%, 1.04%	38,100	38,100
Series 2005	2031	Fixed	1.45% - 4.00%	2,890	3,030
Series 2005A	2029	Fixed	2.50% - 5.625%	87,690	94,575
Series 1992A	2022	Fixed	6.00 %	4,720	5,510
				<u>1,030,203</u>	<u>1,043,446</u>
Total hospital facility revenue bonds					
Capital lease obligations net book value: 2017-\$4,256; 2016-\$6,212	2026	Fixed	0% - 9.05%	15,432	18,743
Commercial paper	Ongoing	Variable	Various	80,153	35,496
Revolving lines of credit	2017	Variable	Various	29,500	28,000
Other notes and mortgages	2022	Fixed	1.00% - 8.00%	18,419	12,635
				<u>1,173,707</u>	<u>1,138,320</u>
Current maturities				(154,574)	(104,474)
Unamortized bond issuance costs				(6,944)	(7,291)
Unamortized bond premium				33,847	36,751
				<u>(127,671)</u>	<u>(74,914)</u>
Long-term portion				<u>\$ 1,046,036</u>	<u>1,063,306</u>

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

(2) Variable rates shown as of December 31, 2017 and 2016, respectively.

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In August 2014, one of the System's subsidiaries issued tax-exempt Hospital Revenue Bonds, Series 2014A, with an aggregate principal amount not to exceed \$8,250 and taxable Hospital Revenue Bonds, Series 2014B, with an aggregate principal not to exceed \$2,750 through the City of Anamosa, Iowa, to finance a renovation and expansion capital project. Amounts are only reflected as a liability as funds are drawn down. The amounts outstanding at December 31, 2017 were \$7,447 and \$1,875, respectively. The amounts outstanding at December 31, 2016 were \$7,892 and \$1,973, respectively.

The Series 2011 Bonds are obligations of one of the System's subsidiaries that were issued prior to their affiliation. The proceeds were used to refund a prior outstanding bond, repay a construction line-of-credit, and fund the remainder of the facility addition. The bond is secured by a first mortgage lien on the facility and a security interest in certain personal property, machinery and equipment. The amount outstanding as of December 31, 2017 and 2016 was \$446 and \$486, respectively.

On January 4, 2016, the System issued \$93,610 of direct note obligations, Series 2016A, to refund the Series 2009A and Series 2009B Bonds. On January 22, 2016, the System issued \$11,410 of direct note obligations, Series 2016C, to refund the Series 2006 Bonds. On February 8, 2016, the System issued \$51,220 of direct note obligations, Series 2016B, to refund the Series 2011B Bonds. The Series 2016A, 2016B and 2016C Bonds removed the requirement to maintain letters of credit set to expire in 2016.

On June 7, 2016, the System issued \$45,820 of Illinois Finance Authority Revenue Bonds, Series 2016D, to refund the Series 2006A bonds and finance various capital projects and \$176,770 of Iowa Finance Authority Revenue Bonds, Series 2016E, to refund the Series 2008A bonds and finance various capital projects.

On June 8, 2016, the System issued \$85,000 of direct note obligations, Series 2016F and Series 2016G, to refund the Series 2014B (WHEFA) bonds, which had a mandatory tender date in 2016.

The Series 2016D, 2016E, 2014A, 2014C, 2013A, 2013B, 2012A, 2012C, 2005, 2005A, and 1992A Bonds (collectively the Bonds) and the Series 2016A, 2016B, 2016C, 2016F, 2016G, 2011A, 2009D, and 2009E direct note obligations (collectively the Notes) are general obligations of the System and its affiliates. The System is required to meet certain operating and financial ratios contained in the master bond trust indenture, bond insurance agreements and bank letter of credit agreements (related to the variable rate demand bonds). The Bonds and Notes are subject to the provisions of amended and restated master trust indentures, which generally require monthly or quarterly deposits for principal and interest payments be made, and certain funds be maintained by the trustee for interest payment and bond retirement purposes. The Bonds and Notes are secured by the System's revenues.

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

The variable interest rates on substantially all of the bonds are adjusted daily or weekly by remarketing agents. The bonds may be tendered by the bond holders each interest rate period. The System maintains a letter of credit that can be drawn on should the Series 2013B variable rate demand bonds not be remarketed. This letter of credit expires in 2020 and is renewable, subject to trustee approval and at the

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option of the providers, through the term of the bonds. Outstanding amounts under the letters of credit are due at the earlier of expiration of the agreement or over a period of three years, commencing after an initial outstanding period of 366 days or more.

On December 1, 2014, the System established a \$200,000 taxable commercial paper program, which had \$80,153 drawn on it as of December 31, 2017. During 2017 the System drew down \$54,669 from the commercial paper program. The System's commercial paper program is sold in tranches, with varying maturities of one to 270 days, so that no more than \$25,000 will mature in any five business day period.

The System maintains separate revolving line of credit facilities that provide for revolving credit in an aggregate principal amount of up to \$50,000 each. The interest rates applicable to loans under the credit agreements are based on LIBOR plus certain margins, as defined in the agreements. Additionally, the facilities carry a commitment fee, which is charged on the average daily undrawn portion of the facilities. One of these credit facilities matures in 2018 and the other in 2020. These agreements contain various financial covenants that mirror those in the System's master bond trust indenture.

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

	Accelerated maturities with letter of credit expirations	Scheduled maturities based on loan agreements
2018	\$ 154,574	154,574
2019	194,479	41,614
2020	31,622	42,822
2021	87,089	39,989
2022	31,180	35,445
Thereafter	674,763	859,263
	<u>\$ 1,173,707</u>	<u>1,173,707</u>

(7) Interest Rate Swaps

(a) Swaps Designated as Hedging Instruments

As a risk management strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the System entered into two interest rate swap agreements, with the following aggregate terms and fair values:

Trade date	Maturity date	Current notional amount	System pays	System receives	Accounting treatment	Fair value	
						2017	2016
2005	2035	\$ 104,700	3.5 %	62.4% of 3m LIBOR + 29 bps	Cash Flow Hedge \$	(15,036)	(16,897)

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These swap agreements effectively converted the Series 2005B variable rate bonds into fixed rate debt at a rate of 3.5% (4.1% including transaction costs). During 2009, these swaps were redesignated to hedge the Series 2009 A-D Bonds. During 2013, a portion of the proceeds from the issuance of the Series 2013B Bonds were used to repay the Series 2009C Bonds. As a result, the System redesignated the swaps that were hedging these Bonds to hedge the new Series 2013B Bonds. During 2016, the proceeds from the issuance of the Series 2016A direct note obligations were used to repay the Series 2009A and Series 2009B Bonds. As a result, the System redesignated the swaps that were hedging these Bonds to hedge the new Series 2016A direct note obligations. The swap agreements have an aggregate notional amount of \$104,700 and \$109,290 at December 31, 2017 and 2016, respectively.

Management has designated the above interest rate swap agreements as cash flow hedging instruments, and has determined that these agreements are highly effective. The aggregate fair value of the swap agreements is recorded as a long-term liability of \$(15,036) at December 31, 2017 and \$(16,897) at December 31, 2016. The change in fair value of \$1,860 and \$2,034 for the years ended December 31, 2017 and 2016, respectively, is reported as part of the change in unrealized gains and losses of interest rate swaps. The net of what the System pays and receives under the two legs of the swaps, is settled monthly on each swap agreement and is reported as interest expense.

In previous years, the System reduced the notional amount of these swap agreements by \$58,395 by paying \$8,450 as of the date of the transactions to the counterparty. This fair value remains a component of unrestricted net assets and will be amortized into interest expense over the remaining life of the swap. As of December 31, 2017 and 2016, \$7,164 and \$7,583 remains in unrestricted net assets to be amortized and \$419 was amortized into interest expense in 2017 and 2016.

The System has provisions within certain interest rate swap agreements that would require it to post collateral should the negative fair value of the agreements exceed certain thresholds, which are between \$25,000 and \$55,000 depending on the agreement, or the System's credit rating falls below Aa3 by Moody's or AA- by S&P. As of December 31, 2017, the System has not been required to post collateral under these agreements.

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The table below presents certain information regarding the System's interest rate swap agreements designated as cash flow hedges. The System has additional derivative instruments at December 31, 2017 and 2016 that are no longer designated as hedging instruments under ASC 815 (*Derivatives and Hedging*), which are shown in the "Other Swap Agreements" section below the table.

	2017	2016
Long-term liability:		
Fair value of interest rate swap agreement	\$ (15,036)	(16,897)
Unrestricted net assets:		
Gain recognized in changes in unrealized gains and losses on interest rate swaps (effective portion)	1,860	2,034
Operation expenses:		
Loss recognized in interest expense	419	419

(b) Other Swap Agreements

The System has also entered into the following interest rate swap agreements which are no longer designated as hedging instruments. The System has elected to carry these swaps as an investing activity, until such time that satisfactory termination values can be obtained, or their respective maturity date.

Trade date	Maturity date	Current notional amount	System pays	System receives	Fair value	
					2017	2016
2006	2030	\$ 60,000	100% of SIFMA*	68.0% of 10Y LIBOR + 14.3 bps* \$	529	681
2006	2037	132,000	3.8 %	61.9% of 1m LIBOR + 31 bps	(31,050)	(33,585)
2006	2023	37,800	3.5 %	61.9% of 1m LIBOR + 31 bps	(3,140)	(4,108)
2005	2035	52,350	3.3 %	62.4% of 1m LIBOR + 29 bps	(6,689)	(7,604)
2008	2026	17,875	3.5 %	63.0% of 1m LIBOR + 30 bps	(1,583)	(2,066)
2008	2024	10,850	3.5 %	63.0% of 1m LIBOR + 30 bps	(761)	(1,079)
2005	2032	23,000	3.5 %	67.0% of 1m LIBOR	(4,161)	(4,599)
					\$ (46,855)	(52,360)

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

The aggregate fair value of the unhedged swap agreements are recorded as long-term investments of \$529 and \$681 and long-term liabilities of \$(47,384) and \$(53,041), as of December 31, 2017 and 2016, respectively. The change in fair value of \$5,505 and \$4,755 is included as a component of other income as of December 31, 2017 and 2016, respectively. The net of what the System pays and receives, is settled monthly or quarterly on each swap agreement and is reported as other income (loss).

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In prior years, certain swap agreements previously designated as hedges by the System were deemed to be ineffective. The ineffective portion of these changes in fair value, previously deemed effective, is being amortized into other income (loss) over the remaining life of the swap. As of December 31, 2017 and 2016, \$(333) and \$(394), respectively, of net unrealized losses remain in net assets to be amortized and \$61 was amortized into other loss in both 2017 and 2016.

Other Swaps:

	2017	2016
Other long-term investments:		
Fair value of interest rate swap agreement	\$ 529	681
Other long-term liabilities:		
Fair value of interest rate swap agreements	(47,384)	(53,041)
Unrestricted net assets:		
Change in unrestricted net assets amortizing into other, net	61	61
Nonoperating other, net:		
Gain recognized in income from changes in fair value of interest rate swaps	5,505	4,755
Loss recognized in income from amortization of unrecognized losses in unrestricted net assets	(61)	(61)

(8) Related-Party Transactions

The System purchases a variety of services and products, including leases, from companies affiliated with members of the Boards of Directors of the System and/or its subsidiaries. Services and products purchased from these affiliated companies during 2017 and 2016 totaled \$22,896 and \$31,650, respectively. In addition, the System purchases services from several joint ventures and sells services and supplies to several joint ventures in which the System is also an investor.

The System has recorded receivables for amounts held by nonconsolidated foundations on behalf of the System of \$54,932 and \$52,350 as of December 31, 2017 and 2016, respectively. Contributions received from nonconsolidated foundations and other related parties were \$7,219 and \$7,222 in 2017 and 2016, respectively.

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

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(9) Retirement Benefit Plans

(a) Defined Contribution Retirement Plans

The System has several defined contribution benefit plans which are available to substantially all employees meeting age and length of service requirements. Participating employers annually determine the amount, if any, of the System's contributions to the plans. Total benefit expenses under the defined contribution plans were approximately \$79,124 and \$78,235 for 2017 and 2016, respectively. The System also has deferred compensation plans for certain employees. Total expenses under the deferred compensation plans were \$3,971 and \$3,357 for 2017 and 2016, respectively.

(b) Defined Benefit Plans

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

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

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

During 2016, a frozen plan for Allen Health Systems, Inc. (Waterloo) was terminated and participants received either a lump-sum payment or had annuities purchased on their behalf. As a result of the plan terminating, a settlement expense of \$18,726 was recognized in the consolidated statements of operations for the year ended December 31, 2016. Waterloo continues to maintain a separate defined benefit pension plan.

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

The System expects to contribute \$27,249 to the plans in 2018. The System uses a December 31 measurement date for the plans.

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

	December 31, 2017						
	Des Moines	Methodist Peoria	Proctor Peoria	Pekin Peoria	Madison	Cedar Rapids	Waterloo
Change in benefit obligation:							
Benefit obligation, beginning of year	\$ 196,587	247,265	70,299	31,866	229,646	123,943	11,559
Service cost	—	—	—	—	—	—	656
Interest cost	5,929	11,239	3,174	1,375	10,303	5,597	518
Actuarial (gain) loss	(10,063)	14,615	5,211	880	12,870	7,518	750
Benefits paid	(192,453)	(19,765)	(6,623)	(1,253)	(13,145)	(6,250)	(200)
Effect of settlement	—	—	—	—	—	—	(239)
Benefit obligation, end of year	—	253,354	72,061	32,868	239,674	130,808	13,044
Change in fair value of plan assets:							
Fair value of plan assets, beginning of year	209,290	172,932	50,499	23,502	170,626	117,677	11,340
Actual return on plan assets	4,928	26,706	7,246	4,215	22,401	13,436	1,581
Employer contributions	(21,764)	8,623	3,028	—	8,500	5,004	400
Benefits paid	(192,454)	(19,765)	(6,623)	(1,253)	(13,145)	(6,250)	(200)
Effect of settlement	—	—	—	—	—	—	(1,357)
Fair value of plan assets, end of year	—	188,496	54,150	26,464	188,382	129,867	11,764
Funded status, end of year	\$ —	(64,858)	(17,911)	(6,404)	(51,292)	(941)	(1,280)
Accumulated benefit obligation	\$ —	253,354	72,062	32,868	241,273	130,807	13,044

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

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

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	December 31, 2016					
	Des Moines	Methodist Peoria	Proctor Peoria	Madison	Cedar Rapids	Waterloo
Change in benefit obligation:						
Benefit obligation, beginning of year	\$ 189,222	240,604	70,139	239,611	123,217	65,470
Service cost	—	—	—	—	—	610
Interest cost	8,942	11,477	3,306	11,267	5,812	3,087
Actuarial (gain) loss	6,640	4,026	405	(3,430)	759	3,912
Benefits paid	(8,217)	(8,842)	(3,551)	(3,399)	(5,845)	(61,520)
Effect of settlement	—	—	—	(14,403)	—	—
Benefit obligation, end of year	<u>196,587</u>	<u>247,265</u>	<u>70,299</u>	<u>229,646</u>	<u>123,943</u>	<u>11,559</u>
Change in fair value of plan assets:						
Fair value of plan assets, beginning of year	202,089	163,769	48,426	172,988	109,579	68,443
Actual return on plan assets	15,418	12,863	3,454	7,440	8,939	4,217
Employer contributions	—	5,142	2,170	8,000	5,004	200
Benefits paid	(8,217)	(8,842)	(3,551)	(3,399)	(5,845)	(61,520)
Effect of settlement	—	—	—	(14,403)	—	—
Fair value of plan assets, end of year	<u>209,290</u>	<u>172,932</u>	<u>50,499</u>	<u>170,626</u>	<u>117,677</u>	<u>11,340</u>
Funded status, end of year	<u>\$ 12,703</u>	<u>(74,333)</u>	<u>(19,800)</u>	<u>(59,020)</u>	<u>(6,266)</u>	<u>(219)</u>
Accumulated benefit obligation	\$ 196,587	247,265	70,299	229,646	123,943	11,559

	December 31, 2016					
	Des Moines	Methodist Peoria	Proctor Peoria	Madison	Cedar Rapids	Waterloo
Assets and liabilities recognized in the consolidated balance sheets:						
Noncurrent assets	\$ 12,703	—	—	—	—	1,118
Noncurrent liabilities	—	(74,333)	(19,800)	(59,020)	(6,266)	(1,337)
	<u>\$ 12,703</u>	<u>(74,333)</u>	<u>(19,800)</u>	<u>(59,020)</u>	<u>(6,266)</u>	<u>(219)</u>
Amounts recognized in unrestricted net assets but not yet recognized as components of net periodic benefit cost:						
Net loss	\$ 48,229	22,257	17,092	19,702	37,932	2,496
Net prior service credit	—	—	—	—	—	54
	<u>\$ 48,229</u>	<u>22,257</u>	<u>17,092</u>	<u>19,702</u>	<u>37,932</u>	<u>2,550</u>

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December 31, 2016						
	Des Moines	Methodist Peoria	Proctor Peoria	Madison	Cedar Rapids	Waterloo
Amounts expected to be recognized within one year:						
Net loss	\$ 2,676	—	201	—	3,192	1,528
Net prior service credit	—	—	—	—	—	(685)
	<u>\$ 2,676</u>	<u>—</u>	<u>201</u>	<u>—</u>	<u>3,192</u>	<u>843</u>
December 31, 2016						
	Des Moines	Methodist Peoria	Proctor Peoria	Madison	Cedar Rapids	Waterloo
Weighted average assumptions used to determine benefit obligations for the year ended December 31, 2016:						
Discount rate	4.64 %	4.64 %	4.64 %	4.64 %	4.64 %	4.64 %
Rate of compensation increase	N/A	N/A	N/A	N/A	N/A	N/A
Weighted average assumptions used to determine benefit costs for the year ended December 31, 2016:						
Discount rate	4.84 %	4.84 %	4.84 %	4.84 %	4.84 %	4.84 %
Expected return on plan assets	7.00	8.50	8.50	7.25	7.50	8.25
Rate of compensation increase	N/A	N/A	N/A	N/A	N/A	N/A
Components of net periodic benefit cost:						
Service cost	\$ —	—	—	—	—	610
Interest cost	8,942	11,477	3,306	11,267	5,812	3,087
Expected return on plan assets	(13,974)	(13,756)	(4,247)	(10,444)	(8,171)	(4,887)
Amortization of prior service credit	—	—	—	—	—	(666)
Recognized net actuarial loss	2,353	—	140	—	3,509	1,576
Effect of settlement	—	—	—	1,236	—	18,726
Net periodic benefit cost (benefit)	<u>\$ (2,679)</u>	<u>(2,279)</u>	<u>(801)</u>	<u>2,059</u>	<u>1,150</u>	<u>18,446</u>

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

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

Asset allocation is primarily based on a strategy to provide stable earnings while still permitting the plans to recognize potentially higher returns through investment in equity securities and limited exposure to alternative investments. Target asset allocation percentages for 2017 and 2016 were as follows:

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

	2016					
	Des Moines	Methodist Peoria	Proctor Peoria	Madison	Cedar Rapids	Waterloo
Equity securities	13 %	58 %	48 %	41 %	32 %	41 %
Fixed income	75	26	36	36	61	45
Alternative investments	12	16	16	23	7	14

Plan assets are re-balanced quarterly. At December 31, 2017 and 2016, plan asset allocations are as follows:

	2017						2016					
	Methodist Peoria	Proctor Peoria	Pekin Peoria	Madison	Cedar Rapids	Waterloo	Des Moines	Methodist Peoria	Proctor Peoria	Madison	Cedar Rapids	Waterloo
Cash equivalents	— %	— %	— %	2 %	— %	— %	— %	— %	— %	2 %	— %	— %
U.S. Treasury obligations	—	—	—	6	15	8	12	—	—	6	11	7
Corporate bonds	—	—	—	21	—	—	8	—	—	19	—	—
Equity securities:												
Domestic	—	—	—	9	—	—	—	—	—	12	—	—
International	—	—	—	—	—	—	—	—	—	2	—	—
Mutual funds:												
Domestic	34	31	50	—	8	27	5	36	28	—	21	29
International	23	23	13	—	14	13	8	22	19	—	11	13
Equity	—	—	—	22	—	—	—	—	—	20	—	—
Fixed income	28	30	37	9	62	38	55	26	37	11	50	37
Other	—	—	—	5	—	—	—	—	—	5	—	—
Alternative investments	6	6	—	16	1	13	12	6	6	18	7	14
Hedge funds	9	10	—	9	—	—	—	10	10	5	—	—
	100 %	100 %	100 %	99 %	100 %	99 %	100 %	100 %	100 %	100 %	100 %	100 %

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(c) Defined Benefit Plan Assets

The valuation methodologies and inputs used for pension plan assets measured at fair value on a recurring basis, as well as the general classification of pension plan assets pursuant to the valuation hierarchy, are described below. There have been no significant changes in the valuation techniques during the year ended December 31, 2017 or 2016.

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

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

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The following table presents the fair value measurements of the System's pension plans' assets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2017 and 2016:

	Fair value	Fair value measurements using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
2017:				
Cash equivalents	\$ 3,888	3,888	—	—
U.S. Treasury obligations	31,168	31,168	—	—
Corporate bonds	40,481	—	40,481	—
Equity securities:				
Domestic	17,344	17,344	—	—
International	857	857	—	—
Mutual funds:				
Domestic	107,382	107,382	—	—
International	79,014	79,014	—	—
Equity	41,163	41,163	—	—
Fixed income	180,764	180,764	—	—
Other	9,395	—	9,395	—
Alternative investments *	49,113	—	—	—
Hedge funds*	38,552	—	—	—
	<u>\$ 599,121</u>	<u>461,580</u>	<u>49,876</u>	<u>—</u>

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	Fair value	Fair value measurements using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
2016:				
Cash equivalents	\$ 5,311	5,311	—	—
U.S. Treasury obligations	48,839	48,839	—	—
Corporate bonds	49,745	—	49,745	—
Equity securities:				
Domestic	19,659	19,659	—	—
International	3,529	3,529	—	—
Mutual funds:				
Domestic	115,223	115,223	—	—
International	79,127	79,127	—	—
Equity	35,527	35,527	—	—
Fixed income	256,703	256,703	—	—
Other	8,242	—	8,242	—
Alternative investments *	79,732	—	—	—
Hedge funds*	30,727	—	—	—
	<u>\$ 732,364</u>	<u>563,918</u>	<u>57,987</u>	<u>—</u>

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

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31, 2017:

2018	\$ 39,136
2019	41,414
2020	42,336
2021	43,283
2022	44,952
2023–2027	228,034

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(10) Risk Management

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

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

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

The System has accrued as other liabilities \$109,858 and \$101,129 for self-insured losses at December 31, 2017 and 2016, respectively. These liabilities are presented on a gross basis and the expected offsetting insurance recoveries are reported as a receivable. The accrued liabilities are based on management's evaluation of the merits of various claims, historical experience and consultation with external insurance consultants and actuaries, and include estimates for incurred but not reported claims. There can be no assurance that the accrued liabilities will be sufficient for the ultimate amounts that will be paid for claims and settlements. Also, in the ordinary course of business, the System is involved in other litigation and claims, none of which management believes will ultimately result in losses that will adversely affect the System's consolidated net assets or results of operations to a material degree.

Cash and investments have been internally designated to be held for payments of claims, if any, which may result from the self-insured or uninsured portion of liability insurance and workers' compensation claims. At December 31, 2017 and 2016, cash and investments designated for this purpose amounted to \$36,437 and \$32,233, respectively.

(11) Lease Commitments

Certain property and equipment is being leased under long-term noncancelable operating leases. In most cases, management expects that, in the normal course of operations, the leases will be renewed or replaced by other leases. The total rent expense under operating leases for 2017 and 2016 was \$80,323 and \$78,900, respectively.

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The following is a schedule by year of future minimum rental payments required under noncancelable operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2017:

2018	\$	45,694
2019		39,439
2020		36,072
2021		26,611
2022		21,414
Thereafter		78,215
Total minimum payments required	\$	247,445

(12) Disclosures About Fair Value of Assets and Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. An entity must maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There is a hierarchy of three levels of inputs that may be used to measure fair value:

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

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

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

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

The valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy, are described below. There have been no significant changes in the valuation techniques during the years ended December 31, 2017 or 2016. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

(b) Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange traded equities and mutual funds, certificates of deposit and cash equivalents held in money market accounts. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar

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characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified within Level 2 of the valuation hierarchy. Level 2 securities include U.S. Treasury obligations, U.S. government agency obligations, municipal bonds, collateralized mortgage and other collateralized asset obligations, corporate debt and certain beneficial interest in perpetual trusts. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Level 3 financial instruments include beneficial interest in perpetual trusts, which are discussed below. Inputs and valuation techniques used for these Level 3 interests are described below.

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

(c) Interest Rate Swap Agreements

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

(d) Beneficial Interest in Perpetual Trusts

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

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(e) Fair Value Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2017 and 2016:

	2017			
	Fair value	Fair value measurements using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments:				
Cash equivalents	\$ 4,485	4,485	—	—
U.S. Treasury obligations	11,104	—	11,104	—
U.S. government agency obligations	881	—	881	—
Municipal bonds	1,320	—	1,320	—
Asset-backed securities:				
Other	5,349	—	5,349	—
Mortgage-backed securities:				
Government	37	—	37	—
Nongovernment	2,284	—	2,284	—
Certificates of deposit	3,928	3,928	—	—
Corporate bonds	14,726	—	14,726	—
Equity securities:				
Domestic	16,827	16,827	—	—
International	875	875	—	—
Mutual funds:				
Domestic	22,256	22,256	—	—
International	600,470	600,470	—	—
Emerging markets	758	758	—	—
Index	5,050	5,050	—	—
Equity	447,951	447,951	—	—
Fixed income	600,144	600,144	—	—
Other	52,232	52,232	—	—
Alternative investments*	511,552	—	—	—
Hedge funds*	3,666	—	—	—

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2017				
Fair value measurements using				
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Private equity funds*	\$ 12,066	—	—	—
Interest rate swap agreements	528	—	528	—
Other items at cost**	1,727	—	1,727	—
Total short-term investments, assets limited as to use and other long-term investments	<u>\$ 2,320,216</u>	<u>1,754,976</u>	<u>37,956</u>	<u>—</u>
Beneficial interests in perpetual trusts included in contributions receivable	\$ 20,985	—	13,529	7,456
Interest rate swap agreements included in other long-term liabilities	(62,419)	—	(62,419)	—
2016				
Fair value measurements using				
	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments:				
Cash equivalents	\$ 4,025	4,025	—	—
U.S. Treasury obligations	7,078	—	7,078	—
U.S. government agency obligations	4,118	—	4,118	—
Municipal bonds	9,845	—	9,845	—
Asset-backed securities:				
Home equity	196	—	196	—
Other	6,417	—	6,417	—
Mortgage-backed securities:				
Government	6,673	—	6,673	—
Nongovernment	1,678	—	1,678	—

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	2016			
	Fair value	Fair value measurements using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Certificates of deposit	\$ 97	97	—	—
Corporate bonds	47,068	—	47,068	—
Equity securities:				
Domestic	29,294	29,294	—	—
International	884	884	—	—
Mutual funds:				
Domestic	6,694	6,694	—	—
International	406,945	406,945	—	—
Emerging markets	379	379	—	—
Index	3,127	3,127	—	—
Equity	505,347	505,347	—	—
Fixed income	554,250	554,250	—	—
Other	45,490	45,490	—	—
Alternative investments*	398,138	—	—	—
Hedge funds*	70,073	—	—	—
Private equity funds*	12,307	—	—	—
Interest rate swap agreements	681	—	681	—
Other items at cost**	1,938	—	1,938	—
Total short-term investments, assets limited as to use and other long-term investments	\$ <u>2,122,742</u>	<u>1,556,532</u>	<u>85,692</u>	<u>—</u>
Beneficial interests in perpetual trusts included in contributions receivable	\$ 19,141	—	12,078	7,063
Interest rate swap agreements included in other long-term liabilities	(69,938)	—	(69,938)	—

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

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

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(f) Level 3 Reconciliation

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

		Beneficial interest in perpetual trusts
Balance, December 31, 2015	\$	6,741
Gain on beneficial interest in perpetual trusts		322
Balance, December 31, 2016		7,063
Gain on beneficial interest in perpetual trusts		393
Balance, December 31, 2017	\$	7,456

(g) Goodwill

Goodwill is evaluated for impairment at least annually and any identified impairment loss is recognized as expense when it is determined that the carrying amount of the goodwill exceeds its implied fair value. The key inputs used to assess for potential impairment are a qualitative analysis of the applicable reporting unit and a quantitative discounted cash flow analysis. These inputs are classified within Level 3 of the fair value hierarchy.

(h) Unobservable (Level 3) Inputs

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

		Fair value	Valuation technique	Adjustment to NAV
Recurring:				
Beneficial interests in perpetual trusts	\$	7,456	Present value of future distributions expected to be received over term of agreement	N/A
Nonrecurring:				
Goodwill		38,437	Discounted cash flow	N/A

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(13) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods as of December 31:

	2017	2016
Purchase of equipment	\$ 28,869	32,851
Indigent care/operations	47,207	43,370
Health education	16,052	11,738
For use in future periods	25,041	16,639
Total temporarily restricted net assets	\$ 117,169	104,598

Permanently restricted net assets are restricted to the following as of December 31:

	2017	2016
Investments (generally including net investment appreciation and depreciation) to be held in perpetuity (income is unrestricted)	\$ 9,260	8,796
Investments (generally including net investment appreciation and depreciation) to be held in perpetuity (income is restricted for various purposes as directed by the donors)	64,883	58,278
Total permanently restricted net assets	\$ 74,143	67,074

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

(14) Asset Retirement Obligation

Accounting principles generally accepted in the United States of America require that an asset retirement obligation (ARO) associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred or becomes determinable (as defined by the standard) even when the timing and/or method of settlement may be conditional on a future event. The System's conditional asset retirement obligations primarily relate to asbestos contained in various buildings. Environmental regulations in the states where the System operates require the System to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished.

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A summary of changes in asset retirement obligations, which are included on the accompanying consolidated balance sheets in other long-term liabilities, during 2017 and 2016 is included in the table below.

	<u>2017</u>	<u>2016</u>
Liability, beginning of year	\$ 16,810	16,292
Liabilities assumed in affiliations	1,548	—
Liabilities settled	(292)	(365)
Accretion expense	<u>996</u>	<u>883</u>
Liability, end of year	<u>\$ 19,062</u>	<u>16,810</u>

(15) Commitments and Contingencies

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

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

Guarantees

The System has guaranteed \$27,507 and \$29,095, which is outstanding at December 31, 2017 and 2016, respectively, relating to long-term debt for the construction of a family practice residency program education facility, a managed facility's building project, and debt related to joint ventures. For 2017 and 2016, no payments on these guarantees were made.

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(16) Subsequent Events

Subsequent events have been evaluated through April 20, 2018, which is the date the consolidated financial statements were issued.

Effective January 1, 2018, the System's subsidiary UnityPoint Health-Des Moines (UPH-DM) entered into an Affiliation agreement with Grinnell Regional Medical Center (GRMC), of Grinnell, Iowa, under which GRMC became a consolidated subsidiary of UPH-DM. GRMC is a 56 bed facility which offers a full spectrum of inpatient and outpatient services. The System is performing a purchase accounting valuation to determine the fair value of the assets acquired and liabilities assumed. For the previous twelve months ended December 31, 2017, net revenues of GRMC were \$49,246. The affiliation was accomplished by UPH-DM becoming the sole member of GRMC.

Effective January 1, 2018, the System's subsidiary UPH-DM entered into an Affiliation agreement with Eyerly-Ball Community Mental Health Services (Eyerly-Ball), of Des Moines, Iowa, under which Eyerly-Ball became a consolidated subsidiary of UPH-DM. Eyerly-Ball provides a full continuum of behavioral health care including integrated outpatient treatment, community based services, crisis services and residential services. For the previous twelve months ended June 30, 2017, net revenues of Eyerly-Ball were \$13,202. The affiliation was accomplished by UPH-DM becoming the sole member of Eyerly-Ball.

Effective February 9, 2018 the System entered into an agreement to sell certain core network assets, Broadband Technology Opportunities Program assets, and certain service contracts. The aggregate purchase price for the transaction was \$25,000 and will result in an \$11,000 gain in the System's 2018 consolidated financial statements. Effective February 9, 2018, the System entered into an agreement to sell certain core network assets, including assets obtained through Broadband Technology Opportunities Program grant funding, and certain service contracts for \$25,000. As a result of this transaction, the System will recognize an operating gain, net of income tax, of \$11,095 in the 2018 consolidated financial statements.

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Consolidating Schedule – Balance Sheet Information
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(In thousands)

Assets	UPHDM	MHSC	TRHS	MHS	SLHC	AHS	SLHS	THS	TRI-ST	KEO	UPC	UPAH	UPH Corp	PPIC	Eliminations	Consolidated
Current assets:																
Cash and cash equivalents	\$ 6,106	21,197	19,721	41,165	31,011	8,255	5,518	6,123	1,910	2,491	10,738	1,831	95,590			251,656
Short-term investments	1,593	785	1,025	1,610	4,423	1,002	94	108	30		569	51	8,238			19,528
Assets limited as to use – required for current liabilities	5,110		3,821		2,482	1,748	1,192	321		7						14,681
Patient accounts receivable, less estimated uncollectibles	111,573	94,536	62,507	54,417	63,200	48,136	27,867	12,928	19,535	3,163	42,294	44,747	—			584,903
Other receivables	16,091	14,057	5,366	4,592	5,560	9,887	845	3,500	1,918	33	13,688	2,525	18,742		2	96,806
Inventories	14,709	11,370	11,549	2,500	7,563	8,344	4,012	2,904	2,252	1,377	4,431	6,606	—		1	77,618
Prepaid expenses	3,862	5,475	1,628	1,484	2,919	1,516	960	294	840	69	2,996	452	25,775		(2)	48,288
Due from affiliates	3,576	3,456	2,870	233	4,250	1,441	1,841	1,053	602		16,175	1,004	142,777		(179,278)	—
Total current assets	162,640	150,876	108,487	106,001	121,408	80,329	42,329	27,231	27,087	7,140	90,891	57,216	291,122	—	(179,277)	1,093,480
Assets limited as to use, noncurrent:																
Held by trustee under bond indenture agreements													1,162			1,162
Internally designated	714,834	8,200	178,422	—	166,198	1,509	46,654	62,824	84,476	158	—	—	—	—	—	1,263,275
Total assets limited as to use, noncurrent	714,834	8,200	178,422	—	166,198	1,509	46,654	62,824	84,476	158	—	—	1,162	—	—	1,264,437
Property, plant and equipment, net	291,294	331,393	204,338	257,428	179,218	165,132	76,906	74,093	84,918	6,291	37,486	7,139	153,143	—	—	1,868,779
Other long-term investments	71,643	244,489	20,376	38,896	365,704	2,523	14,759	1,453	61,404	23,420	23,550	1,022,219	—		(3)	1,022,219
Investments in joint ventures and other investments	75,711	10,528	17,065	68,714	26,484	10,405	20,695	10,802	4,195	142	—	30,661	—		(129,109)	147,638
Contributions receivable, net	9,575	13,656	1,836	17	44,296	6,038	5,118	3,293	10,924	—	—	—	—		—	94,753
Due from affiliates	816	18,429	38,965	2,059	1,015	3,710	299	588	129		18,792	—	779,437		(798,229)	—
Total assets	\$ 1,326,513	777,571	569,489	799,923	577,515	421,128	194,524	193,590	213,182	13,589	208,741	89,138	1,293,193	—	(1,106,614)	5,571,482
Liabilities and Net Assets																
Current Liabilities:																
Current maturities of long-term debt	\$ 271	6,564	3,247	2,610	582	369	1,228	—	—	730	676	—	138,297			154,574
Accounts payable	27,342	23,936	19,934	15,554	16,681	17,091	8,142	3,981	6,006	3,465	6,795	7,076	23,042		2	179,047
Accrued payroll	20,722	12,759	10,578	20,691	14,413	9,880	3,475	3,182	3,325	1,408	30,662	5,756	82,122		2	218,975
Accrued interest	3	173	12	—	29	—	—	—	(1)	29	—	24	9,946		—	10,215
Estimated settlements due to third-party payers	7,682	63,353	6,601	1,958	3,896	2,971	2,673	1,735	902	50	—	171	—		—	91,992
Due to affiliates	17,172	22,089	13,550	10,143	11,390	16,782	12,286	5,143	2,680	1,068	32,317	17,217	17,379		(179,216)	—
Other current liabilities	11,700	17,471	7,608	1,905	6,370	4,863	3,143	1,596	1,336	163	10,358	1,908	2,587		49	71,057
Total current liabilities	84,892	146,345	61,530	52,861	53,361	51,956	30,947	15,637	14,249	6,883	80,837	32,152	273,373	—	(179,163)	725,860
Long-term debt, net	2,323	19,576	6,076	1,547	9,808	2,197	794	4,083	6,766	—	—	—	992,866		—	1,046,036
Other long-term liabilities	29,045	130,989	15,766	59,008	11,016	16,110	7,997	12,738	2,346	—	52,091	1,330	82,230		(2)	420,664
Due to affiliates	99,027	119,999	144,543	184,434	72,518	105,630	37,817	12,900	17,418	3,944	—	—	—		(798,230)	—
Total liabilities	215,287	416,909	227,915	297,850	146,703	175,893	77,555	41,275	34,013	14,910	139,694	33,482	1,348,469	—	(977,395)	2,192,560
Net assets (deficit):																
Unrestricted:																
Attributable to UnityPoint Health	1,062,279	327,321	296,583	496,547	383,625	225,008	109,210	143,219	168,222	(1,340)	68,936	54,660	(55,324)		(127,338)	3,151,608
Attributable to noncontrolling interest			34,232		(270)		2,040									36,002
Total unrestricted	1,062,279	327,321	330,815	496,547	383,355	225,008	111,250	143,219	168,222	(1,340)	68,936	54,660	(55,324)	—	(127,338)	3,187,610
Temporarily restricted:																
Attributable to UnityPoint Health	25,880	27,232	7,556	4,898	27,075	10,042	3,697	5,211	5,492	19	111	886	48		(1,880)	116,267
Attributable to noncontrolling interest			902		—											902
Total temporarily restricted	25,880	27,232	7,556	4,898	27,977	10,042	3,697	5,211	5,492	19	111	886	48	—	(1,880)	117,169
Permanently restricted	23,067	6,109	3,203	628	19,480	10,185	2,022	3,885	5,455	—	—	110	—		(1)	74,143
Total net assets (deficit)	1,111,226	380,662	341,574	502,073	430,812	245,235	116,969	152,315	179,169	(1,321)	69,047	55,656	(55,276)	—	(129,219)	3,378,922
Total liabilities and net assets	\$ 1,326,513	777,571	569,489	799,923	577,515	421,128	194,524	193,590	213,182	13,589	208,741	89,138	1,293,193	—	(1,106,614)	5,571,482

Definitions:
 UPHDM – UnityPoint Health – Des Moines and Subsidiaries (Des Moines)
 MHSC – Methodist Health Services Corp. and Subsidiaries (Peoria)
 TRHS – Trinity Regional Health System and Subsidiaries (Rock Island)
 MHS – Meriter Health Services, Inc. and Subsidiaries (Madison)
 SLHC – St. Luke’s Healthcare and Subsidiaries (Cedar Rapids)
 AHS – Allen Health Systems, Inc. and Subsidiaries (Waterloo)
 SLHS – St. Luke’s Health System, Inc. (Sioux City)
 THS – Trinity Health Systems, Inc. and Subsidiaries (Fort Dodge)
 TRI-ST – Finley Tri-States Health Group, Inc. and Subsidiaries (Dubuque)
 KEO – Keokuk Area Hospital
 UPC – UnityPoint Clinic
 UPAH – UnityPoint at Home
 UPH Corp – UnityPoint Health and other Subsidiaries
 PPIC – Physicians Plus Insurance Company

See accompanying independent auditors’ report.

Iowa Health System and Subsidiaries
d/b/a UnityPoint Health

Consolidating Schedule – Revenue and Gains, Expenses and Losses Information

December 31, 2017

(In thousands)

	UPHDM	MHSC	TRHS	MHS	SLHC	AHS	SLHS	THS	TRI-ST	KEO	UPC	UPAH	UPH Corp	PPIC	Eliminations	Consolidated
Revenue:																
Patient service revenue (net of contractual allowances)	\$ 950,627	598,718	587,176	422,005	499,513	350,436	194,547	150,460	119,662	19,414	361,922	167,276	1,494		(499,293)	3,923,957
Provision for patient uncollectible accounts	(22,669)	(22,853)	(21,280)	(8,143)	(11,343)	(10,014)	(3,801)	(3,348)	(3,374)	(1,045)	(9,849)				9,848	(107,871)
Net patient service revenue	927,958	575,865	565,896	413,862	488,170	340,422	190,746	147,112	116,288	18,369	352,073	167,276	1,494	—	(489,445)	3,816,086
Premium revenue							14,495									14,495
Other operating revenue	78,545	45,023	26,722	44,662	31,730	33,592	7,170	13,621	5,641	932	119,824	5,669	396,385		(494,213)	315,303
Net assets released from restrictions used for operations	5,641	1,896	511	335	937	924		581	447	33	42	732	12		(776)	11,315
Total revenue	1,012,144	622,784	593,129	458,859	520,837	374,938	212,411	161,314	122,376	19,334	471,939	173,677	397,891	—	(984,434)	4,157,199
Expenses:																
Salaries and wages	345,427	195,352	193,824	158,314	185,700	122,200	71,631	57,733	45,451	8,882	119,204	75,434	126,885		(192,591)	1,513,446
Physician compensation and services	177,797	100,900	85,787	50,730	71,179	61,148	29,033	34,119	11,683	1,782	287,535	877	1,198		(294,777)	618,991
Employee benefits	127,031	45,483	46,841	50,715	50,154	31,354	18,661	13,879	11,870	2,216	33,484	18,098	31,297		(51,141)	429,942
Medical claims and capitation payments				1			8,506								(534)	7,973
Supplies	175,839	88,343	98,329	55,543	78,922	63,386	33,346	20,041	16,389	3,580	39,368	50,444	524		(61,982)	662,072
Other expenses	178,478	147,967	121,916	96,974	109,383	73,360	39,210	31,858	32,371	3,575	95,331	21,609	151,957		(444,838)	659,151
Depreciation and amortization	35,963	29,796	37,441	19,979	20,563	16,522	9,250	7,111	7,640	1,115	6,543	1,693	59,603		(8,214)	247,005
Interest	5,528	4,473	7,842	7,946	4,054	4,696	2,460	663	967	367	646	221	34,227		(35,856)	38,234
Provision for uncollectible accounts	615	97	119	195	199	184	245	287	39	(126)	—	1,576	19		(1,567)	1,882
Total expenses	1,046,678	612,411	592,099	440,397	520,154	374,850	212,342	165,691	126,410	21,391	582,111	169,952	405,710	—	(1,091,500)	4,178,696
Operating income (loss)	(34,534)	10,373	1,030	18,462	683	88	69	(4,377)	(4,034)	(2,057)	(110,172)	3,725	(7,819)	—	107,066	(21,497)
Income (loss) attributable to noncontrolling interests			6,355		444		(3,098)									3,701
Operating Income (loss) Attributable to UPH	(34,534)	10,373	7,385	18,462	1,127	88	(3,029)	(4,377)	(4,034)	(2,057)	(110,172)	3,725	(7,819)	—	107,066	(17,796)
Nonoperating gains (losses):																
Investment income	86,413	24,499	22,557	41,705	23,759	17,546	5,964	8,105	10,289	8	4,141	2,669	1,347		(6,805)	242,197
Contribution received in affiliations	21,098		5,745		20,153					(5,225)						41,771
Other, net	63	370	(78)	531	3	(2)			(1)	1,381			(2,386)		(119)	
Total nonoperating gains (losses), net	86,476	45,967	28,224	42,236	43,915	17,544	5,964	8,105	10,288	(3,836)	4,141	2,669	(1,039)	—	(6,805)	283,849
Revenue over (under) expenses	51,942	56,340	35,609	60,698	45,042	17,632	2,935	3,728	6,254	(5,893)	(106,031)	6,394	(8,858)	—	100,261	266,053
Loss on discontinued operations													(10,983)		(21,857)	(32,840)
Excess of revenues over (under) expenses	\$ 51,942	56,340	35,609	60,698	45,042	17,632	2,935	3,728	6,254	(5,893)	(106,031)	6,394	(19,841)		(21,857)	233,213

Definitions:
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 TRI-ST – Finley Tri-States Health Group, Inc. and Subsidiaries (Dubuque)
 UPAH – UnityPoint at Home
 UPC – UnityPoint Clinic
 UPH Corp – UnityPoint Health and other Subsidiaries
 PPIC – Physicians Plus Insurance Company

See accompanying independent auditors’ report.

**Iowa Health System and Subsidiaries
d/b/a UnityPoint Health**

UnityPoint Health – Des Moines and Subsidiaries (Des Moines)

Consolidating Schedule – Balance Sheet Information

December 31, 2017

(In thousands)

Assets	<u>UPHDM</u>	<u>CIHC</u>	<u>UPHF</u>	<u>CIHP</u>	<u>YRTS</u>	<u>UPC</u>	<u>UPAH</u>	<u>Eliminations</u>	<u>Consolidated</u>
Current assets:									
Cash and cash equivalents	\$	2,718	3,376	12					6,106
Short-term investments		1,499	94						1,593
Assets limited as to use – required for current liabilities		5,110							5,110
Patient accounts receivable, less estimated uncollectibles		111,148			425				111,573
Other receivables		15,938	15	138					16,091
Inventories		14,609	100						14,709
Prepaid expenses		3,832	15	35					3,882
Due from affiliates		4,408	247	20,288	64			(21,431)	3,576
Total current assets	—	159,262	3,847	20,473	489	—	—	(21,431)	162,640
Assets limited as to use, noncurrent:									
Internally designated		612,666	102,168						714,834
Property, plant and equipment, net		269,219	63	22,012					291,294
Other long-term investments		11,439	60,204						71,643
Investments in joint ventures and other investments		50,598	10			31,897	35,589	(42,383)	75,711
Contributions receivable, net			9,575						9,575
Other		815						1	816
Due from affiliates		4,388						(4,388)	—
Total assets	\$ —	1,108,387	175,867	42,485	489	31,897	35,589	(68,201)	1,326,513
Liabilities and Net Assets									
Current liabilities:									
Current maturities of long-term debt	\$	271							271
Accounts payable		27,237	64	26	15				27,342
Accrued payroll		20,436	282	4					20,722
Accrued interest		3							3
Estimated settlements due to third-party payers		7,682							7,682
Due to affiliates	150	36,836	691	179	747			(21,431)	17,172
Other current liabilities		10,959	2	738	—			1	11,700
Total current liabilities	150	103,424	1,039	947	762	—	—	(21,430)	84,892
Long-term debt, net		2,323							2,323
Other long-term liabilities		28,408	637						29,045
Due to affiliates		99,027	2,818	1,570				(4,388)	99,027
Total liabilities	150	233,182	4,494	2,517	762	—	—	(25,818)	215,287
Net assets (deficit):									
Unrestricted	(150)	832,494	123,235	39,968	(273)	31,786	35,219		1,062,279
Temporarily restricted		24,517	25,181			111	260	(24,189)	25,880
Permanently restricted		18,194	22,957				110	(18,194)	23,067
Total net assets (deficit)	(150)	875,205	171,373	39,968	(273)	31,897	35,589	(42,383)	1,111,226
Total liabilities and net assets	\$ —	1,108,387	175,867	42,485	489	31,897	35,589	(68,201)	1,326,513

Definitions:

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

YRTS – Younkers Rehad Therapy Services
 UPC – UnityPoint Clinic, UPHDM portion
 UPAH – UnityPoint at Home, UPHDM portion

See accompanying independent auditors' report.

**Iowa Health System and Subsidiaries
d/b/a UnityPoint Health**

UnityPoint Health – Des Moines and Subsidiaries (Des Moines)
Consolidating Schedule – Revenue and Gains, Expenses and Losses Information
December 31, 2017
(In thousands)

	UPHDM	CIHC	UPHF	CIHP	YRTS	UPC	UPAH	Eliminations	Consolidated
Revenue:									
Patient service revenue (net of contractual allowances)	\$	741,558			880	150,713	57,529	(53)	950,627
Provision for patient uncollectible accounts		(19,160)			(12)	(3,497)			(22,669)
Net patient service revenue		722,398			868	147,216	57,529	(53)	927,958
Other operating revenue		61,274	1,028	5,803	4	21,844	2,397	(13,805)	78,545
Net assets released from restrictions used for operations		5,000	274			21	346		5,641
Total revenue		788,672	1,302	5,803	872	169,081	60,272	(13,858)	1,012,144
Expenses:									
Salaries and wages		266,184	1,832	72	363	44,641	32,342	(7)	345,427
Physician compensation and services		88,895			306	94,575	249	(6,228)	177,797
Employee benefits		106,485	332	23	152	12,435	7,616	(12)	127,031
Supplies		146,325	536	4	22	18,124	10,828		175,839
Other expenses	10	137,872	1,000	2,294	300	36,011	8,602	(7,611)	178,478
Depreciation and amortization		30,231	16	1,601	2	3,247	866		35,963
Interest		4,915		22		485	106		5,528
Provision for uncollectible accounts				1			614		615
Total expenses	10	780,907	3,716	4,017	1,145	209,518	61,223	(13,858)	1,046,678
Operating income (loss)	(10)	7,765	(2,414)	1,786	(273)	(40,437)	(951)	—	(34,534)
Nonoperating gains:									
Investment income		67,465	16,307			1,593	1,048		86,413
Other, net			63						63
Total nonoperating gains, net		67,465	16,370			1,593	1,048		86,476
Revenues over (under) expenses	\$ (10)	75,230	13,956	1,786	(273)	(38,844)	97	—	51,942

Definitions:

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

YRTS – Younkers Rehad Therapy Services
UPC – UnityPoint Clinic, UPHDM portion
UPAH – UnityPoint at Home, UPHDM portion

See accompanying independent auditors' report.

**Iowa Health System and Subsidiaries
d/b/a UnityPoint Health**
Methodist Health Services Corporation and Subsidiaries (Peoria)
Consolidating Schedule – Balance Sheet Information
December 31, 2017
(In thousands)

Assets	MHSC	MMCI	MS	MMCF	PHC	JM	OHS	PH	Belcrest	Hult	PHS	HP	PEKIN	Eliminations	Consolidated
Current assets:															
Cash and cash equivalents	\$ 1,350	6,290	270	1,608	(4)	4	141	5,468	136	819	297	3	4,815		21,197
Short-term investments	69	90	15					272	2		8		329		785
Patient accounts receivable, less estimated uncollectibles	170	62,372				1		18,000	983		1,115		11,895		94,536
Other receivables		8,832	41	2			182	3,224	62	28	122		1,564		14,057
Inventories		6,520						2,404	720				1,726		11,370
Prepaid expenses		2,745	167					523	3	3		4	2,030		5,475
Due from affiliates	325	41,919	12,831		3,481			12,016	4,321		21	19	127	(71,604)	3,456
Total current assets	1,914	128,768	13,324	1,610	3,477	5	323	41,907	6,227	850	1,563	26	22,486	(71,604)	150,876
Assets limited as to use, noncurrent:															
Internally designated		5,000		2,954									246		8,200
Property, plant and equipment, net	1	155,599	94,258					39,136	109	1,095	469		40,726		331,393
Other long-term investments	116	211,212	25	29,693				453	3	769	14		2,204		244,489
Investments in joint ventures and other investments	860	43,002		173	17,617									(51,124)	10,528
Contributions receivable, net		6,507		17						110					13,656
Other	54	5,218			1		910	5,815					6,431		18,429
Due from affiliates															—
Total assets	\$ 2,945	555,306	107,607	34,447	21,095	5	1,233	94,333	6,339	2,824	2,046	26	72,093	(122,728)	777,571
Liabilities and Net Assets															
Current liabilities:															
Current maturities of long-term debt	\$	6,055											509		6,564
Accounts payable	116	12,460	197	18			193	4,886	91	15	105		5,855		23,936
Accrued payroll	63	8,142		3				1,192	75	15	67		3,202		12,759
Accrued interest		173													173
Estimated settlements due to third-party payers		52,325						8,324					2,704		63,353
Due to affiliates	770	16,014	28,298	1,533	5	202	132	5,869	16,752	344	20,020	792	2,962	(71,604)	22,089
Other current liabilities	2	11,148	1,561	38		2	(1)	2,953	99	—	85		1,584		17,471
Total current liabilities	951	106,317	30,056	1,592	5	204	324	23,224	17,017	374	20,277	792	16,816	(71,604)	146,345
Long-term debt, net		19,172					56						348		19,576
Other long-term liabilities		93,362		87				23,760					13,780		130,989
Due to affiliates		76,870						14,925					28,204		119,999
Total liabilities	951	295,721	30,056	1,679	5	204	380	61,909	17,017	374	20,277	792	59,148	(71,604)	416,909
Net assets (deficit):															
Unrestricted	1,994	233,545	77,551	13,442	21,090	(199)	853	25,233	(10,678)	2,340	(18,231)	(766)	12,945	(31,798)	327,321
Temporarily restricted		20,445		13,751				6,677		110				(13,751)	27,232
Permanently restricted		5,595		5,575				514						(5,575)	6,109
Total net assets (deficit)	1,994	259,585	77,551	32,768	21,090	(199)	853	32,424	(10,678)	2,450	(18,231)	(766)	12,945	(51,124)	360,662
Total liabilities and net assets	\$ 2,945	555,306	107,607	34,447	21,095	5	1,233	94,333	6,339	2,824	2,046	26	72,093	(122,728)	777,571

Definitions:
 MHSC – Methodist Health Services Corporation
 MMCI – Methodist Medical Center of Illinois
 MS – Methodist Services, Inc.
 MMCF – Methodist Medical Center Foundation
 PHC – Proctor Health Care, Inc.
 JM – UPH Junction Medical LLC
 OHS – Optimum Health Solutions, Inc.

PH – Proctor Hospital
 Belcrest – Belcrest Services, Ltd.
 Hult – Hult Center for Healthy Living
 PHS – Proctor Health Systems
 HP – HealthPlus, Inc.
 PEKIN – Progressive Health Systems

See accompanying independent auditors' report.

Iowa Health System and Subsidiaries
d/b/a UnityPoint Health
 Methodist Health Services Corporation and Subsidiaries (Peoria)
 Consolidating Schedule – Revenue and Gains, Expenses and Losses Information
 December 31, 2017
 (In thousands)

	MHSC	MMCI	MS	MMCF	PHC	JM	OHS	PH	Belcrest	Hult	PHS	HP	PEKIN	Eliminations	Consolidated
Revenue:															
Patient service revenue (net of contractual allowances)	\$ 1,465	385,163						122,038	5,716		8,323		76,013		598,718
Provision for patient uncollectible accounts		(10,016)						(5,578)	(502)		(302)		(6,455)		(22,853)
Net patient service revenue	1,465	375,147	—	—	—	—	—	116,460	5,214	—	8,021	—	69,558	—	575,865
Other operating revenue		33,738	13,083	765		5	286	4,632	339	982	737		3,607	(13,151)	45,023
Net assets released from restrictions used for operations		379		909				379		229				—	1,896
Total revenue	1,465	409,264	13,083	1,674	—	5	286	121,471	5,553	1,211	8,758	—	73,165	(13,151)	622,784
Expenses:															
Salaries and wages	1,201	131,017		308		1	128	30,353	2,059	678	2,275		27,332		195,352
Physician compensation and services		74,802				189		2,254	3,920	—	7,181		12,619	(65)	100,900
Employee benefits	115	31,285	20	62			26	5,686	533	152	628		6,976		45,483
Supplies	5	52,834	69	3			1	22,041	998	51	527		11,814		88,343
Other expenses	172	94,589	8,600	1,252		14	84	32,754	2,131	290	2,092	17	19,058	(13,086)	147,967
Depreciation and amortization	218	16,462	4,836					4,516	18	82	119		3,545		29,796
Interest		3,177						863					433		4,473
Provision for uncollectible accounts		86	11												97
Total expenses	1,711	404,252	13,536	1,625	—	204	239	98,467	9,659	1,253	12,822	17	81,777	(13,151)	612,411
Operating income (loss):	(246)	5,012	(453)	49	—	(199)	47	23,004	(4,106)	(42)	(4,064)	(17)	(8,612)	—	10,373
Nonoperating gains (losses)															
Investment income	14	22,761	(6)	1,070				34	1	104	14		507		24,499
Contribution received in affiliation with Proctor Peoria													20,303		21,098
Other, net		403		(33)											370
Total nonoperating gains (losses), net	14	23,164	(6)	1,037	—	—	795	34	1	104	14	—	20,810	—	45,967
Revenues over (under) expenses	\$ (232)	28,176	(459)	1,086	—	(199)	842	23,038	(4,105)	62	(4,050)	(17)	12,198	—	56,340

Definitions:
 MHSC – Methodist Health Services Corporation
 MMCI – Methodist Medical Center of Illinois
 MS – Methodist Services, Inc.
 MMCF – Methodist Medical Center Foundation
 PHC – Proctor Health Care, Inc.
 JM – UPH Junction Medical LLC
 OHS – Optimum Health Solutions, Inc.

PH – Proctor Hospital
 Belcrest – Belcrest Services, Ltd.
 Hult – Hult Center for Healthy Living
 PHS – Proctor Health Systems
 HP – HealthPlus, Inc.
 PEKIN – Progressive Health System

See accompanying independent auditors' report.

**Iowa Health System and Subsidiaries
d/b/a UnityPoint Health**
Trinity Regional Health System and Subsidiaries (Rock Island)
Consolidating Schedule – Balance Sheet Information
December 31, 2017
(In thousands)

Assets	TRHS	TMC	THF	THE	TM	UPC	UPAH	Eliminations	Consolidated
Current Assets:									
Cash and cash equivalents	\$	9,985	1,633	478	7,625				19,721
Short-term investments		524	90	18	393				1,025
Assets limited as to use – required for current liabilities		3,821							3,821
Patient accounts receivable, less estimated uncollectibles		53,696		1,614	7,197				62,507
Other receivables	48	4,818		140	360				5,366
Inventories		9,945		369	1,235				11,549
Prepaid expenses	45	1,462	32	10	79				1,628
Due from affiliates	538	9,132	21		528			(7,349)	2,870
Total current assets	631	93,383	1,776	2,629	17,417	—	—	(7,349)	108,487
Assets limited as to use, noncurrent:									
Internally designated	21,461	147,582			9,379				178,422
Property, plant and equipment, net		177,271		424	26,643				204,338
Other long-term investments		8,629	8,934	30	2,783				20,376
Investments in joint ventures and other investments	2,194	15,388	—			8,262	2,718	(11,497)	17,065
Contributions receivable, net		184	1,527		125				1,836
Other		38,965			1			(1)	38,965
Due from affiliates		11,358						(11,358)	—
Total assets	\$ 24,286	492,760	12,237	3,083	56,348	8,262	2,718	(30,205)	569,489
Liabilities and Net Assets									
Current liabilities:									
Current maturities of long-term debt	\$	2,935			312				3,247
Accounts payable	627	17,417	16	135	1,739				19,934
Accrued payroll	1,484	8,041	26	101	926				10,578
Accrued interest					12				12
Estimated settlements due to third-party payers		5,466			1,135				6,601
Due to affiliates	2,996	12,110	3,262	706	1,825			(7,349)	13,550
Other current liabilities	115	7,060	18	(92)	509			(2)	7,608
Total current liabilities	5,222	53,029	3,322	850	6,458	—	—	(7,351)	61,530
Long-term debt, net		3,331			2,745				6,076
Other long-term liabilities		14,761	58	44	903				15,766
Due to affiliates		134,643			21,258			(11,358)	144,543
Total liabilities	5,222	205,764	3,380	894	31,364	—	—	(18,709)	227,915
Net assets:									
Unrestricted:									
Attributable to UnityPoint Health	19,064	244,419	27	2,189	23,576	8,262	2,725	(3,679)	296,583
Attributable to noncontrolling interest		34,232							34,232
Total unrestricted	19,064	278,651	27	2,189	23,576	8,262	2,725	(3,679)	330,815
Temporarily restricted		6,127	5,703		1,408		(7)	(5,675)	7,566
Permanently restricted		2,218	3,127					(2,142)	3,203
Total net assets	19,064	286,996	8,857	2,189	24,984	8,262	2,718	(11,496)	341,574
Total liabilities and net assets	\$ 24,286	492,760	12,237	3,083	56,348	8,262	2,718	(30,205)	569,489

Definitions:

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

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

See accompanying independent auditors' report.

**Iowa Health System and Subsidiaries
d/b/a UnityPoint Health**

Trinity Regional Health System and Subsidiaries (Rock Island)

Consolidating Schedule – Revenue and Gains, Expenses and Losses Information

December 31, 2017

(In thousands)

	TRHS	TMC	THF	THE	TM	UPC	UPAH	Eliminations	Consolidated
Revenue:									
Patient service revenue (net of contractual allowances)	\$	451,176		6,763	50,968	56,287	22,261	(279)	587,176
Provision for patient uncollectible accounts		(15,976)		(144)	(3,050)	(2,110)			(21,280)
Net patient service revenue	—	435,200	—	6,619	47,918	54,177	22,261	(279)	565,896
Other operating revenue	38	22,312	270	(86)	1,682	5,798	1,391	(4,683)	26,722
Net assets released from restrictions used for operations		382	115		8	3	3		511
Total revenue	38	457,894	385	6,533	49,608	59,978	23,655	(4,962)	593,129
Expenses:									
Salaries and wages		141,608	653	1,665	15,333	19,478	15,087		193,824
Physician compensation and services		43,387			7,709	36,449	280	(2,038)	85,787
Employee benefits		33,891	133	431	3,535	5,536	3,536	(221)	46,841
Supplies		82,518	40	3,333	5,182	5,961	1,312	(17)	98,329
Other expenses		95,127	636	956	10,046	14,758	3,041	(2,648)	121,916
Depreciation and amortization		33,891		111	2,442	935	62		37,441
Interest		6,990			774	40	38		7,842
Provision for uncollectible accounts		2					117		119
Total expenses	—	437,414	1,462	6,496	45,021	83,157	23,473	(4,924)	592,099
Operating income (loss)	38	20,480	(1,077)	37	4,587	(23,179)	182	(38)	1,030
Plus: Loss attributable to noncontrolling interests									
		6,355							6,355
Operating income (loss) attributable to UPH	38	26,835	(1,077)	37	4,587	(23,179)	182	(38)	7,385
Nonoperating gains:									
Investment income	2,532	16,708	894	1	1,332	636	454		22,557
Contribution received in affiliations		5,745							5,745
Other, net		(78)							(78)
Total nonoperating gains, net	2,532	22,375	894	1	1,332	636	454	—	28,224
Revenues over (under) expenses	\$ 2,570	49,210	(183)	38	5,919	(22,543)	636	(38)	35,609

Definitions:

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

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

See accompanying independent auditors' report.

**Iowa Health System and Subsidiaries
d/b/a UnityPoint Health**

Meriter Health System, Inc. and Subsidiaries (Madison)

Consolidating Schedule – Balance Sheet Information

December 31, 2017

(In thousands)

Assets	MHS	MH	MF	MMG	ML	MHH	MMS	UPAH	Eliminations	Consolidated
Current assets:										
Cash and cash equivalents	\$ 1,359	37,998	774	73	645		316			41,165
Short-term investments		1,610								1,610
Patient accounts receivable, less estimated uncollectibles		47,726		6,199	492					54,417
Other receivables		3,221	68	356	181		766			4,592
Inventories		2,500								2,500
Prepaid expenses		819		484	175		6			1,484
Due from affiliates	469	201,363	35	—	1,133	3,916	772		(207,455)	233
Total current assets	1,828	295,237	877	7,112	2,626	3,916	1,860	—	(207,455)	106,001
Property, plant and equipment, net		230,211		26,125	1,443		159		(510)	257,428
Other long-term investments	4,969	332,522	21,373	612	2,348		3,880			365,704
Investments in joint ventures and other investments	5,133	77,100					4,789	457	(18,765)	68,714
Contributions receivable, net			17							17
Other					450	439	1,172		(2)	2,059
Due from affiliates									—	—
Total assets	\$ 11,930	935,070	22,267	33,849	6,867	4,355	11,860	457	(226,732)	799,923
Liabilities and Net Assets										
Current liabilities:										
Current maturities of long-term debt	\$	2,610								2,610
Accounts payable	53	13,027	703	885	792	(16)	129		(19)	15,554
Accrued payroll	895	15,431	34	2,355	664		1,312			20,691
Estimated settlements due to third-party payers		1,958								1,958
Due to affiliates	155	7,009	141	210,303					(207,465)	10,143
Other current liabilities	10	1,245	32	389	145	64	21		(1)	1,905
Total current liabilities	1,113	41,280	910	213,932	1,601	48	1,462	—	(207,485)	52,861
Long-term debt, net		1,547								1,547
Other long-term liabilities	1,659	45,699	121	2,165	2,911	1,873	4,580			59,008
Due to affiliates		184,434								184,434
Total liabilities	2,772	272,960	1,031	216,097	4,512	1,921	6,042	—	(207,485)	297,850
Net assets (deficit):										
Unrestricted	9,158	657,105	11,834	(182,248)	2,355	2,434	5,818	457	(10,366)	496,547
Temporarily restricted		4,684	8,774						(8,560)	4,898
Permanently restricted		321	628						(321)	628
Total net assets (deficit)	9,158	662,110	21,236	(182,248)	2,355	2,434	5,818	457	(19,247)	502,073
Total liabilities and net assets	\$ 11,930	935,070	22,267	33,849	6,867	4,355	11,860	457	(226,732)	799,923

Definitions:

MHS – Meriter Health Services, Inc.
 MH – Meriter Hospital, Inc.
 MF – Meriter Foundation, Inc.
 MMG – Meriter Medical Group, Inc.

ML – Meriter Laboratories
 MHH – Meriter Home Health
 MMS – Meriter Management Services
 UPAH – UnityPoint at Home, MHS portion

See accompanying independent auditors' report.

**Iowa Health System and Subsidiaries
d/b/a UnityPoint Health**

Meriter Health System, Inc. and Subsidiaries (Madison)

Consolidating Schedule – Revenue and Gains, Expenses and Losses Information

December 31, 2017

(In thousands)

	<u>MHS</u>	<u>MH</u>	<u>MF</u>	<u>MMG</u>	<u>ML</u>	<u>MHH</u>	<u>MMS</u>	<u>UPAH</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenue:										
Patient service revenue (net of contractual allowances)	\$	356,565		50,648	16,644			9,976	(11,828)	422,005
Provision for patient uncollectible accounts		(6,849)		(1,324)	30					(8,143)
Net patient service revenue		349,716		49,324	16,674			9,976	(11,828)	413,862
Other operating revenue	4,393	40,970	1,156	3,504	1,751	857	14,380	239	(22,588)	44,662
Net assets released from restrictions used for operations		227	41	67						335
Total revenue	4,393	390,913	1,197	52,895	18,425	857	14,380	10,215	(34,416)	458,859
Expenses:										
Salaries and wages	2,285	126,891	412	13,701	5,025		5,281	4,719		158,314
Physician compensation and services		12,505		38,222	1		2			50,730
Employee benefits	588	39,736	130	5,357	1,708	13	1,714	1,469		50,715
Medical Claims and Capitation Payments		1								1
Supplies		44,342	4	5,805	3,352		33	2,007		55,543
Other expenses	1,933	97,235	1,265	12,380	8,199	864	4,191	1,496	(30,589)	96,974
Depreciation and amortization		17,726		1,887	326		7	33		19,979
Interest		7,938						8		7,946
Provision for uncollectable accounts								195		195
Total expenses	4,806	346,374	1,811	77,352	18,611	877	11,228	9,927	(30,589)	440,397
Operating income (loss)	(413)	44,539	(614)	(24,457)	(186)	(20)	3,152	288	(3,827)	18,462
Nonoperating gains:										
Investment income	248	39,149	1,619	6	111		336	236		41,705
Other, net	531									531
Total nonoperating gains, net	779	39,149	1,619	6	111		336	236		42,236
Revenues over (under) expenses	\$ 366	83,688	1,005	(24,451)	(75)	(20)	3,488	524	(3,827)	60,698

Definitions:

MHS – Meriter Health Services, Inc.

MH – Meriter Hospital, Inc.

MF – Meriter Foundation, Inc.

MMG – Meriter Medical Group, Inc.

ML – Meriter Laboratories

MHH – Meriter Home Health

MMS – Meriter Management Services

UPAH – UnityPoint at Home, MHS portion

See accompanying independent auditors' report.

Iowa Health System and Subsidiaries
d/b/a UnityPoint Health

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

Consolidating Schedule – Balance Sheet Information

December 31, 2017

(In thousands)

Assets	SLMH	CARE	CC-STL	STL-HR	JRMC	STEAM, INC.	MED LABS	ABBE	UPC	UPAH	Eliminations	Consolidated
Current assets:												
Cash and cash equivalents	\$ 2,029	2,950	1,929		16,166			7,937				31,011
Short-term investments	323		105		671			3,324				4,423
Assets limited as to use – required for current liabilities	2,482											2,482
Patient accounts receivable, less estimated uncollectibles	53,802	961	(49)		4,397		1,370	2,719				63,200
Other receivables	5,004	84		(3)	378	71	21	5				5,560
Inventories	7,226				257		80					7,563
Prepaid expenses	2,452	40			33	13	11	370				2,919
Due from affiliates	4,860	906	91	1,943	601	118	2,324	5			(6,598)	4,250
Total current assets	78,178	4,941	2,076	1,940	22,503	202	3,806	14,360	—	—	(6,598)	121,408
Assets limited as to use, noncurrent:												
Internally designated	166,198											166,198
Property, plant and equipment, net	142,912	3,517		1,642	20,587	3,442	296	6,822				179,218
Other long-term investments	33,968		174		1,763			2,991				38,896
Investments in joint ventures and other investments	14,349	4,864										26,484
Contributions receivable, net	42,280				1,728			288	18,344	1,277	(12,350)	44,296
Other	948					7	1	59				1,015
Due from affiliates				994							(994)	—
Total assets	\$ 478,833	13,322	2,250	4,576	46,581	3,651	4,103	24,520	18,344	1,277	(19,942)	577,515
Liabilities and Net Assets												
Current liabilities:												
Current maturities of long-term debt	\$				562			20				582
Accounts payable	14,459	371	128		942	101	254	426				16,681
Accrued payroll	11,538	611			953		112	1,199				14,413
Accrued interest					29							29
Estimated settlements due to third-party payers	3,531		(18)		383							3,896
Due to affiliates	14,074			1	2,740	11	1,159	3			(6,598)	11,390
Other current liabilities	5,945	1	1	45	239			139			—	6,370
Total current liabilities	49,547	983	111	46	5,848	112	1,525	1,787	—	—	(6,598)	53,361
Long-term debt, net					8,737			1,071				9,808
Other long-term liabilities	9,827			308		778		103				11,016
Due to affiliates	73,512										(994)	72,518
Total liabilities	132,886	983	111	354	14,585	890	1,525	2,961	—	—	(7,592)	146,703
Net assets:												
Unrestricted:												
Attributable to UnityPoint Health	303,728	12,339	2,139	4,222	30,273	(119)	2,578	21,194	18,344	1,277	(12,350)	383,625
Attributable to noncontrolling interest						(270)						(270)
Total unrestricted	303,728	12,339	2,139	4,222	30,273	(389)	2,578	21,194	18,344	1,277	(12,350)	383,355
Temporarily restricted:												
Attributable to UnityPoint Health	22,757				1,723	2,248		347				27,075
Attributable to noncontrolling interest						902						902
Total temporarily restricted	22,757	—	—	—	1,723	3,150	—	347	—	—	—	27,977
Permanently restricted	19,462	—	—	—	—	—	—	18	—	—	—	19,480
Total net assets	345,947	12,339	2,139	4,222	31,996	2,761	2,578	21,559	18,344	1,277	(12,350)	430,812
Total liabilities and net assets	\$ 478,833	13,322	2,250	4,576	46,581	3,651	4,103	24,520	18,344	1,277	(19,942)	577,515

Definitions:

SLMH – St. Luke's Methodist Hospital
 CARE – STL Care Company
 CC-STL – Continuing Care Hospital, STL
 STL-HR – STL Health Resources
 JRMC – Jones Regional Medical Center
 CARDIO LC – Cardiologists, L.C.

UPC – UnityPoint Clinic, SLHC portion
 UPAH – UnityPoint at Home, SLHC portion
 ABBE – Abbe, Inc.
 STEAM, INC. – St. Luke's Coe Steam, Inc.
 MED LABS – Medical Labs of Eastern Iowa

See accompanying independent auditors' report.

**Iowa Health System and Subsidiaries
d/b/a UnityPoint Health**

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

Consolidating Schedule – Revenue and Gains, Expenses and Losses Information

December 31, 2017

(In thousands)

	SLMH	CARE	CC-STL	STL-HR	JRMC	STEAM, INC.	MED LABS	ABBE	UPC	UPAH	Eliminations	Consolidated
Revenue:												
Patient service revenue (net of contractual allowances)	\$ 350,263	13,124	3,241		30,619		11,123	25,771	58,930	7,108	(666)	499,513
Provision for patient uncollectible accounts	(8,229)	(120)	(25)		(1,157)		(313)	(21)	(1,478)		—	(11,343)
Net patient service revenue	342,034	13,004	3,216	—	29,462	—	10,810	25,750	57,452	7,108	(666)	488,170
Other operating revenue	29,423	322	(1)	42	699	1,127	(4)	3,053	33,971	94	(36,996)	31,730
Net assets released from restrictions used for operations	896				8				3	30		937
Total revenue	372,353	13,326	3,215	42	30,169	1,127	10,806	28,803	91,426	7,232	(37,662)	520,837
Expenses:												
Salaries and wages	124,230	6,844	1,191	13	9,081	67	2,076	16,429	23,182	2,641	(54)	185,700
Physician compensation and services	28,636	34	5		5,347		850		61,044	28	(24,765)	71,179
Employee benefits	33,036	1,111	310		2,920	17	665	5,133	6,298	664		50,154
Supplies	64,371	2,022	321		2,437	48	771	845	6,122	2,072	(87)	78,922
Other expenses	79,079	2,405	1,466	(212)	6,661	1,736	5,385	5,635	18,617	1,350	(12,739)	109,383
Depreciation and amortization	16,111	316	17	53	1,722	233	72	693	1,244	102		20,563
Interest	3,595				351			59	56	10	(17)	4,054
Provision for uncollectible accounts	10							40		149		199
Total expenses	349,068	12,732	3,310	(146)	28,519	2,101	9,819	28,834	116,563	7,016	(37,662)	520,154
Operating income (loss)	23,285	594	(95)	188	1,650	(974)	987	(31)	(25,137)	216	—	683
Income attributable to noncontrolling interests												
Operating income (loss) attributable to UPH	23,285	594	(95)	188	1,650	(530)	987	(31)	(25,137)	216	—	1,127
Nonoperating gains:												
Investment income	22,082	12	17		198			411	885	154		23,759
Contribution due to affiliations								20,153				20,153
Other, net								3				3
Total nonoperating gains, net	22,082	12	17	—	198	—	—	20,567	885	154	—	43,915
Revenues over (under) expenses	\$ 45,367	606	(78)	188	1,848	(530)	987	20,536	(24,252)	370	—	45,042

Definitions:

SLMH – St. Luke's Methodist Hospital
 CARE – STL Care Company
 CC-STL – Continuing Care Hospital, STL
 STL-HR – STL Health Resources
 JRMC – Jones Regional Medical Center
 CARDIO LC – Cardiologists, L.C.

UPC – UnityPoint Clinic, SLHC portion
 UPAH – UnityPoint at Home, SLHC portion
 ABBE – Abbe, Inc.
 STEAM, INC. – St. Luke's Coe Steam, Inc.
 MED LABS – Medical Labs of Eastern Iowa

See accompanying independent auditors' report.

Iowa Health System and Subsidiaries
d/b/a UnityPoint Health
 Allen Health Systems, Inc. and Subsidiaries (Waterloo)
 Consolidating Schedule – Balance Sheet Information
 December 31, 2017
 (In thousands)

Assets	AHS	AMH	MFAH	AC	Marshalltown	BHGMHC	UPC	UPAH	Eliminations	Consolidated	
Current assets:											
Cash and cash equivalents	\$	2,851	2,401	1,942	(185)	1,246				8,255	
Short-term investments		683	72			247				1,002	
Assets limited as to use – required for current liabilities		1,748								1,748	
Patient accounts receivable, less estimated uncollectibles		35,284			12,544	308				48,136	
Other receivables		4,650		(147)	5,193	191				9,887	
Inventories		6,403			1,941					8,344	
Prepaid expenses		1,103	15	102	285	11				1,516	
Due from affiliates		8,655	11,518	2	5,919	83			(24,736)	1,441	
Total current assets		8,655	64,240	2,490	7,816	19,778	2,086	—	—	(24,736)	80,329
Assets limited as to use, noncurrent:											
Internally designated		1,509								1,509	
Property, plant and equipment, net		124,315			38,666	2,151				165,132	
Other long-term investments		141,681	11,867			457				154,005	
Investments in joint ventures and other investments	39,571	7,634	946	11,388	1,287		3,614	4,409	(58,444)	10,405	
Contributions receivable, net			5,264		774					6,038	
Other	1	2,807		655	247	(1)		1		3,710	
Total assets	\$	48,227	342,186	20,567	19,859	60,752	4,693	3,614	4,410	(83,180)	421,128
Liabilities and Net Assets											
Current liabilities:											
Current maturities of long-term debt	\$				327	42				369	
Accounts payable		10,687		64	6,327	13				17,091	
Accrued payroll		6,897	53	326	2,300	304				9,880	
Estimated settlements due to third-party payers		2,190			781					2,971	
Due to affiliates	6,030	21,920	276	164	12,531	597			(24,736)	16,782	
Other current liabilities		3,924		2	937					4,863	
Total current liabilities		6,030	45,618	329	556	23,203	956	—	—	(24,736)	51,956
Long-term debt, net					1,793	404				2,197	
Other long-term liabilities		13,056	56	739	1,671	588				16,110	
Due to affiliates	38,600	67,030								105,630	
Total liabilities		44,630	125,704	385	1,295	26,667	1,948	—	—	(24,736)	175,893
Net assets (deficit):											
Unrestricted	3,597	208,779	1,241	7,230	33,311	2,583	3,614	4,224	(39,571)	225,008	
Temporarily restricted		4,977	8,758	3,877	774	162		186	(8,692)	10,042	
Permanently restricted		2,726	10,183	7,457					(10,181)	10,185	
Total net assets (deficit)	3,597	216,482	20,182	18,564	34,085	2,745	3,614	4,410	(58,444)	245,235	
Total liabilities and net assets	\$	48,227	342,186	20,567	19,859	60,752	4,693	3,614	4,410	(83,180)	421,128

Definitions:

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

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

See accompanying independent auditors' report.

**Iowa Health System and Subsidiaries
d/b/a UnityPoint Health**

Allen Health Systems, Inc. and Subsidiaries (Waterloo)

Consolidating Schedule – Revenue and Gains, Expenses and Losses Information

December 31, 2017

(In thousands)

	AHS	AMH	MFAH	AC	Marshalltown	BHGMC	UPC	UPAH	Eliminations	Consolidated
Revenue:										
Patient service revenue (net of contractual allowances)	\$	243,086			43,280	3,934	45,621	15,175	(660)	350,436
Provision for patient uncollectible accounts		(4,319)			(4,651)	37	(1,081)			(10,014)
Net patient service revenue		238,767			38,629	3,971	44,540	15,175	(660)	340,422
Other operating revenue	848	18,198	6	10,990	2,119	1,220	11,222	589	(11,600)	33,592
Net assets released from restrictions used for operations		479	7	415		3	10	10		924
Total revenue		257,444	13	11,405	40,748	5,194	55,772	15,774	(12,260)	374,938
Expenses:										
Salaries and wages		73,514	384	5,940	15,784	2,919	15,136	8,523		122,200
Physician compensation and services		25,813		120	9,407	1,073	29,068	137	(4,470)	61,148
Employee benefits		19,142	88	1,300	4,001	834	4,174	1,842	(27)	31,354
Supplies		51,613	14	178	5,334	44	4,537	1,676	(10)	63,386
Other expenses	757	52,322	244	1,957	8,046	425	14,163	2,431	(6,985)	73,360
Depreciation and amortization		14,932			2,557	111	757	165		18,522
Interest	848	3,645			893	21	33	24	(768)	4,696
Provision for uncollectible accounts		1		21		5		157		184
Total expenses	1,605	240,982	730	9,516	46,022	5,432	67,868	14,955	(12,260)	374,850
Operating income (loss)	(757)	16,462	(717)	1,889	(5,274)	(238)	(12,096)	819	—	88
Nonoperating gains:										
Investment income		16,347	256		102	22	518	301		17,546
Other, net			(2)							(2)
Total nonoperating gains, net		16,347	254		102	22	518	301		17,544
Revenues over (under) expenses	\$ (757)	32,809	(463)	1,889	(5,172)	(216)	(11,578)	1,120	—	17,632

Definitions:

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

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

See accompanying independent auditors' report.

Iowa Health System and Subsidiaries
d/b/a UnityPoint Health
 St. Luke's Health System, Inc. (Sioux City)
 Consolidating Schedule – Balance Sheet Information
 December 31, 2017
 (In thousands)

Assets	SLHS	SLRMC	SLHR	PACE	UPC	UPAH	Eliminations	Consolidated
Current assets:								
Cash and cash equivalents	\$ 620	4,123	162	613				5,518
Short-term investments	21	45	1	27				94
Assets limited as to use – required for current liabilities		1,192						1,192
Patient accounts receivable, less estimated uncollectibles		27,158	523	211			(25)	27,867
Other receivables	6	778		61				845
Inventories		3,987	25					4,012
Prepaid expenses	2	926	1	31				960
Due from affiliates	2,544	51,464	318	109			(52,594)	1,841
Total current assets	3,193	89,673	1,030	1,052	—	—	(52,619)	42,329
Assets limited as to use, noncurrent:								
Internally designated		46,654						46,654
Property, plant and equipment, net	9,628	62,467	1,239	3,572				76,906
Other long-term investments	35	2,442	1	45				2,523
Investments in joint ventures and other investments	10,217	169			1,215	9,094		20,695
Contributions receivable, net		5,118						5,118
Other		299						299
Total assets	\$ 23,073	206,822	2,270	4,669	1,215	9,094	(52,619)	194,524
Liabilities and Net Assets								
Current liabilities:								
Current maturities of long-term debt	\$	1,228						1,228
Accounts payable	10	6,837	64	1,256			(25)	8,142
Accrued payroll		3,288	83	104				3,475
Estimated settlements due to third-party payers		2,282		391				2,673
Due to affiliates	2,187	12,080	50,502	111			(52,594)	12,286
Other current liabilities	351	2,651	140	1				3,143
Total current liabilities	2,548	28,366	50,789	1,863	—	—	(52,619)	30,947
Long-term debt, net		794						794
Other long-term liabilities		7,826	171					7,997
Due to affiliates	6,160	31,657						37,817
Total liabilities	8,708	68,643	50,960	1,863	—	—	(52,619)	77,555
Net assets (deficit):								
Unrestricted:								
Attributable to UnityPoint Health	14,365	130,420	(48,690)	2,806	1,215	9,094		109,210
Attributable to noncontrolling interest		2,040						2,040
Total unrestricted	14,365	132,460	(48,690)	2,806	1,215	9,094	—	111,250
Temporarily restricted		3,697						3,697
Permanently restricted		2,022						2,022
Total net assets (deficit)	14,365	138,179	(48,690)	2,806	1,215	9,094	—	116,969
Total liabilities and net assets	\$ 23,073	206,822	2,270	4,669	1,215	9,094	(52,619)	194,524

Definitions:

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

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

See accompanying independent auditors' report.

**Iowa Health System and Subsidiaries
d/b/a UnityPoint Health**

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

Consolidating Schedule – Revenue and Gains, Expenses and Losses Information

December 31, 2017

(In thousands)

	SLHS	SLRMC	SLHR	PACE	UPC	UPAH	Eliminations	Consolidated
Revenue:								
Patient service revenue (net of contractual allowances) \$		171,641	3,955		10,423	10,437	(1,909)	194,547
Provision for patient uncollectible accounts		(3,913)	596		(484)			(3,801)
Net patient service revenue	—	167,728	4,551	—	9,939	10,437	(1,909)	190,746
Premium revenue				14,495				14,495
Other operating revenue	3,087	3,977	187	31	1,902	157	(2,171)	7,170
Total revenue	3,087	171,705	4,738	14,526	11,841	10,594	(4,080)	212,411
Expenses:								
Salaries and wages		59,271	1,832	2,932	3,279	4,317		71,631
Physician compensation and services		19,179	1,494	743	7,793	1	(177)	29,033
Employee benefits		15,479	448	748	910	1,076		18,661
Medical claims and capitation payments				8,506				8,506
Supplies	(1)	29,403	354	171	1,196	2,227	(4)	33,346
Other expenses	888	36,851	722	1,042	2,328	1,278	(3,899)	39,210
Depreciation and amortization	1,122	7,587	176	127	63	175		9,250
Interest	376	2,061			7	16		2,460
Provision for uncollectible accounts		65				180		245
Total expenses	2,385	169,896	5,026	14,269	15,576	9,270	(4,080)	212,342
Operating income (loss)	702	1,809	(288)	257	(3,735)	1,324	—	69
Less: (Gain) attributable to noncontrolling interests		(3,098)						(3,098)
Operating income (loss) attributable to UPH	702	(1,289)	(288)	257	(3,735)	1,324	—	(3,029)
Nonoperating gains:								
Investment income	13	5,650	3	7	120	171		5,964
Total nonoperating gains, net	13	5,650	3	7	120	171	—	5,964
Revenues over (under) expenses \$	715	4,361	(285)	264	(3,615)	1,495	—	2,935

Definitions:

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

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

See accompanying independent auditors' report.

Iowa Health System and Subsidiaries
d/b/a UnityPoint Health
Trinity Health Systems, Inc. and Subsidiaries (Fort Dodge)
Consolidating Schedule – Balance Sheet Information
December 31, 2017
(In thousands)

Assets	THS	TRMC	THF	TBC	TPG	BMHC	TP ACO	AUX	UPC	UPAH	Eliminations	Consolidated
Current assets:												
Cash and cash equivalents	\$ 759	938	811	1,779	1,074	414		348				6,123
Short-term investments	4	36	5	28		18		17				108
Assets limited as to use – required for current liabilities		321										321
Patient accounts receivable, less estimated uncollectibles		12,687			(149)	390						12,928
Other receivables	551	1,365		49	202	1,333						3,500
Inventories		2,719						185				2,904
Prepaid expenses		292				2						294
Due from affiliates	792	8,423	143	323	1,282	333	956				(11,199)	1,053
Total current assets	2,106	26,781	959	2,179	2,409	2,490	956	550	—	—	(11,199)	27,231
Assets limited as to use, noncurrent:												
Internally designated		45,829	16,995									62,824
Property, plant and equipment, net	136	62,410		10,998		549						74,093
Other long-term investments	542	514	2,369	47	11,228	30		29				14,759
Investments in joint ventures and other investments	36,461	23,147				8			5,738	5,059	(59,611)	10,802
Contributions receivable, net			3,293									3,293
Other		554			1	34	1				(2)	588
Total assets	\$ 39,245	159,235	23,616	13,224	13,638	3,111	957	579	5,738	5,059	(70,812)	193,590
Liabilities and Net Assets												
Current liabilities:												
Accounts payable	\$	3,563	9	24	340	35		10				3,981
Accrued payroll	118	2,962	12	4		86						3,182
Estimated settlements due to third-party payers		1,335				400						1,735
Due to affiliates	255	5,948	56	284	8,292	464	1,013	30			(11,199)	5,143
Other current liabilities	15	1,139	1	441				1			(1)	1,596
Total current liabilities	388	14,947	78	753	8,632	985	1,013	41	—	—	(11,200)	15,637
Other long-term liabilities	549	908			11,247	34						12,738
Due to affiliates		12,900										12,900
Total liabilities	937	28,755	78	753	19,879	1,019	1,013	41	—	—	(11,200)	41,275
Net assets (deficit):												
Unrestricted	38,308	122,195	16,651	12,471	(6,241)	2,084	(56)	538	5,738	4,612	(53,081)	143,219
Temporarily restricted		4,400	3,002			8				447	(2,646)	5,211
Permanently restricted		3,885	3,885								(3,885)	3,885
Total net assets (deficit)	38,308	130,480	23,538	12,471	(6,241)	2,092	(56)	538	5,738	5,059	(59,612)	152,315
Total liabilities and net assets	\$ 39,245	159,235	23,616	13,224	13,638	3,111	957	579	5,738	5,059	(70,812)	193,590

Definitions:

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

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

See accompanying independent auditors' report.

Iowa Health System and Subsidiaries
d/b/a UnityPoint Health

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

Consolidating Schedule – Revenue and Gains, Expenses and Losses Information

December 31, 2017

(In thousands)

	THS	TRMC	THF	TBC	TPG	BMHC	TP ACO	AUX	UPC	UPAH	Eliminations	Consolidated
Revenue:												
Patient service revenue (net of contractual allowances)	\$	93,960			(43)	3,742			39,949	12,852		150,460
Provision for patient uncollectible accounts		(2,121)			53	(80)			(1,200)			(3,348)
Net patient service revenue		91,839			10	3,662			38,749	12,852		147,112
Other operating revenue		3,327	4,544	191	2,189	2,434	1,069		417	6,891	298	13,621
Net assets released from restrictions used for operations			193	49		1			7	331	(7,739)	581
Total revenue		3,327	96,576	240	2,189	2,444	4,732		417	45,647	13,481	161,314
Expenses:												
Salaries and wages		2,584	34,753	153	117	30	1,852	61		11,749	6,434	57,733
Physician compensation and services			13,245			59	1,315			23,080	177	34,119
Employee benefits		465	7,799	35	37	68	470	10		3,396	1,599	13,879
Supplies		3	14,261	2	4	(24)	32		214	3,428	2,121	20,041
Other expenses		99	21,495	290	1,283	895	703	(1)	80	9,262	1,734	31,858
Depreciation and amortization		60	5,550		852		96			296	257	7,111
Interest			622							25	16	663
Provision for uncollectible accounts		24	2		108						153	287
Total expenses		3,235	97,727	480	2,401	1,028	4,468	70	294	51,236	12,491	165,691
Operating income (loss)		92	(1,151)	(240)	(212)	1,416	264	(70)	123	(5,589)	990	(4,377)
Nonoperating gains (losses):												
Investment income		(2)	5,282	2,158	7				1	389	270	8,105
Total nonoperating gains (losses), net		(2)	5,282	2,158	7				1	389	270	8,105
Revenues over (under) expenses	\$	90	4,131	1,918	(205)	1,416	264	(70)	124	(5,200)	1,260	3,728

Definitions:

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

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

See accompanying independent auditors' report.

**Iowa Health System and Subsidiaries
d/b/a UnityPoint Health**

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

Consolidating Schedule – Balance Sheet Information

December 31, 2017

(In thousands)

Assets	TRI-ST	Finley	VNA	Eliminations	Consolidated
Current assets:					
Cash and cash equivalents	\$	1,617	293		1,910
Short-term investments		18	12		30
Patient accounts receivable, less estimated uncollectibles		19,260	275		19,535
Other receivables		1,469	449		1,918
Inventories		2,252			2,252
Prepaid expenses		838	2		840
Due from affiliates		1,128	1	(527)	602
Total current assets	—	26,582	1,032	(527)	27,087
Assets limited as to use, noncurrent:					
Internally designated		84,476			84,476
Property, plant and equipment, net		84,879	39		84,918
Other long-term investments		1,434	19		1,453
Investments in joint ventures and other investments	14	4,181			4,195
Contributions receivable, net		9,050	1,874		10,924
Other		129			129
Total assets	\$ 14	210,731	2,964	(527)	213,182
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	\$	5,997	9		6,006
Accrued payroll		3,165	160		3,325
Estimated settlements due to third-party payers		902			902
Due to affiliates		2,619	588	(527)	2,680
Other current liabilities		1,336			1,336
Total current liabilities	—	14,019	757	(527)	14,249
Long-term debt, net:					
Other long-term liabilities		2,346			2,346
Due to affiliates		17,418			17,418
Total liabilities	—	33,783	757	(527)	34,013
Net assets:					
Unrestricted	14	167,893	315		168,222
Temporarily restricted		3,611	1,881		5,492
Permanently restricted		5,444	11		5,455
Total net assets	14	176,948	2,207	—	179,169
Total liabilities and net assets	\$ 14	210,731	2,964	(527)	213,182

Definitions:

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

Finley – The Finley Hospital

VNA – Visiting Nurse Association

See accompanying independent auditors' report.

**Iowa Health System and Subsidiaries
d/b/a UnityPoint Health**

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

Consolidating Schedule – Revenue and Gains, Expenses and Losses Information

December 31, 2017

(In thousands)

	<u>TRI-ST</u>	<u>Finley</u>	<u>VNA</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenue:					
Patient service revenue (net of contractual allowances)	\$	119,058	604		119,662
Provision for patient uncollectible accounts		(3,374)			(3,374)
Net patient service revenue	—	115,684	604	—	116,288
Other operating revenue		2,916	2,725		5,641
Net assets released from restrictions used for operations		296	151		447
Total revenue	—	118,896	3,480	—	122,376
Expenses:					
Salaries and wages		43,275	2,176		45,451
Physician compensation and services		11,683			11,683
Employee benefits		11,244	626		11,870
Supplies		16,326	63		16,389
Other expenses		31,789	582		32,371
Depreciation and amortization		7,622	18		7,640
Interest		967			967
Provision for uncollectible accounts		39			39
Total expenses	—	122,945	3,465	—	126,410
Operating loss	—	(4,049)	15	—	(4,034)
Nonoperating gains (losses):					
Investment income		10,287	2		10,289
Other, net		(1)			(1)
Total nonoperating gains (losses), net	—	10,286	2	—	10,288
Revenues over (under) expenses	\$	6,237	17	—	6,254

Definitions:

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

Finley – The Finley Hospital

VNA – Visiting Nurse Association

See accompanying independent auditors' report.

**Iowa Health System and Subsidiaries
d/b/a UnityPoint Health**

Keokuk Area Hospital, Inc. and Subsidiaries (Keokuk)

Consolidating Schedule – Balance Sheet Information

December 31, 2017

(In thousands)

Assets	KAH	TSMG	KAME	KAHF	Eliminations	Consolidated
Current assets:						
Cash and cash equivalents	\$ 1,764	83	457	187		2,491
Assets limited as to use – required for current liabilities	7					7
Patient accounts receivable, less estimated uncollectibles	2,670	22	471			3,163
Other receivables	3	30				33
Inventories	1,010		367			1,377
Prepaid expenses	53		16			69
Due from affiliates	4,229				(4,229)	—
Total current assets	9,736	135	1,311	187	(4,229)	7,140
Assets limited as to use, noncurrent:						
Internally designated	158					158
Property, plant and equipment, net	3,988	470	1,833			6,291
Total assets	\$ 13,882	605	3,144	187	(4,229)	13,589
Liabilities and Net Assets						
Current liabilities:						
Current maturities of long-term debt	\$ 334	7	389			730
Accounts payable	3,198	7	260			3,465
Accrued payroll	863		545			1,408
Accrued interest			(1)			(1)
Estimated settlements due to third-party payers	50					50
Due to affiliates	1,068	3,835	393	1	(4,229)	1,068
Other current liabilities	80	(1)	84			163
Total current liabilities	5,593	3,848	1,670	1	(4,229)	6,883
Long-term debt, net	3,708	5	370			4,083
Due to affiliates	3,944					3,944
Total liabilities	13,245	3,853	2,040	1	(4,229)	14,910
Net assets:						
Unrestricted	639	(3,248)	1,104	165		(1,340)
Temporarily restricted	(2)			21		19
Total net assets	637	(3,248)	1,104	186	—	(1,321)
Total liabilities and net assets	\$ 13,882	605	3,144	187	(4,229)	13,589

Definitions:

Kah – keokuk area hospital

Tsmg – tri-state medical group, inc.

Kame – keokuk area medical equipment and supply inc.

Kahf – keokuk area hospital foundation

See accompanying independent auditors' report.

**Iowa Health System and Subsidiaries
d/b/a UnityPoint Health**

Keokuk Area Hospital, Inc. and Subsidiaries (Keokuk)

Consolidating Schedule – Revenue and Gains, Expenses and Losses Information

December 31, 2017

(In thousands)

	KAH	TSMG	KAME	KAHF	Eliminations	Consolidated
Revenue:						
Patient service revenue (net of contractual allowances)	\$ 17,865	125	1,424			19,414
Provision for patient uncollectible accounts	(1,048)	3				(1,045)
Net patient service revenue	16,817	128	1,424	—	—	18,369
Other operating revenue	818	115	(10)	9		932
Net assets released from restrictions used for operations	33					33
Total revenue	17,668	243	1,414	9	—	19,334
Expenses:						
Salaries and wages	8,254	151	464	13		8,882
Physician compensation and services	1,600	182				1,782
Employee benefits	1,999	10	207			2,216
Supplies	3,019	31	529	1		3,580
Other expenses	3,229	73	272	1		3,575
Depreciation and amortization	985	31	99			1,115
Interest	349	1	17			367
Provision for uncollectible accounts			(126)			(126)
Total expenses	19,435	479	1,462	15	—	21,391
Operating loss	(1,767)	(236)	(48)	(6)	—	(2,057)
Nonoperating gains (losses):						
Investment income	8					8
Contribution due affiliations	(2,960)	(3,012)	576	171		(5,225)
Other, net	1,381					1,381
Total nonoperating gains (losses), net	(1,571)	(3,012)	576	171	—	(3,836)
Revenues over (under) expenses	\$ (3,338)	(3,248)	528	165	—	(5,893)

Definitions:

KAH – Keokuk Area Hospital

TSMG – Tri-State Medical Group

KAME – Keokuk Area Medical Equipment and Supply Inc.

KAHF – Keokuk Area Hospital Foundation

See accompanying independent auditors' report.

Iowa Health System and Subsidiaries
d/b/a UnityPoint Health

Affiliated Colleges

Balance Sheet Information

December 31, 2017

(In thousands)

Assets

	MC	TCN	AC	SLC	Consolidated
Current assets:					
Cash and cash equivalents	\$ 3,202	2,322	1,942	383	7,849
Short-term investments		116			116
Student loan and other receivables	483	(27)	(147)	73	382
Inventories	67				67
Prepaid expenses	44	10	102	18	174
Due from affiliates		139	5,919		6,058
Total current assets	3,796	2,560	7,816	474	14,646
Property, plant and equipment, net	1,186	139		67	1,392
Other long-term investments	5,985	193			6,178
Interest in net assets of foundation	4,037	2,596	11,388	2,175	20,196
Other			655	368	1,023
Total assets	\$ 15,004	5,488	19,859	3,084	43,435

Liabilities and Net Assets

Current liabilities:					
Accounts payable	\$ 33	17	64	9	123
Accrued payroll	160	15	326	66	567
Due to affiliates		113	164		277
Other current liabilities	59	147	2	210	418
Total current liabilities	252	292	556	285	1,385
Other long-term liabilities			739	12	751
Total liabilities	252	292	1,295	297	2,136
Net assets:					
Unrestricted	10,714	2,570	7,230	10	20,524
Temporarily restricted	1,867	751	3,877	1,540	8,035
Permanently restricted	2,171	1,875	7,457	1,237	12,740
Total net assets	14,752	5,196	18,564	2,787	41,299
Total liabilities and net assets	\$ 15,004	5,488	19,859	3,084	43,435

Definitions:

MC – Methodist College (Peoria)

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

AC – Allen College (Waterloo)

SLC – St. Luke's College (Sioux City)

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

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

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

See accompanying independent auditors' report.

**Iowa Health System and Subsidiaries
d/b/a UnityPoint Health**

Affiliated Colleges

Revenue and Gains, Expenses and Losses Information

Year ended December 31, 2017

(In thousands)

	<u>MC</u>	<u>TCN</u>	<u>AC</u>	<u>SLC</u>	<u>Consolidated</u>
Revenue:					
Tuition and student revenue	\$ 12,642	4,572	10,904	3,312	31,430
Governmental pass-thru				749	749
Grant revenue	336			3	339
Other revenue	193	198	87	257	735
Net assets released from restrictions used for operations		112	415		527
Total revenue	13,171	4,882	11,406	4,321	33,780
Expenses:					
Salaries and wages	5,911	2,168	5,940	2,697	16,716
Physician compensation and services		12	121		133
Employee benefits	1,345	491	1,300	610	3,746
Supplies	184	135	178	144	641
Other expenses	3,483	1,041	1,957	1,183	7,664
Depreciation and amortization	285	48		7	340
Provision for uncollectible accounts	75		21	27	123
Total expenses	11,283	3,895	9,517	4,668	29,363
Operating income (loss)	1,888	987	1,889	(347)	4,417
Nonoperating gains:					
Investment income	691	21			712
Total nonoperating gains, net	691	21	—	—	712
Revenues over (under) expenses	\$ 2,579	1,008	1,889	(347)	5,129

Definitions:

MC – Methodist College (Peoria)

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

AC – Allen College (Waterloo)

SLC – St. Luke's College (Sioux City)

See accompanying independent auditors' report.