

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

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2016 and 2015



**Iowa Health System and Subsidiaries**  
**d/b/a UnityPoint Health**  
**December 31, 2016 and 2015**

**Contents**

**Independent Auditor’s Report..... 1**

**Consolidated Financial Statements**

Balance Sheets..... 3  
Statements of Operations..... 5  
Statements of Changes in Net Assets ..... 6  
Statements of Cash Flows ..... 8  
Notes to Financial Statements ..... 10

**Supplementary Financial Statement Information**

UnityPoint Health..... 56  
UnityPoint Health - Des Moines and Subsidiaries (Des Moines) ..... 58  
Methodist Health Services Corporation and Subsidiaries (Peoria) ..... 60  
Trinity Regional Health System and Subsidiaries (Rock Island) ..... 62  
Meriter Health Services, Inc. and Subsidiaries (Madison)..... 64  
St. Luke’s Healthcare and Subsidiaries (Cedar Rapids)..... 66  
Allen Health Systems, Inc. and Subsidiaries (Waterloo) ..... 68  
St. Luke’s Health System, Inc. (Sioux City) ..... 70  
Trinity Health Systems, Inc. and Subsidiaries (Fort Dodge)..... 72  
Finley Tri-States Health Group, Inc. and Subsidiaries (Dubuque)..... 74  
Affiliated Colleges..... 76

## Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Iowa Health System and Subsidiaries d/b/a UnityPoint Health (the System), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the System as of December 31, 2016 and 2015, and the results of its operations, the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Supplementary Information***

Our audits were 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. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements, rather than to present the financial position, changes in net assets and cash flows of the individual entities. 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 audits 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.

**BKD, LLP**

Kansas City, Missouri  
April 18, 2017

**Iowa Health System and Subsidiaries**  
**d/b/a UnityPoint Health**  
**Consolidated Balance Sheets**  
**December 31, 2016 and 2015**

**Assets**

	<b>2016</b>	<b>2015</b>
	<i>(in thousands)</i>	
<b>Current Assets</b>		
Cash and cash equivalents	\$ 257,105	\$ 181,267
Short-term investments	13,547	49,790
Assets limited as to use – required for current liabilities	13,054	13,599
Patient accounts receivable, less estimated uncollectibles; 2016 – \$57,582, 2015 – \$65,335	509,899	461,082
Other receivables	85,179	80,899
Inventories	70,428	69,679
Prepaid expenses	53,318	57,315
Total current assets	1,002,530	913,631
<b>Assets Limited As to Use, Noncurrent</b>		
Held by trustee under bond indenture agreements	1,213	1,217
Internally designated	1,124,107	1,049,003
Total assets limited as to use, noncurrent	1,125,320	1,050,220
<b>Property, Plant and Equipment, Net</b>	1,804,269	1,782,685
<b>Other Long-term Investments</b>	970,821	946,066
<b>Investments in Joint Ventures and Other Investments</b>	140,508	133,854
<b>Contributions Receivable, Net</b>	87,657	83,107
<b>Other</b>	110,417	120,409
Total assets	\$ 5,241,522	\$ 5,029,972

## Liabilities and Net Assets

	<b>2016</b>	<b>2015</b>
	<i>(in thousands)</i>	
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 104,474	\$ 187,667
Accounts payable	185,315	189,498
Accrued payroll	209,603	204,073
Accrued interest	10,319	10,421
Estimated settlements due to third-party payers	76,727	78,286
Medical claims payable	20,993	21,736
Other current liabilities	74,975	70,216
	<hr/>	<hr/>
Total current liabilities	682,406	761,897
<b>Long-term Debt, Net</b>	1,063,306	928,395
<b>Other Long-term Liabilities</b>	419,804	444,564
	<hr/>	<hr/>
Total liabilities	2,165,516	2,134,856
	<hr/>	<hr/>
<b>Net Assets</b>		
Unrestricted		
Attributable to UnityPoint Health	2,856,692	2,687,189
Attributable to noncontrolling interest	47,642	50,847
Total unrestricted	2,904,334	2,738,036
Temporarily restricted		
Attributable to UnityPoint Health	103,638	95,336
Attributable to noncontrolling interest	960	1,018
Total temporarily restricted	104,598	96,354
Permanently restricted	67,074	60,726
	<hr/>	<hr/>
Total net assets	3,076,006	2,895,116
	<hr/>	<hr/>
Total liabilities and net assets	\$ 5,241,522	\$ 5,029,972
	<hr/>	<hr/>

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

## Consolidated Statements of Operations Years Ended December 31, 2016 and 2015

	<b>2016</b>	<b>2015</b>
	<i>(in thousands)</i>	
<b>Unrestricted Revenues</b>		
Patient service revenue (net of contractual allowances)	\$ 3,649,082	\$ 3,520,016
Provision for patient uncollectible accounts	(112,524)	(115,665)
Net patient service revenue	3,536,558	3,404,351
Premium revenue	245,091	252,285
Other operating revenue	263,656	223,866
Net assets released from restrictions used for operations	9,492	7,912
Total unrestricted revenues	4,054,797	3,888,414
<b>Expenses</b>		
Salaries and wages	1,419,704	1,351,938
Physician compensation and services	554,551	500,838
Employee benefits	373,895	327,638
Medical claims and capitation payments	159,125	161,236
Supplies	633,847	587,381
Other expenses	642,388	639,570
Depreciation and amortization	229,507	216,196
Interest	34,017	34,473
Provision for uncollectible accounts	1,126	1,630
Total expenses	4,048,160	3,820,900
<b>Operating Income</b>	6,637	67,514
<b>Nonoperating Gains (Losses)</b>		
Investment income	168,778	726
Contribution received in affiliations	-	2,518
Other, net	(3,888)	(7,801)
Total nonoperating gains (losses), net	164,890	(4,557)
<b>Revenue Over Expenses Before Loss on Bond Refinancing Transactions</b>	171,527	62,957
Loss on bond refinancing transactions	(22,852)	-
<b>Excess of Revenues Over Expenses</b>	148,675	62,957
<b>Less Noncontrolling Interest</b>	3,964	4,663
<b>Excess of Revenue Over Expenses Attributable to UnityPoint Health</b>	\$ 144,711	\$ 58,294

**Iowa Health System and Subsidiaries  
d/b/a UnityPoint Health**  
**Consolidated Statements of Changes in Net Assets**  
**Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
	<i>(in thousands)</i>	
<b>Unrestricted Net Assets</b>		
Excess of revenues over expenses	\$ 144,711	\$ 58,294
Change in the fair value of interest rate swaps	2,514	1,336
Net assets released from restrictions used for capital expenditures	11,415	7,710
Change in defined benefit pension plan gains and losses and prior costs and credits	12,375	(37,165)
Contributions of or for acquisition of property and equipment	360	221
Other, net	(1,872)	(1,122)
Increase in unrestricted net assets, UnityPoint Health	169,503	29,274
Unrestricted net assets, noncontrolling interest:		
Excess of revenues over expenses	3,963	4,663
Distributions of capital	(7,507)	(3,522)
Contributions of capital	-	46,113
Net assets released from restrictions used for capital expenditures	58	58
Other	281	553
Increase (decrease) in unrestricted net assets, noncontrolling interests	(3,205)	47,865
<b>Temporarily Restricted Net Assets</b>		
Contributions	18,378	15,532
Contribution received in affiliations	-	162
Investment income	3,410	1,370
Government grants	106	208
Net assets released from restrictions used for operations	(9,492)	(7,912)
Net assets released from restrictions used for capital expenditures	(11,415)	(7,710)
Change in net unrealized gains (losses) on investments	2,419	(2,384)
Change in beneficial interest in net assets of affiliate	5,244	3,945
Other, net	(348)	709
Increase in temporarily restricted net assets, UnityPoint Health	8,302	3,920
Temporarily restricted net assets, noncontrolling interest:		
Net assets released from restrictions used for capital expenditures	(58)	(58)
Decrease in temporarily restricted net assets, noncontrolling interest	(58)	(58)



**Iowa Health System and Subsidiaries  
d/b/a UnityPoint Health**  
**Consolidated Statements of Changes in Net Assets (Continued)**  
**Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
	<i>(in thousands)</i>	
<b>Permanently Restricted Net Assets</b>		
Contributions	\$ 3,248	\$ 1,873
Investment income (loss)	(21)	178
Change in net unrealized gains (losses) on investments	442	(143)
Change in beneficial interest in net assets of affiliate	1,417	(122)
Other, net	1,262	(1,021)
Increase in permanently restricted net assets	6,348	765
<b>Increase in Net Assets</b>	180,890	81,766
<b>Net Assets, Beginning of Year</b>	2,895,116	2,813,350
<b>Net Assets, End of Year</b>	\$ 3,076,006	\$ 2,895,116

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

## Consolidated Statements of Cash Flows Years Ended December 31, 2016 and 2015

	2016	2015
	<i>(in thousands)</i>	
<b>Operating Activities</b>		
Increase in net assets	\$ 180,890	\$ 81,766
Items not requiring (providing) operating cash		
Net (gain) loss on investments	(144,959)	44,264
Net unrealized gains on swaps	(7,269)	(2,422)
Restricted contributions, investment income and government grants received	(15,629)	(11,249)
Contributions of or for acquisition of property and equipment	(360)	(221)
Depreciation and amortization	229,507	216,196
Change in defined pension plans' liability	(12,375)	37,165
Contribution received in affiliations	-	(2,680)
Increase in noncontrolling interest due to acquisition	-	(46,113)
Amortization of bond premium and debt issuance costs, net	(1,160)	(402)
Loss on disposition of assets	375	3
Loss on bond refinancing transactions	22,852	-
Equity in earnings of joint ventures	(29,059)	(33,283)
Change in beneficial interest in net assets of affiliates	(6,661)	(3,823)
Provision for uncollectible accounts	113,650	117,295
Changes in		
Receivables	(166,747)	(108,650)
Inventories, prepaid expenses and other assets	3,823	(26,553)
Accounts payable, accrued liabilities and other liabilities	35	(70,921)
Due to third-party payers	(1,559)	10,239
Net cash provided by operating activities	165,354	200,611
<b>Investing Activities</b>		
Capital expenditures	(238,756)	(280,585)
Proceeds from sale of assets	3,787	4,109
Decrease in assets limited as to use, net	1,476	36,589
Cash acquired in affiliations	-	611
Acquisitions, net of cash acquired	-	(17,290)
(Increase) decrease in loans receivable	1,258	(2,337)
Decrease in short-term investments	36,129	5,775
(Increase) decrease in other long-term investments	41,773	(32,789)
Investments in joint ventures	(7,629)	(4,910)
Distributions received from joint ventures	29,035	29,442
Net cash used in investing activities	(132,927)	(261,385)
<b>Financing Activities</b>		
Proceeds from issuance of long-term debt	513,176	53,752
Payments of debt	(61,675)	(58,557)
Payments of financing costs	(2,775)	-
Payments on early extinguishment of debt	(421,304)	-
Proceeds from restricted contributions, investment income and government grants	15,629	11,249
Proceeds from contributions for acquisition of property and equipment	360	221
Net cash provided by financing activities	43,411	6,665
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	75,838	(54,109)
<b>Cash and Cash Equivalents, Beginning of Year</b>	181,267	235,376
<b>Cash and Cash Equivalents, End of Year</b>	\$ 257,105	\$ 181,267

**Iowa Health System and Subsidiaries  
d/b/a UnityPoint Health**  
**Consolidated Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
	<i>(in thousands)</i>	
<b>Supplemental Cash Flows Information</b>		
Interest paid (net of amount capitalized)	\$ 34,119	\$ 34,649
Capital lease obligations incurred for property and equipment	2,497	3,306
Property and equipment purchases in accounts payable	25,278	20,386
Affiliations		
Assets acquired	-	4,144
Liabilities assumed	-	1,464
Acquisitions		
Assets acquired	-	67,607
Liabilities assumed	-	2,268
Noncontrolling interest	-	46,113

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

December 31, 2016 and 2015

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

#### **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.

#### **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)
- Iowa Physicians Clinic Medical Foundation (d/b/a UnityPoint Clinic)
- UnityPoint at Home (formerly known as Intrust and formerly d/b/a Iowa Health Home Care)
- Physicians Plus Insurance Company (PPIC)

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

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

December 31, 2016 and 2015

### **Reclassifications**

Certain reclassifications have been made to the 2015 consolidated financial statements to conform to the 2016 consolidated financial statement presentation. These reclassifications had no effect on the change in net assets.

### **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 related revenues and expenses for those entities in which the System's ownership interest is less than 100%. In 2015, the System entered into a transaction for ownership in a surgery center with a significant noncontrolling interest.

### **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.

### **Cash, Cash Equivalents and Short-term Investments**

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

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

### **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.

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

December 31, 2016 and 2015

### ***Inventories***

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

### ***Investments 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 fair value option for its alternative investments (including hedge funds and private equity funds) that are primarily limited liability corporations and partnerships. Management has elected the fair value 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 fair 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 Topic 825.

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

### ***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 market 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 2016 and 2015, the System capitalized \$3,349 and \$3,140 of interest expense, respectively.

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

December 31, 2016 and 2015

### **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.

Asset impairments of \$0 and \$2,315 were recognized during the years ended December 31, 2016 and 2015, respectively.

### **Other Assets**

Other assets include certain intangible assets that are stated at cost less accumulated amortization. In addition, other assets include goodwill. The System has \$51,282 and \$56,277 of goodwill at December 31, 2016 and 2015, respectively. Annually, the System performs an impairment test of its goodwill and intangible assets and any identified impairment loss is recognized as expense. The analysis performed during 2016 and 2015 showed the carrying amount exceeded fair value for two of the System's subsidiaries and \$5,574 and \$500 of impairment was recognized in operating expenses in the accompanying consolidated statements of operations in 2016 and 2015, respectively.

Other intangible assets at December 31, 2016 and 2015 were \$12,578 and \$15,032, respectively, which are subject to amortization.

### **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 non-controlling interest is recorded for the portion of net assets controlled by unrelated parties.

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

December 31, 2016 and 2015

### ***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.

### ***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.

The System's allowance for uncollectible accounts at December 31, 2016 and 2015 was \$57,582 and \$65,335, respectively. The allowance for uncollectible accounts (including a portion allowed for financial assistance) for self-pay patients was approximately 92% and 93% of self-pay accounts receivable at December 31, 2016 and 2015, respectively. The provision for patient uncollectible accounts for the year ended December 31, 2016 was \$112,524 compared to \$115,665 for the year ended December 31, 2015. The decrease in expense was due to a continued decline in the number of uninsured self-pay patients during the year, which is a direct effect of the provisions of the *Patient Protection and Affordable Care Act (PPACA)*, and the resulting expansion of Medicaid coverage by both Iowa and Illinois, the two largest states where the System has a presence.



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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

**December 31, 2016 and 2015**

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 approximately:

	<b>2016</b>	<b>2015</b>
Medicare	\$ 1,239,891	\$ 1,194,749
Medicaid	518,356	493,067
Wellmark/Blue Cross	821,461	865,226
Commercial and other	991,059	907,791
Self-pay	78,315	59,183
	\$ 3,649,082	\$ 3,520,016

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

	<b>2016</b>	<b>2015</b>
Medicare	\$ 143,323	\$ 129,859
Medicaid	72,574	47,347
Wellmark/Blue Cross	84,965	82,062
Commercial and other	191,252	177,582
Self-pay	17,785	24,232
	\$ 509,899	\$ 461,082

### ***Premium Revenue***

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

### ***Medical Claims and Capitation Payments***

Medical claims and capitation payments consist 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 has assumed a portion of the responsibility for certain medical and professional services provided in Dane County, Wisconsin, PPIC's primary service area, that PPIC is obligated to provide to covered members enrolled in the plan in exchange for monthly capitation payments.

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

December 31, 2016 and 2015

Claims payable result from both claims reported but not paid and claims that have been incurred but not yet reported. Such liabilities are based on assumptions and estimates, and while management believes the amount is 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.

### **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.

### **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:

	<b>2016</b>	<b>2015</b>
General health care services	\$ 3,060,957	\$ 2,841,904
Management, general and administrative	970,394	963,422
Research	16,809	15,574
	<u>\$ 4,048,160</u>	<u>\$ 3,820,900</u>

### **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.

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

December 31, 2016 and 2015

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 stated at fair value, 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.

### ***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.

### ***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).

### ***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.

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

December 31, 2016 and 2015

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 2013. 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.

### **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.

### **Note 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.

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 non-patient 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 \$18,451 and \$21,547 for the years ended December 31, 2016 and 2015, 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.

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

December 31, 2016 and 2015

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. The cost of providing these community benefit services is reported on Schedule H of the System's IRS Form 990.

### **Note 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.

### **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.

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

December 31, 2016 and 2015

The System's aggregate tax assessment during 2016 and 2015 was \$48,758 and \$50,419, respectively, and is included in operating expenses in the consolidated statements of operations. Additional Medicaid reimbursement in the same periods was approximately \$117,540 and \$98,842, respectively, and is included in net patient service revenue in the consolidated statements of operations, resulting in a net increase in operating income of \$68,782 and \$48,423 for 2016 and 2015, respectively. The increase in reimbursement during 2016 is due to the expansion of the program in one state to cover managed care lives in addition to the traditional fee-for-service Medicaid population.

### ***Electronic Health Records Incentive Program***

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for incentive payments under both the Medicare and Medicaid programs to eligible hospitals and professionals that adopt and demonstrate meaningful use of certified electronic health records (EHR) technology. Payments under both the Medicare and Medicaid programs are generally made for up to four years based on a statutory formula. The System recognizes revenue for the incentive payments, using a grant accounting model, ratably over the reporting period, starting at the point when management is reasonably assured it will meet all of the meaningful use objectives. The System recorded revenue of \$4,699 and \$10,343 during 2016 and 2015, respectively, related to the Medicare and Medicaid programs, which is included in other operating revenue in the consolidated statements of operations.

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

**Notes to Consolidated Financial Statements**

*(Dollars in Thousands)*

**December 31, 2016 and 2015**

**Note 4: Investments**

***Investment Summary***

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

	<u>2016</u>	<u>2015</u>
Cash equivalents	\$ 36	\$ 5,144
U.S. Treasury obligations	-	28,160
U.S. Government agency obligations	2,317	100
Asset-backed securities		
Home equity	-	377
Other	3,316	3,686
Mortgage-backed securities		
Government	257	4,291
Non-government	197	442
Certificates of deposit	7	7
Corporate bonds	3,791	7,385
Municipal bonds	740	-
Mutual funds		
Domestic	64	62
International	53	28
Index	148	-
Equity	185	-
Fixed income	206	100
Other	2,230	8
	<u>2,230</u>	<u>8</u>
Total other short-term investments	<u>\$ 13,547</u>	<u>\$ 49,790</u>

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

**Notes to Consolidated Financial Statements  
(Dollars in Thousands)**

**December 31, 2016 and 2015**

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

	<u>2016</u>	<u>2015</u>
Held by trustees under bond indenture agreements		
Cash equivalents	\$ 1,213	\$ 1,217
Internally designated		
Cash equivalents	1,641	4,788
U.S. Treasury obligations	1,929	1,080
Certificates of deposit	90	214
Corporate bonds	4,326	4,326
Equity securities		
Domestic	7,968	7,077
International	351	1,173
Mutual funds		
Domestic	1,769	1,907
International	233,928	236,997
Emerging markets	-	2,700
Equity	289,704	278,420
Fixed income	318,147	343,256
Other	897	920
Alternative investments	229,005	132,178
Hedge funds	40,306	41,500
Private equity funds	7,079	6,013
Interest receivable	21	53
	<u>1,137,161</u>	<u>1,062,602</u>
Total assets limited as to use	1,138,374	1,063,819
Less amount required to meet current obligations	<u>13,054</u>	<u>13,599</u>
	<u>\$ 1,125,320</u>	<u>\$ 1,050,220</u>



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

**Notes to Consolidated Financial Statements**

*(Dollars in Thousands)*

**December 31, 2016 and 2015**

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>2016</u>	<u>2015</u>
Debt service accounts	\$ 1,213	\$ 1,217

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

	<u>2016</u>	<u>2015</u>
Capital improvements	\$ 1,104,928	\$ 1,031,384
Self-insured reserves	32,233	29,335
Bond interest account	-	1,883
	<u>\$ 1,137,161</u>	<u>\$ 1,062,602</u>

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

**December 31, 2016 and 2015**

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

	<b>2016</b>	<b>2015</b>
Cash equivalents	\$ 1,135	\$ 46,925
U.S. Treasury obligations	5,149	2,338
U.S. Government agency obligations	1,801	1,652
Municipal bonds	9,105	6,962
Asset-backed securities		
Home equity	196	-
Other	3,101	1,389
Mortgage-backed securities		
Government	6,416	4,205
Non-government	1,481	153
Corporate bonds	38,951	27,443
Equity securities		
Domestic	21,326	21,213
International	533	291
Mutual funds		
Domestic	4,861	5,033
International	172,964	184,562
Emerging markets	379	3,137
Index	2,979	523
Equity	215,458	219,007
Fixed income	235,897	268,677
Other	42,363	2,468
Alternative investments	169,132	103,473
Hedge funds	29,768	32,488
Private equity funds	5,228	4,708
Insurance policies	1,917	4,991
Real estate	-	1,624
Interest rate swaps ( see Note 7)	681	2,804
	\$ 970,821	\$ 946,066

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

**December 31, 2016 and 2015**

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:

	<b>2016</b>	<b>2015</b>
Investment return		
Interest and dividends	\$ 30,952	\$ 43,637
Realized gains on sales of investments	22,732	45,956
Unrealized gains (losses) on trading investments	65,414	(94,927)
Unrealized gains (losses) on other-than-trading investments	2,861	(2,527)
Equity in earnings of joint ventures	29,059	33,283
Change in fair value of investments accounted for under the fair value option of FASB ASC Topic 825	53,952	7,234
	\$ 204,970	\$ 32,656
Investment return classification		
Unrestricted net assets		
Other operating revenue	\$ 29,942	\$ 32,909
Nonoperating gains – investment income	168,778	726
Temporarily restricted net assets	5,829	(1,014)
Permanently restricted net assets	421	35
	\$ 204,970	\$ 32,656

### ***Alternative Investments***

At December 31, 2016 and 2015, 23% and 16%, respectively, of the System's investments were invested in alternative investment vehicles. These investments are included in either internally designated or other long-term investments in the investment summary tables (previously presented) based on the underlying investments. Due to the nature of the alternative investments and the need for the fund managers to execute on long-term strategies, many of the vehicles contain specific lock-up periods, restricted redemption timing, as well as advanced notice of redemption requests.

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

**December 31, 2016 and 2015**

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

	As of 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>		

	As of December 31, 2015			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Diversified property alternative fund	\$ 95,968	\$ -	Quarterly	65 days
Diversified private equity alternative fund	12,656	66,217	No specific lock-up provision	N/A
Structured credit alternative fund	62,351	-	Quarterly, 2 year lock-up	65 days
Special situations alternative fund	64,676	-	Semi-annual, 2 year lock-up	95 days
Multi-strategy offshore hedge fund	73,988	-	Quarterly, 1 year lock-up	65 days
Healthcare private equity fund I	9,735	1,103	10 year lock-up**	N/A
Healthcare private equity fund II	986	8,950	10 year lock-up**	N/A
	<u>\$ 320,360</u>	<u>\$ 76,270</u>		

\*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.

As of December 31, 2016, the alternative investment vehicles consist of five 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 diversified private equity alternative fund has 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.

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

December 31, 2016 and 2015

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.

In December 2016, the System initiated the process of liquidating its investment in the special situations alternative fund and the hedge fund. As of December 31, 2016, the System was within the redemption notice period for each fund.

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.

During 2011, the System committed to investing \$10,000 in the private equity fund with a lock-up period of ten years. The System's interest is nonredeemable and the System has contributed \$9,272 to this investment as of December 31, 2016.

During 2015, the System committed to investing an additional \$10,000 in the second tranche of this private equity fund with a lock-up period of 10 years. The System's interest is nonredeemable and the System has contributed \$1,726 to the investment as of December 31, 2016.

During 2015, the System committed to investing \$78,125 in the private equity alternative fund with an expected time horizon of 5-7 years. The System's interest is nonredeemable and the System has contributed \$29,585 as of December 31, 2016.

### ***Investments in Joint Ventures***

At December 31, 2016 and 2015, investments in joint ventures amounted to \$130,350 and \$122,802, 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.

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

**Notes to Consolidated Financial Statements**

*(Dollars in Thousands)*

**December 31, 2016 and 2015**

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:

	<b>2016</b>	<b>2015</b>
Total assets	\$ 334,897	\$ 303,292
Net revenues	514,605	475,290
Net income	72,893	74,689

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:

	<b>2016</b>	<b>2015</b>
Earnings on investments in joint ventures	\$ 29,059	\$ 33,283
New investments in joint ventures	7,629	4,659
Distributions received from joint ventures	28,042	29,191

The System both purchases services and sells services and supplies to several joint ventures. In 2016 and 2015, services purchased from joint ventures totaled \$22,465 and \$22,693, respectively. Services and supplies sold to joint ventures in 2016 and 2015 were \$9,650 and \$8,626, respectively. The System has loaned \$4,500 to a joint venture as of December 31, 2016 and 2015, with an additional commitment of up to \$200. This loan is interest bearing and carries a rate of interest commensurate with prevailing market rates.

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

**Notes to Consolidated Financial Statements  
(Dollars in Thousands)**

**December 31, 2016 and 2015**

**Note 5: Property, Plant and Equipment**

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

	<u>2016</u>	<u>2015</u>
Land	\$ 178,797	\$ 172,076
Land improvements	64,823	59,881
Buildings, improvements and fixed equipment	2,181,320	2,026,058
Moveable equipment	1,427,583	1,374,247
	<u>3,852,523</u>	<u>3,632,262</u>
Less accumulated depreciation and amortization	2,154,001	1,983,152
	<u>1,698,522</u>	<u>1,649,110</u>
Construction/information systems installation in progress	105,747	133,575
	<u>105,747</u>	<u>133,575</u>
Net property, plant and equipment	<u>\$ 1,804,269</u>	<u>\$ 1,782,685</u>

As of December 31, 2016 and 2015, the System has committed approximately \$228,224 and \$255,784, respectively, for costs related to various hospital construction projects. The System plans to fund the majority of these projects through internal funds, with supplemental debt financing for certain projects.

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

**December 31, 2016 and 2015**

### Note 6: Long-term Debt

Long-term debt at December 31, 2016 and 2015 is summarized as follows:

	<b>Payable Through</b>	<b>Issuance Type (1)</b>	<b>Interest Rate (2)</b>	<b>2016</b>	<b>2015</b>
Hospital Facility Revenue Bonds					
Series 2016A	2035	Variable	0.93%	\$ 90,010	\$ -
Series 2016B	2041	Variable	0.97%	51,220	-
Series 2016C	2031	Variable	0.73%	10,935	-
Series 2016D	2046	Fixed	4.00% - 5.00%	45,820	-
Series 2016E	2046	Fixed	2.00% - 5.00%	172,100	-
Series 2016F	2041	Variable	0.91%	42,500	-
Series 2016G	2041	Variable	1.09%	42,500	-
Series 2014A (WHEFA)	2029	Fixed	4.98%	78,125	81,865
Series 2014B (WHEFA)	2041	Variable	N/A, 0.21%	-	85,000
Series 2014A	2019	Variable	3.25%	7,892	7,665
Series 2014B	2018	Variable	5.00%	1,973	915
Series 2014C	2035	Fixed	4.47%	69,145	69,145
Series 2013A	2044	Fixed	5.25%	103,175	103,175
Series 2013B	2039	VRDB	0.73%, 0.01%	76,350	77,385
Series 2012A	2024	Fixed	2.16%	12,400	13,950
Series 2012C	2037	Fixed	2.43%	18,255	18,800
Series 2011A	2021	Fixed	3.29%	31,280	36,955
Series 2011B	2041	VRDB	N/A, 0.01%	-	51,220
Series 2011	2031	Fixed	4.40%	486	524
Series 2010A	2016	VRDB	N/A, 0.57%	-	775
Series 2009A	2035	VRDB	N/A, 0.01%	-	46,805
Series 2009B	2035	VRDB	N/A, 0.01%	-	46,805
Series 2009D	2035	Variable	1.08%, 0.91%	48,065	49,985
Series 2009E	2039	Variable	1.04%, 0.99%	38,100	38,100
Series 2008A	2037	Fixed	2.50% - 5.625%	-	139,475
Series 2006	2031	VRDB	N/A, 0.01%	-	11,410
Series 2006A	2025	Fixed	5.12%	-	22,525
Series 2005	2031	Fixed	1.98% - 4.00%	3,030	3,165
Series 2005A	2029	Fixed	2.50% - 5.625%	94,575	101,130
Series 1992A	2022	Fixed	6.00%	5,510	6,255
Total hospital facility revenue bonds				1,043,446	1,013,029
Capital lease obligations	2026	Fixed	0% - 5.92%	18,743	20,574
Commercial paper	Ongoing	Variable	Various	35,496	28,503
Revolving lines of credit	2017	Variable	Various	28,000	36,000
Other notes and mortgages	2022	Fixed	2.20% - 8.00%	12,635	14,556
				1,138,320	1,112,662
Current maturities				(104,474)	(187,667)
Unamortized bond issuance costs				(7,291)	(8,795)
Unamortized bond premium				36,751	12,195
Long-term portion				<u>\$ 1,063,306</u>	<u>\$ 928,395</u>

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

(2) Variable rates shown as of December 31, 2016 and 2015, respectively



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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

**December 31, 2016 and 2015**

The Series 1992A, 2012A and 2012C Bonds were issued by Meriter Health Services, Inc. (MHS) prior to their affiliation with the System, and thus they were the sole obligor under the bond indenture. In May 2014, MHS and Meriter Hospital, a subsidiary of MHS, became members of the System's obligated group of joint and severally liable parties to the System's master trust indenture. As a result of this transaction, the System and the obligated group became additional obligors to the Series 1992A, 2012A and 2012C Bonds.

On May 21, 2014, the System issued \$174,380 of Wisconsin Health and Educational Facilities Authority (WHEFA) Revenue Bonds, Series 2014A and Series 2014B, to refinance debt held by MHS prior to the affiliation and \$69,145 of Iowa Finance Authority Health Facilities Revenue Bonds, Series 2014C, to refund a portion of the Series 2005A Bonds. The Series 2014B Bonds were refunded with the issuance of direct note obligations, Series 2016F, during 2016 (see below).

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, 2016 were \$7,892 and \$1,973, respectively. The amounts outstanding at December 31, 2015 were \$7,665 and \$915, 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, 2016 and 2015 was \$486 and \$524, 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.

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

**December 31, 2016 and 2015**

The Series 2016D, 2016E, 2013A, 2013B, 2011A, 2010A, 2009D, 2009E, 2005 and 2005A Bonds (collectively “the Bonds”) and the Series 2016A, 2016B, 2016C, 2016F and 2016G 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.

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 option of the providers, through the term of the bonds. All other variable rate demand bonds with letters of credit set to expire in 2016 were refunded during the year, which removed the requirement to maintain letters of credit. 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 \$35,496 drawn on it as of December 31, 2016. 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.

In 2012, the System entered into two 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. These credit facilities mature in 2018. These agreements contain various financial covenants that mirror those in the System’s master bond trust indenture.

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

December 31, 2016 and 2015

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

	<b>Accelerated Maturities with Letter of Credit Expirations</b>	<b>Scheduled Maturities Based on Loan Agreements</b>
2017	\$ 104,474	\$ 104,474
2018	116,696	42,571
2019	118,288	39,548
2020	26,698	37,898
2021	85,606	38,506
Thereafter	686,558	875,323
	\$ 1,138,320	\$ 1,138,320

### Note 7: Interest Rate Swaps

#### *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 three 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	
						2016	2015
2005	2035	\$ 109,290	3.5%	62.4% of LIBOR + 29 bps	Cash Flow Hedge	\$ (16,897)	\$ (18,931)

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 \$109,290 and \$113,660 at December 31, 2016 and 2015, respectively.

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

**December 31, 2016 and 2015**

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 \$(16,897) at December 31, 2016 and \$(18,931) at December 31, 2015. The change in fair value of \$2,034 and \$941 for the years ended December 31, 2016 and 2015, respectively, is reported as part of the change in unrealized gains and losses of interest rate swaps. Interest, 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, 2016 and 2015, \$7,583 and \$8,002 remains in unrestricted net assets to be amortized and \$419 and \$334 was amortized into interest expense in 2016 and 2015, respectively.

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, 2016, the System has not been required to post collateral under these agreements.

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, 2016 and 2015 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.

	<b>2016</b>	<b>2015</b>
<b>Long-term Liability</b>		
Fair value of interest rate swap agreement	\$ (16,897)	\$ (18,931)
<b>Unrestricted Net Assets</b>		
Gain recognized in changes in unrealized gains and losses on interest rate swaps (effective portion)	2,034	941
<b>Operating Expenses</b>		
Loss recognized in interest expense	419	334

### ***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.

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

## Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2016 and 2015

Trade Date	Maturity Date	Notional Amount	System Pays	System Receives	Fair Value	
					2016	2015
2006	2030	\$ 60,000	100% of SIFMA*	68.0% of 10Y LIBOR + 14.3 bps*	\$ 681	\$ 2,804
2006	2037	134,750	3.8%	61.9% of LIBOR + 31 bps	(33,585)	(36,877)
2006	2023	37,800	3.5%	61.9% of LIBOR + 31 bps	(4,108)	(5,028)
2005	2035	54,645	3.3%	62.4% of LIBOR + 29 bps	(7,604)	(8,775)
2008	2026	19,600	3.5%	63.0% of 1m LIBOR + 30 bps	(2,066)	(2,592)
2008	2024	12,400	3.5%	63.0% of 1m LIBOR + 30 bps	(1,079)	(1,423)
2005	2032	23,500	3.5%	67.0% of 1m LIBOR	(4,599)	(5,224)
					\$ (52,360)	\$ (57,115)

\*Through February 15, 2017, the System will pay 68% of 10Y LIBOR + 14.3 bps. After that date, payment will revert 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 \$681 and \$2,804 and long-term liabilities of \$(53,041) and \$(59,919), as of December 31, 2016 and 2015, respectively. The change in fair value of \$4,755 and \$1,086 is included as a component of other income as of December 31, 2016 and 2015, respectively. Interest, 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).

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, 2016 and 2015, \$(394) and \$(455), respectively, of net unrealized losses remain in net assets to be amortized and \$(61) was amortized into other loss in both 2016 and 2015.

Other Swaps:

	2016	2015
<b>Other Long-term Investments</b>		
Fair value of interest rate swap agreement	\$ 681	\$ 2,804
<b>Other Long-term Liabilities</b>		
Fair value of interest rate swap agreements	(53,041)	(59,919)
<b>Unrestricted Net Assets</b>		
Change in unrestricted net assets amortizing into		
Other, net	61	61
<b>Nonoperating Other, net</b>		
Gain recognized in income from changes in		
fair value of interest rate swaps	4,755	1,086
Loss recognized in income from amortization of		
unrecognized losses in unrestricted net assets	(61)	(61)

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

December 31, 2016 and 2015

### **Note 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 2016 and 2015 totaled \$31,650 and \$33,207, 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 \$52,350 and \$48,801 as of December 31, 2016 and 2015, respectively. Contributions received from nonconsolidated foundations and other related parties were \$7,222 and \$5,138 in 2016 and 2015, respectively.

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

### **Note 9: Retirement Benefit Plans**

#### ***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 \$78,235 and \$69,780 for 2016 and 2015, respectively. The System also has deferred compensation plans for certain employees. Total expenses under the deferred compensation plans were \$3,357 and \$6,399 for 2016 and 2015, respectively.

#### ***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.

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

**December 31, 2016 and 2015**

Upon the affiliation with MHS (Madison) during 2014, the System inherited their defined benefit pension plan. Substantially all of the employees of MHS 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, MHS froze the plan for all non-union and service union covered employees. As of December 31, 2015, MHS 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. As a result of the plan freeze, a curtailment gain of \$641 was recognized in the consolidated statements of operations for the year ended December 31, 2015.

During 2010, the Madison plan and MHS, the plan sponsor, became defendants in a lawsuit filed by a former employee alleging that the Madison plan violated various provisions of ERISA and underpaid participants' benefits. During 2014, the parties reached an agreement to completely and finally resolve all claims that were alleged or could have been alleged in the lawsuit for a total settlement value of \$82,000. The district court approved the settlement in 2015. The liability was included in the fair value of liabilities assumed by the System on the January 1, 2014 affiliation date with MHS. During 2016, the System received a settlement from a third party for \$16,000. The settlement was recognized as other operating revenue in the consolidated statements of operations for the year ended December 31, 2016.

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.

The System expects to contribute \$24,855 to the plans in 2017. The System uses a December 31 measurement date for the plans.

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

## Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2016 and 2015

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

	As of December 31, 2016					
	Des Moines	Methodist Peoria	Proctor Peoria	Madison	Cedar Rapids	Waterloo
<b>Change in benefit obligation</b>						
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>
<b>Change in fair value of plan assets</b>						
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	<u>\$ 196,587</u>	<u>\$ 247,265</u>	<u>\$ 70,299</u>	<u>\$ 229,646</u>	<u>\$ 123,943</u>	<u>\$ 11,559</u>
<b>Assets and liabilities recognized in the consolidated balance sheets</b>						
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>
<b>Amounts recognized in unrestricted net assets but not yet recognized as components of net periodic benefit cost</b>						
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>
<b>Amounts expected to be recognized within one year</b>						
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>



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

## Notes to Consolidated Financial Statements

(Dollars in Thousands)

December 31, 2016 and 2015

	As of December 31, 2016					
	Des Moines	Methodist Peoria	Proctor Peoria	Madison	Cedar Rapids	Waterloo
<b>Weighted-average assumptions used to determine benefit obligations for the year ended December 31, 2016</b>						
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
<b>Weighted-average assumptions used to determine benefit costs for the year ended December 31, 2016</b>						
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
<b>Components of net periodic benefit cost</b>						
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>
<b>As of December 31, 2015</b>						
	Des Moines	Methodist Peoria	Proctor Peoria	Madison	Cedar Rapids	Waterloo
<b>Change in benefit obligation</b>						
Benefit obligation, beginning of year	\$ 201,160	\$ 247,365	\$ 72,655	\$ 281,072	\$ 133,459	\$ 68,435
Service cost	-	-	-	2,334	-	656
Interest cost	8,732	10,813	3,154	10,012	5,807	2,974
Actuarial (gain) loss	(7,075)	(9,033)	(2,210)	7,217	(10,516)	(3,880)
Benefits paid	(13,595)	(8,541)	(3,460)	(59,414)	(5,533)	(2,715)
Curtailment gain from freezing benefits	-	-	-	(1,610)	-	-
Benefit obligation, end of year	<u>189,222</u>	<u>240,604</u>	<u>70,139</u>	<u>239,611</u>	<u>123,217</u>	<u>65,470</u>
<b>Change in fair value of plan assets</b>						
Fair value of plan assets, beginning of year	214,973	171,609	51,856	185,307	111,883	68,186
Actual return on plan assets	(2,089)	(5,635)	(2,278)	(1,905)	(1,775)	(328)
Employer contributions	2,800	6,151	2,308	49,000	5,004	3,300
Benefits paid	(13,595)	(8,356)	(3,460)	(59,414)	(5,533)	(2,715)
Fair value of plan assets, end of year	<u>202,089</u>	<u>163,769</u>	<u>48,426</u>	<u>172,988</u>	<u>109,579</u>	<u>68,443</u>
Funded status, end of year	<u>\$ 12,867</u>	<u>\$ (76,835)</u>	<u>\$ (21,713)</u>	<u>\$ (66,623)</u>	<u>\$ (13,638)</u>	<u>\$ 2,973</u>
Accumulated benefit obligation	<u>\$ 189,222</u>	<u>\$ 240,604</u>	<u>\$ 70,139</u>	<u>\$ 239,611</u>	<u>\$ 123,217</u>	<u>\$ 65,470</u>

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

December 31, 2016 and 2015

	As of December 31, 2015					
	Des Moines	Methodist Peoria	Proctor Peoria	Madison	Cedar Rapids	Waterloo
<b>Assets and liabilities recognized in the consolidated balance sheets</b>						
Noncurrent assets	\$ 12,867	\$ -	\$ -	\$ -	\$ -	\$ 4,342
Current liabilities	-	(3)	-	-	-	-
Noncurrent liabilities	-	(76,832)	(21,713)	(66,623)	(13,638)	(1,369)
	<u>\$ 12,867</u>	<u>\$ (76,835)</u>	<u>\$ (21,713)</u>	<u>\$ (66,623)</u>	<u>\$ (13,638)</u>	<u>\$ 2,973</u>
<b>Amounts recognized in unrestricted net assets but not yet recognized as components of net periodic benefit cost</b>						
Net loss	\$ 45,386	\$ 17,338	\$ 16,035	\$ 21,365	\$ 41,450	\$ 19,402
Net prior service credit	-	-	-	-	-	(1,798)
	<u>\$ 45,386</u>	<u>\$ 17,338</u>	<u>\$ 16,035</u>	<u>\$ 21,365</u>	<u>\$ 41,450</u>	<u>\$ 17,604</u>
<b>Amounts expected to be recognized within one year</b>						
Net loss	\$ 2,353	\$ -	\$ 140	\$ -	\$ 3,509	\$ 1,576
Net prior service credit	-	-	-	-	-	(666)
	<u>\$ 2,353</u>	<u>\$ -</u>	<u>\$ 140</u>	<u>\$ -</u>	<u>\$ 3,509</u>	<u>\$ 910</u>
<b>Other changes in plan assets recognized in changes in net assets</b>						
Net (gain) loss	\$ 9,857	\$ 11,079	\$ 4,243	\$ 20,050	\$ (423)	\$ 1,317
Curtailment gain from freezing benefits	-	-	-	(1,610)	-	-
Amortization of						
Net loss	(2,192)	-	(146)	-	(3,754)	(1,601)
Prior service credit	-	-	-	-	-	663
Total recognized in changes in net assets	<u>\$ 7,665</u>	<u>\$ 11,079</u>	<u>\$ 4,097</u>	<u>\$ 18,440</u>	<u>\$ (4,177)</u>	<u>\$ 379</u>

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

December 31, 2016 and 2015

	As of December 31, 2015					
	Des Moines	Methodist Peoria	Proctor Peoria	Madison	Cedar Rapids	Waterloo
<b>Weighted-average assumptions used to determine benefit obligations for the year ended December 31, 2015</b>						
Discount rate	4.84%	4.84%	4.84%	4.84%	4.84%	4.84%
Rate of compensation increase	N/A	N/A	N/A	N/A	N/A	N/A
<b>Weighted-average assumptions used to determine benefit costs for the year ended December 31, 2015</b>						
Discount rate	4.45%	4.45%	4.45%	4.45%	4.45%	4.45%
Expected return on plan assets	7.00%	8.50%	8.00%	7.00%	7.50%	7.10%
Rate of compensation increase	N/A	N/A	N/A	3.25%	N/A	N/A
<b>Components of net periodic benefit cost</b>						
Service cost	\$ -	\$ -	\$ -	\$ 2,334	\$ -	\$ 656
Interest cost	8,732	10,813	3,154	10,012	5,807	2,974
Expected return on plan assets	(14,843)	(14,492)	(4,176)	(10,928)	(8,318)	(4,868)
Amortization of prior service credit	-	-	-	-	-	(663)
Recognized net actuarial loss	2,192	-	146	-	3,754	1,601
Net periodic benefit cost (benefit)	<u>\$ (3,919)</u>	<u>\$ (3,679)</u>	<u>\$ (876)</u>	<u>\$ 1,418</u>	<u>\$ 1,243</u>	<u>\$ (300)</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.

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.

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

**December 31, 2016 and 2015**

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 2016 and 2015 were as follows:

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

  

	<b>2015</b>					
	<b>Des Moines</b>	<b>Methodist Peoria</b>	<b>Proctor Peoria</b>	<b>Madison</b>	<b>Cedar Rapids</b>	<b>Waterloo</b>
Equity securities	13%	56%	45%	45%	28%	5%
Fixed income	75	28	39	40	66	88
Alternative investments	12	16	16	15	6	7

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

**December 31, 2016 and 2015**

Plan assets are re-balanced quarterly. At December 31, 2016 and 2015, plan asset allocations are as follows:

	2016						2015					
	Des	Methodist	Proctor	Cedar			Des	Methodist	Proctor	Cedar		
	Moines	Peoria	Peoria	Madison	Rapids		Waterloo	Moines	Peoria	Peoria	Madison	Rapids
Cash equivalents	-%	-%	-%	2%	-%	-%	-%	-%	-%	9%	1%	1%
U.S. Treasury obligations	12	-	-	6	11	7	13	-	-	7	12	23
Corporate bonds	8	-	-	19	-	-	7	-	-	17	-	-
Equity securities												
Domestic	-	-	-	12	-	-	-	-	-	10	-	-
International	-	-	-	2	-	-	-	-	-	2	-	-
Mutual funds												
Domestic	5	36	28	-	21	29	9	36	28	-	19	4
International	8	22	19	-	11	13	4	21	17	-	9	2
Equity	-	-	-	20	-	-	-	-	-	19	-	-
Fixed income	55	26	37	11	50	37	56	28	39	9	53	63
Other	-	-	-	5	-	-	-	-	-	4	-	-
Alternative investments	12	6	6	18	7	14	11	5	6	17	6	7
Hedge funds	-	10	10	5	-	-	-	10	10	6	-	-
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

### **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, 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.

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

**December 31, 2016 and 2015**

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, 2016 and 2015:

	<b>Fair Value</b>	<b>Fair Value Measurements Using</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b><u>2016</u></b>				
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	-	-	-
<b><u>2015</u></b>				
Cash equivalents	\$ 17,230	\$ 17,230	\$ -	\$ -
U.S. Treasury obligations	68,429	68,429	-	-
Corporate bonds	42,368	-	42,368	-
Equity securities				
Domestic	16,600	16,600	-	-
International	3,348	3,348	-	-
Mutual funds				
Domestic	110,853	110,853	-	-
International	60,732	60,732	-	-
Equity	34,253	34,253	-	-
Fixed income	295,686	295,686	-	-
Other	7,272	-	7,272	-
Alternative investments *	77,403	-	-	-
Hedge funds*	31,120	-	-	-

\*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.

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

December 31, 2016 and 2015

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31, 2016:

2017	\$	46,227
2018		49,095
2019		49,753
2020		52,409
2021		53,682
2022 - 2026		283,401

### Note 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 \$101,129 and \$97,235 for self-insured losses at December 31, 2016 and 2015, 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, 2016 and 2015, cash and investments designated for this purpose amounted to \$32,233 and \$29,335, respectively.

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

December 31, 2016 and 2015

### Note 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 2016 and 2015 was \$78,900 and \$74,045, respectively.

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, 2016:

2017	\$ 52,587
2018	44,294
2019	37,874
2020	30,668
2021	27,320
Thereafter	<u>88,768</u>
Total minimum payments required	<u>\$ 281,511</u>

### Note 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

#### ***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



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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

December 31, 2016 and 2015

December 31, 2016 or 2015. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

### **Investments**

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

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

### **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.

### **Beneficial Interest in Perpetual Trusts**

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

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

December 31, 2016 and 2015

### **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, 2016 and 2015:

	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)
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	-
Non-government	1,678	-	1,678	-
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	2,122,742	1,556,532	85,692	-
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)	-

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

December 31, 2016 and 2015

	2015			
	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	\$ 58,074	\$ 58,074	\$ -	\$ -
U.S. Treasury obligations	31,578	-	31,578	-
U.S. Government agency obligations	1,752	-	1,752	-
Municipal bonds	6,962	-	6,962	-
Asset-backed securities				
Home equity	377	-	377	-
Other	5,075	-	5,075	-
Mortgage-backed securities				
Government	8,496	-	8,496	-
Non-government	595	-	595	-
Certificates of deposit	221	221	-	-
Corporate bonds	39,154	-	39,154	-
Equity securities				
Domestic	28,290	28,290	-	-
International	1,464	1,464	-	-
Mutual funds				
Domestic	7,002	7,002	-	-
International	421,587	421,587	-	-
Emerging markets	5,837	5,837	-	-
Index	523	523	-	-
Equity	497,427	497,427	-	-
Fixed income	612,033	612,033	-	-
Other	3,396	3,396	-	-
Alternative investments*	235,651	-	-	-
Hedge funds*	73,988	-	-	-
Private equity funds*	10,721	-	-	-
Interest rate swap agreements	2,804	-	2,804	-
Other items at cost**	6,668	-	-	-
Total short-term investments, assets limited as to use and other long-term investments	2,059,675	1,635,854	96,793	-
Beneficial interests in perpetual trusts included in contributions receivable	19,023	-	12,282	6,741
Interest rate swap agreements included in other long-term liabilities	(78,850)	-	(78,850)	-

\*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.

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

**Notes to Consolidated Financial Statements**

*(Dollars in Thousands)*

**December 31, 2016 and 2015**

***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:

	<b>Beneficial Interest in Perpetual Trusts</b>
Balance, January 1, 2015	\$ 7,060
Loss on beneficial interest in perpetual trusts	(319)
Balance, December 31, 2015	6,741
Gain on beneficial interest in perpetual trusts	322
Balance, December 31, 2016	\$ 7,063

***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.

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

**Notes to Consolidated Financial Statements**

*(Dollars in Thousands)*

**December 31, 2016 and 2015**

***Unobservable (Level 3) Inputs***

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

	<b>Fair Value</b>	<b>Valuation Technique</b>	<b>Adjustment to NAV</b>
<b>Recurring</b>			
Beneficial interests in perpetual trusts	\$ 7,063	Present value of future distributions expected to be received over term of agreement	N/A
<b>Nonrecurring</b>			
Goodwill	51,282	Discounted cash flow	N/A

**Note 13: Temporarily and Permanently Restricted Net Assets**

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

	<b>2016</b>	<b>2015</b>
Purchase of equipment	\$ 29,903	\$ 36,154
Indigent care/operations	46,318	30,698
Health education	11,738	11,345
For use in future periods	16,639	18,157
Total temporarily restricted net assets	<u>\$ 104,598</u>	<u>\$ 96,354</u>

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

**Notes to Consolidated Financial Statements**

*(Dollars in Thousands)*

**December 31, 2016 and 2015**

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

	<b>2016</b>	<b>2015</b>
Investments (generally including net investment appreciation and depreciation) to be held in perpetuity (income is unrestricted)	\$ 8,796	\$ 9,980
Investments (generally including net investment appreciation and depreciation) to be held in perpetuity (income is restricted for various purposes as directed by the donors)	58,278	50,746
Total permanently restricted net assets	\$ 67,074	\$ 60,726

**Note 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.

A summary of changes in asset retirement obligations, which are included on the accompanying consolidated balance sheets in other long-term liabilities, during 2016 and 2015 is included in the table below.

	<b>2016</b>	<b>2015</b>
Liability, beginning of year	\$ 16,292	\$ 15,403
Liabilities incurred	-	85
Liabilities settled	(365)	(184)
Accretion expense	883	988
Liability, end of year	\$ 16,810	\$ 16,292

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

December 31, 2016 and 2015

### Note 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 approximately \$29,095 and \$32,043, which is outstanding at December 31, 2016 and 2015, 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.

### Note 16: Subsequent Events

Subsequent events have been evaluated through April 18, 2017, which is the date the consolidated financial statements were issued.

Effective January 1, 2017, the System's subsidiary MHSC entered into an Affiliation agreement with Progressive Health Systems, Inc. (PHS), of Pekin, Illinois, under which PHS became a consolidated subsidiary of MHSC. PHS primarily operates Pekin Hospital, a 107-bed facility, and Pekin ProHealth, Inc., which offers primary and specialty care along with home health services. This affiliation allows for enhanced access to primary care providers and specialists in the Peoria market and expands the System's physician and hospital network in central Illinois. 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, 2016, net revenues of PHS were \$72,842. The affiliation was accomplished by MHSC becoming the sole member of PHS.

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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

**December 31, 2016 and 2015**

Effective January 1, 2017, the System entered into an Affiliation agreement with Keokuk Health Services, Inc. (KHS), of Keokuk, Iowa, under which KHS became a consolidated subsidiary of the System. KHS is comprised primarily of Keokuk Area Hospital and Tri-State Medical Group, which offers physician clinical services. This affiliation will help ensure the long-term future of health care services in the Keokuk area by providing KHS with access to management, operational and infrastructure support through the System while also increasing access to care and improving care coordination and patient experience. 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, 2016, net revenues of KHS were \$21,753. The affiliation was accomplished by the System becoming the sole member of KHS.

Effective January 1, 2017, the System's subsidiary St. Luke's Healthcare entered into an Affiliation agreement with Abbe, Inc., of Hiawatha, Iowa, under which Abbe became a consolidated subsidiary of St. Luke's Healthcare. Abbe operates a community mental health center and several other organizations focused on providing behavioral health care and aging services. This affiliation allows for the delivery of better integrated care in a more cost effective manner. 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, 2016, net revenues of Abbe were approximately \$31,000. The affiliation was accomplished by St. Luke's Healthcare becoming the sole member of Abbe, Inc.

On March 16, 2017, the System's subsidiary Allen Health Systems, Inc. was approved as the successful bidder in a bankruptcy auction process for the assets of Central Iowa Healthcare (CIH), a not-for-profit community health care provider in Marshalltown, Iowa. CIH operates a 49-bed acute care hospital, four primary care medical clinics and a state-of-the-art outpatient center. The transaction is expected to close on May 1, 2017 and includes payment of \$11,900 for substantially all of the hospital assets, \$24,000 for purchase of the outpatient center, along with the assumption of certain liabilities. The System plans to continue operating all facilities over the immediate term, while working to stabilize the financial situation and turn around operations.

On April 6, 2017, the System and its subsidiaries MHS (and MHS' subsidiary Meriter Hospital, Inc., hereafter referred to as UPH-M), UnityPoint Clinic and UnityPoint at Home (collectively, the System Parties) entered into a Joint Operating Agreement (JOA) with University of Wisconsin Hospitals and Clinics Authority and University of Wisconsin Medical Foundation, Inc. (collectively referred to as UW Health). The JOA is a contractual agreement that aligns the parties' clinical operations and financial interests within a geographic region, including Dane County, Wisconsin and certain surrounding counties (the Collaboration Area). Under the JOA, the System Parties have delegated certain strategic direction making authority and control to UW Health within the Collaboration Area, including the right to approve the System Parties' operating and capital budgets. The System remains the sole corporate member of each subsidiary and MHS remains the sole corporate member of UPH-M. UPH-M and UW Health will each appoint one member of their respective Boards of Directors to serve as a non-voting liaison on the other party's Board. The System Parties maintain control over day-to-day operations in the Collaboration Area and ownership over all of their assets. The JOA grants UW Health the right of first refusal to acquire the UPH-M assets or operations upon the occurrence of certain events and to replace the System as



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

## Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

December 31, 2016 and 2015

the sole member of MHS in the event of termination of the Affiliation Agreement between the System and MHS. This JOA allows for both organizations to better deliver timely access to needed medical care, save on capital costs that otherwise would be needed to provide such access, achieve a single standard of clinical care, improve the scope and quality of their services to the community, enhance their efficiency and expand their effectiveness in population health and care management. The JOA will become effective upon closing, which will occur upon completion of due diligence and certain other items, and is contingent upon approval of the insurance transaction (described below) by the Wisconsin Office of the Commissioner of Insurance and subsequent closing of the insurance transaction.

On April 6, 2017, the System signed an Exchange Agreement with University Health Care, Inc. (UHC) and Gundersen Lutheran Health System (GLHS) (collectively, the Owners) under which each Owner will have a direct membership interest in Gundersen Health Plan, Inc., a Wisconsin non-stock insurance corporation (GHP) and a direct equity interest in Quartz Holding Company, a newly formed Wisconsin for-profit corporation (Quartz Holding). Prior to the transaction, UHC and GLHS also each had equity interests in Unity Health Plans Insurance Corporation, a Wisconsin stock insurance corporation (Unity). As a part of the transaction, the Owners formed Quartz Holding, a for-profit holding company, to which UHC and GLHS will contribute all of their equity interests in Unity and the System will contribute all of its equity interest in Physician Plus Insurance Corporate (PPIC) in exchange for equity interest in Quartz Holding. Immediately thereafter, Quartz Holding will contribute all of its equity interest in Unity to PPIC. As a result, at the close of the transaction, GLHS, UHC and the System will each directly own equity interests in Quartz Holding, Quartz Holding will directly own 100% of the equity of PPIC and PPIC will directly own 100% of the equity of Unity. This combination will form a more comprehensive, sustainable and competitive health insurance organization while enhancing services to members by providing a greater choice of providers, products and plans. The closing of the transaction is subject to the approval of the Wisconsin Office of the Commissioner of Insurance.

**Iowa Health System and Subsidiaries**  
**d/b/a UnityPoint Health**  
**Consolidating Schedule - Balance Sheet Information**  
*(In Thousands)*  
**December 31, 2016**

**Schedule 1**

**Assets**

	UPHDM	MHSC	TRHS	MHS	SLHC	AHS	SLHS	THS	TRI-ST	UPC	UPAH	UPH Corp	PPIC	Eliminations	Consolidated
<b>Current Assets</b>															
Cash and cash equivalents	\$ 4,016	\$ 19,150	\$ 21,881	\$ 28,602	\$ 32,294	\$ 16,575	\$ 5,191	\$ 10,944	\$ 4,581	\$ 4,680	\$ 265	\$ 97,059	\$ 11,867		\$ 257,105
Short-term investments	1,142	581	749	1,051	1,100	1,267	216	394	152	247	2	6,646			13,547
Assets limited as to use - required for current liabilities	4,781		3,828		2,218	958	930	339							13,054
Patient accounts receivable, less estimated uncollectibles	103,076	72,376	61,143	54,016	57,130	32,841	25,777	19,012	18,997	36,489	35,848			(6,806)	509,899
Other receivables	14,416	9,883	4,781	5,646	3,024	3,458	3,086	2,969	2,026	7,775	3,898	17,330	6,887		85,179
Inventories	14,550	8,254	10,774	3,355	7,670	6,354	4,297	3,681	2,483	4,202	4,758	70			70,428
Prepaid expenses	3,947	3,820	2,265	1,502	2,624	3,141	1,641	439	670	4,172	314	28,347	436		53,318
Due from affiliates	2,692	1,943	2,278	11,598	3,735	1,568	1,525	3,278	586	10,193	1,305	114,264		(154,965)	
Total current assets	<u>148,620</u>	<u>116,007</u>	<u>107,699</u>	<u>105,750</u>	<u>109,795</u>	<u>66,162</u>	<u>42,663</u>	<u>41,056</u>	<u>29,495</u>	<u>67,758</u>	<u>46,390</u>	<u>263,716</u>	<u>19,190</u>	<u>(161,771)</u>	<u>1,002,530</u>
<b>Assets Limited As to Use, Noncurrent</b>															
Held by trustee under bond indenture agreements												1,213			1,213
Internally designated	633,427	7,501	156,634		146,627	1,205	42,849	55,581	80,283						1,124,107
Total assets limited as to use, noncurrent	<u>633,427</u>	<u>7,501</u>	<u>156,634</u>	<u></u>	<u>146,627</u>	<u>1,205</u>	<u>42,849</u>	<u>55,581</u>	<u>80,283</u>	<u></u>	<u></u>	<u></u>	<u>1,213</u>	<u></u>	<u>1,125,320</u>
<b>Property, Plant and Equipment, Net</b>	282,416	289,830	202,907	250,565	175,224	131,111	81,119	74,168	84,724	34,199	7,072	190,638	296		1,804,269
<b>Other Long-term Investments</b>	60,065	225,369	18,062	324,048	33,533	135,020	2,162	14,869	920	49,905	25,708	22,434	58,726		970,821
<b>Investments in Joint Ventures and Other Investments</b>	74,986	10,409	13,223	62,842	21,560	4,305	18,631	4,413	4,428	151	1,363	41,228		(117,051)	140,508
<b>Contributions Receivable, Net</b>	11,678	12,214	2,411	14	38,705	5,665	4,364	3,325	9,281						87,657
<b>Other</b>	13,988	18,382	53,074	1,358	943	3,915	268	1,439	181	124	92	13,184	3,472	(3)	110,417
<b>Due From Affiliates</b>				21,583						16,551		752,382		(790,516)	
Total assets	<u>\$ 1,225,180</u>	<u>\$ 679,712</u>	<u>\$ 554,010</u>	<u>\$ 766,160</u>	<u>\$ 526,387</u>	<u>\$ 347,383</u>	<u>\$ 192,056</u>	<u>\$ 194,851</u>	<u>\$ 209,312</u>	<u>\$ 168,688</u>	<u>\$ 80,625</u>	<u>\$ 1,284,795</u>	<u>\$ 81,684</u>	<u>\$ (1,069,321)</u>	<u>\$ 5,241,522</u>

**Liabilities and Net Assets (Deficit)**

<b>Current Liabilities</b>															
Current maturities of long-term debt	\$ 256	\$ 5,865	\$ 3,357	\$ 855	\$ 542	\$ 41	\$ 1,106	\$	\$	\$ 623	\$ 120	\$ 91,709	\$	\$	\$ 104,474
Accounts payable	35,635	22,718	25,473	15,280	17,491	14,311	8,807	5,157	8,223	9,862	6,104	15,168	1,086		185,315
Accrued payroll	20,205	8,485	10,172	21,195	13,416	8,137	3,561	4,661	3,862	28,368	5,479	80,269	1,793		209,603
Accrued interest	4	155	7		31					18	13	10,091			10,319
Estimated settlements due to third-party payers	4,525	60,630	3,656	813	2,512	1,847	1,634	704	217		189				76,727
Medical claims payable													27,799	(6,806)	20,993
Due to affiliates	16,108	9,109	12,775	10,479	9,071	7,796	8,403	7,339	5,119	25,278	15,771	16,040	11,570	(154,858)	-
Other current liabilities	10,702	16,908	7,326	1,837	5,331	2,953	3,185	1,763	1,425	8,255	1,932	5,311	7,636	411	74,975
Total current liabilities	<u>87,435</u>	<u>123,870</u>	<u>62,766</u>	<u>50,459</u>	<u>48,394</u>	<u>35,085</u>	<u>26,696</u>	<u>19,624</u>	<u>18,846</u>	<u>72,404</u>	<u>29,608</u>	<u>218,588</u>	<u>49,884</u>	<u>(161,253)</u>	<u>682,406</u>
<b>Long-term Debt, Net</b>	2,572	25,181	8,993	3,939	9,298	445	1,243			7,234		1,004,401			1,063,306
<b>Other Long-term Liabilities</b>	28,244	132,980	14,322	65,191	14,859	12,111	6,777	12,738	1,773	40,120	1,593	85,406	3,690		419,804
<b>Due to Affiliates</b>	105,843	94,730	152,223	191,429	75,208	72,623	44,024	14,400	18,451				21,583	(790,514)	-
Total liabilities	<u>224,094</u>	<u>376,761</u>	<u>238,304</u>	<u>311,018</u>	<u>147,759</u>	<u>120,264</u>	<u>78,740</u>	<u>46,762</u>	<u>39,070</u>	<u>119,758</u>	<u>31,201</u>	<u>1,308,395</u>	<u>75,157</u>	<u>(951,767)</u>	<u>2,165,516</u>
<b>Net Assets (Deficit)</b>															
Unrestricted															
Attributable to UnityPoint Health	957,822	273,427	258,955	449,110	336,900	209,072	106,006	139,846	160,938	48,832	48,307	(23,648)	6,527	(115,402)	2,856,692
Attributable to noncontrolling interest			45,107		116		2,419								47,642
Total unrestricted	<u>957,822</u>	<u>273,427</u>	<u>304,062</u>	<u>449,110</u>	<u>337,016</u>	<u>209,072</u>	<u>108,425</u>	<u>139,846</u>	<u>160,938</u>	<u>48,832</u>	<u>48,307</u>	<u>(23,648)</u>	<u>6,527</u>	<u>(115,402)</u>	<u>2,904,334</u>
Temporarily restricted															
Attributable to UnityPoint Health	22,815	23,677	8,621	5,403	21,714	8,747	2,909	4,865	5,878	98	1,015	48		(2,152)	103,638
Attributable to noncontrolling interest					960										960
Total temporarily restricted	<u>22,815</u>	<u>23,677</u>	<u>8,621</u>	<u>5,403</u>	<u>22,674</u>	<u>8,747</u>	<u>2,909</u>	<u>4,865</u>	<u>5,878</u>	<u>98</u>	<u>1,015</u>	<u>48</u>	<u></u>	<u>(2,152)</u>	<u>104,598</u>
Permanently restricted	20,449	5,847	3,023	629	18,938	9,300	1,982	3,378	3,426		102				67,074
Total net assets (deficit)	<u>1,001,086</u>	<u>302,951</u>	<u>315,706</u>	<u>455,142</u>	<u>378,628</u>	<u>227,119</u>	<u>113,316</u>	<u>148,089</u>	<u>170,242</u>	<u>48,930</u>	<u>49,424</u>	<u>(23,600)</u>	<u>6,527</u>	<u>(117,554)</u>	<u>3,076,006</u>
Total liabilities and net assets	<u>\$ 1,225,180</u>	<u>\$ 679,712</u>	<u>\$ 554,010</u>	<u>\$ 766,160</u>	<u>\$ 526,387</u>	<u>\$ 347,383</u>	<u>\$ 192,056</u>	<u>\$ 194,851</u>	<u>\$ 209,312</u>	<u>\$ 168,688</u>	<u>\$ 80,625</u>	<u>\$ 1,284,795</u>	<u>\$ 81,684</u>	<u>\$ (1,069,321)</u>	<u>\$ 5,241,522</u>

**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)  
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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)  
UPC - UnityPoint Clinic  
UPAH - UnityPoint at Home  
UPH Corp - UnityPoint Health and other Subsidiaries  
PPIC - Physicians Plus Insurance Company

**Iowa Health System and Subsidiaries**  
**d/b/a UnityPoint Health**  
**Consolidating Schedule - Revenue and Gains, Expenses and Losses Information**  
*(In Thousands)*  
**Year Ended December 31, 2016**

**Schedule 2**

	UPHDM	MHSC	TRHS	MHS	SLHC	AHS	SLHS	THS	TRI-ST	UPC	UPAH	UPH Corp	PPIC	Eliminations	Consolidated
<b>Revenue</b>															
Patient service revenue (net of contractual allowances)	\$ 930,365	\$ 497,050	\$ 573,169	\$ 438,780	\$ 472,086	\$ 289,967	\$ 214,199	\$ 156,715	\$ 118,355	\$ 320,694	\$ 143,880	\$ 1,606	\$	\$ (507,784)	\$ 3,649,082
Provision for patient uncollectible accounts	(28,549)	(17,281)	(23,993)	(7,909)	(13,670)	(6,565)	(6,307)	(4,879)	(3,372)	(12,961)				12,962	(112,524)
Net patient service revenue	901,816	479,769	549,176	430,871	458,416	283,402	207,892	151,836	114,983	307,733	143,880	1,606		(494,822)	3,536,558
Premium revenue														247,348	245,091
Other operating revenue	77,327	34,167	25,161	37,163	20,634	19,335	10,197	11,433	5,922	92,289	5,557	367,618		(443,147)	263,656
Net assets released from restrictions used for operations	4,432	1,639	277	465	1,184	651		159	286	6	393				9,492
Total revenue	983,575	515,575	574,614	468,499	480,234	303,388	218,089	163,428	121,191	400,028	149,830	369,224	247,348	(940,226)	4,054,797
<b>Expenses</b>															
Salaries and wages	337,883	161,947	185,430	156,235	165,975	101,376	73,075	55,903	44,003	104,575	74,502	127,877	7,944	(177,021)	1,419,704
Physician compensation and services	165,908	76,297	82,174	53,997	65,106	41,369	26,941	36,483	11,389	250,256	1,204	1,093		(257,666)	554,551
Employee benefits	82,956	35,961	44,546	50,216	43,600	45,431	17,606	13,001	11,165	29,203	18,463	29,789	2,002	(50,044)	373,895
Medical claims and capitation payments													215,759	(56,634)	159,125
Supplies	173,525	72,121	104,092	58,654	76,763	58,499	37,549	21,560	17,678	34,400	34,895	956	46	(56,891)	633,847
Other expenses	177,582	126,270	127,597	97,333	101,575	57,742	46,717	31,672	31,073	81,071	21,647	123,967	21,346	(403,204)	642,388
Depreciation and amortization	34,849	24,501	28,626	20,526	20,786	14,285	9,558	6,793	6,440	6,520	1,790	62,954	182	(8,303)	229,507
Interest	5,768	3,426	8,189	8,176	4,105	2,842	2,822	529	132	594	105	33,039		(35,710)	34,017
Provision for uncollectible accounts	508	62	51	227	(219)	102	196	156	37	1,119		3	3	(1,119)	1,126
Total expenses	978,979	500,585	580,705	445,364	477,691	321,646	214,464	166,097	121,917	506,619	153,725	379,678	247,282	(1,046,592)	4,048,160
<b>Operating Income (Loss)</b>	4,596	14,990	(6,091)	23,135	2,543	(18,258)	3,625	(2,669)	(726)	(106,591)	(3,895)	(10,454)	66	106,366	6,637
Income (loss) attributable to noncontrolling interests			(1,157)		61		(2,867)							(1)	(3,964)
<b>Operating Income (Loss) Attributable to UPH</b>	4,596	14,990	(7,248)	23,135	2,604	(18,258)	758	(2,669)	(726)	(106,591)	(3,895)	(10,454)	66	106,365	2,673
<b>Nonoperating Gains (Losses)</b>															
Investment income	58,088	17,700	15,061	29,906	14,670	11,248	2,197	5,320	6,403	2,808	2,411	625	2,485	(144)	168,778
Other, net	2,266	(962)	897	1,080	702	629	276	(946)	(1)			(1,284)	(1,468)	(5,077)	(3,888)
Total nonoperating gains (losses), net	60,354	16,738	15,958	30,986	15,372	11,877	2,473	4,374	6,402	2,808	2,411	(659)	1,017	(5,221)	164,890
<b>Revenue Over (Under) Expenses Before Loss on Bond Refinancing Transactions</b>	64,950	31,728	8,710	54,121	17,976	(6,381)	3,231	1,705	5,676	(103,783)	(1,484)	(11,113)	1,083	101,144	167,563
Loss on bond refinancing transactions		(161)	(299)									(22,391)		(1)	(22,852)
<b>Excess of Revenues Over (Under) Expenses</b>	\$ 64,950	\$ 31,567	\$ 8,411	\$ 54,121	\$ 17,976	\$ (6,381)	\$ 3,231	\$ 1,705	\$ 5,676	\$ (103,783)	\$ (1,484)	\$ (33,504)	\$ 1,083	\$ 101,143	\$ 144,711

**Definitions**

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THS - Trinity Health Systems, Inc. and Subsidiaries (Fort Dodge)  
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UPC - UnityPoint Clinic  
UPAH - UnityPoint at Home  
UPH Corp - UnityPoint Health and other Subsidiaries  
PPIC - Physicians Plus Insurance Company

**Iowa Health System and Subsidiaries**  
**d/b/a UnityPoint Health**  
**UnityPoint Health - Des Moines and Subsidiaries (Des Moines)**  
**Consolidating Schedule - Balance Sheet Information**  
*(In Thousands)*  
**December 31, 2016**

Schedule 3

**Assets**

	UPHDM	CIHC	UPHF	CIHP	UPC	UPAH	Eliminations	Consolidated
<b>Current Assets</b>								
Cash and cash equivalents	\$	\$ 451	\$ 3,553	\$ 12	\$	\$	\$	\$ 4,016
Short-term investments		1,058	84					1,142
Assets limited as to use - required for current liabilities		4,781						4,781
Patient accounts receivable, less estimated uncollectibles		103,076						103,076
Other receivables		14,312		104				14,416
Inventories		14,493	57					14,550
Prepaid expenses		3,887	20	40				3,947
Due from affiliates		3,533	4	17,691			(18,536)	2,692
Total current assets		145,591	3,718	17,847			(18,536)	148,620
<b>Assets Limited As to Use, Noncurrent</b>								
Internally designated		541,841	91,586					633,427
<b>Property, Plant and Equipment, Net</b>		262,348	21	20,047				282,416
<b>Other Long-term Investments</b>		9,858	50,207					60,065
<b>Investments in Joint Ventures and Other Investments</b>		49,855	9	3,438	28,086	35,209	(41,611)	74,986
<b>Contributions Receivable, Net</b>			11,678					11,678
<b>Other</b>		13,988						13,988
<b>Due From Affiliates</b>		2,106					(2,106)	-
Total assets	\$ -	\$ 1,025,587	\$ 157,219	\$ 41,332	\$ 28,086	\$ 35,209	\$ (62,253)	\$ 1,225,180

**Liabilities and Net Assets (Deficit)**

<b>Current Liabilities</b>								
Current maturities of long-term debt	\$	\$ 256	\$	\$	\$	\$	\$	\$ 256
Accounts payable		35,489	28	118				35,635
Accrued payroll		19,873	326	6				20,205
Accrued interest		4						4
Estimated settlements due to third-party payers		4,525						4,525
Due to affiliates	140	31,008	3,317	179			(18,536)	16,108
Other current liabilities		9,937	1	764				10,702
Total current liabilities	140	101,092	3,672	1,067			(18,536)	87,435
<b>Long-term Debt, Net</b>		2,594		(22)				2,572
<b>Other Long-term Liabilities</b>		27,348	896					28,244
<b>Due to Affiliates</b>		105,844		2,105			(2,106)	105,843
Total liabilities	140	236,878	4,568	3,150			(20,642)	224,094
<b>Net Assets (Deficit)</b>								
Unrestricted	(140)	746,802	109,932	38,182	27,988	35,058		957,822
Temporarily restricted		21,828	22,270		98	151	(21,532)	22,815
Permanently restricted		20,079	20,449				(20,079)	20,449
Total net assets (deficit)	(140)	788,709	152,651	38,182	28,086	35,209	(41,611)	1,001,086
Total liabilities and net assets	\$ -	\$ 1,025,587	\$ 157,219	\$ 41,332	\$ 28,086	\$ 35,209	\$ (62,253)	\$ 1,225,180

**Definitions**

UPHDM - UnityPoint Health - Des Moines  
CIHC - Central Iowa Hospital Corporation  
UPHF - UnityPoint Health Des Moines Foundation

CIHP - Central Iowa Health Properties Corporation  
UPC - UnityPoint Clinic, UPHDM portion  
UPAH - UnityPoint at Home, UPHDM portion

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

Schedule 4

## UnityPoint Health - Des Moines and Subsidiaries (Des Moines) Consolidating Schedule - Revenue and Gains, Expenses and Losses Information (In Thousands)

Year Ended December 31, 2016

	UPHDM	CIHC	UPHF	CIHP	UPC	UPAH	Eliminations	Consolidated
<b>Revenue</b>								
Patient service revenue (net of contractual allowances)	\$	\$ 719,134	\$	\$	\$ 152,512	\$ 58,759	\$ (40)	\$ 930,365
Provision for patient uncollectible accounts		(22,475)			(6,074)			(28,549)
Net patient service revenue		696,659			146,438	58,759	(40)	901,816
Other operating revenue		65,656	943	5,720	15,614	3,415	(14,021)	77,327
Net assets released from restrictions used for operations		4,170	262					4,432
Total revenue		766,485	1,205	5,720	162,052	62,174	(14,061)	983,575
<b>Expenses</b>								
Salaries and wages		259,194	1,794	71	43,642	33,182		337,883
Physician compensation and services		83,000			86,781	652	(4,525)	165,908
Employee benefits		62,319	263	21	12,158	8,195		82,956
Supplies		143,785	437	5	17,768	11,530		173,525
Other expenses	53	138,834	919	2,013	36,829	8,470	(9,536)	177,582
Depreciation and amortization		28,988	20	1,523	3,340	978		34,849
Interest		5,217		11	489	51		5,768
Provision for uncollectible accounts						508		508
Total expenses	53	721,337	3,433	3,644	201,007	63,566	(14,061)	978,979
<b>Operating Income (Loss)</b>	(53)	45,148	(2,228)	2,076	(38,955)	(1,392)		4,596
<b>Nonoperating Gains</b>								
Investment income		46,647	11,441					58,088
Other, net					1,215	1,051		2,266
Total nonoperating gains, net		46,647	11,441		1,215	1,051		60,354
<b>Revenues Over (Under) Expenses</b>	\$ (53)	\$ 91,795	\$ 9,213	\$ 2,076	\$ (37,740)	\$ (341)	\$ -	\$ 64,950

**Definitions**

UPHDM - UnityPoint Health - Des Moines  
CIHC - Central Iowa Hospital Corporation  
UPHF - UnityPoint Health Des Moines Foundation

CIHP - Central Iowa Health Properties Corporation  
UPC - UnityPoint Clinic, UPHDM portion  
UPAH - UnityPoint at Home, UPHDM portion

**Iowa Health System and Subsidiaries**  
**d/b/a UnityPoint Health**  
**Methodist Health Services Corporation and Subsidiaries (Peoria)**  
**Consolidating Schedule - Balance Sheet Information**  
**(In Thousands)**  
**December 31, 2016**

Schedule 5

**Assets**

	MHSC	MMCI	MS	MMCF	PHC	PH	Belcrest	Hult	PHS	HP	Eliminations	Consolidated
<b>Current Assets</b>												
Cash and cash equivalents	\$ 1,617	\$ 9,397	\$ 170	\$ 449	\$ (4)	\$ 5,014	\$ 96	\$ 730	\$ 1,641	\$ 40	\$	\$ 19,150
Short-term investments	77	238				186	4		76			581
Patient accounts receivable, less estimated uncollectibles	179	53,598				16,336	1,366		897			72,376
Other receivables		6,039	376	2		3,396		70				9,883
Inventories		5,450				2,038	766					8,254
Prepaid expenses	(5)	3,316	170			331	3	5				3,820
Due from affiliates	795	43,515	11,741	3	3,481	11,584	3,680		1,362	17	(74,235)	1,943
Total current assets	2,663	121,553	12,457	454	3,477	38,885	5,915	805	3,976	57	(74,235)	116,007
<b>Assets Limited As to Use, Noncurrent</b>												
Internally designated		4,547		2,954							-	7,501
<b>Property, Plant and Equipment, Net</b>	1	158,999	95,661			33,749	195	1,144	81			289,830
<b>Other Long-term Investments</b>	151	197,499		26,517		364	8	681	149			225,369
<b>Investments in Joint Ventures and Other Investments</b>	392	39,677		165	17,617						(47,442)	10,409
<b>Contributions Receivable, Net</b>		6,039		17		6,039		119				12,214
<b>Other</b>	272	12,284			1	5,824			1			18,382
Total assets	\$ 3,479	\$ 540,598	\$ 108,118	\$ 30,107	\$ 21,095	\$ 84,861	\$ 6,118	\$ 2,749	\$ 4,207	\$ 57	\$ (121,677)	\$ 679,712

**Liabilities and Net Assets (Deficit)**

<b>Current Liabilities</b>												
Current maturities of long-term debt	\$	\$ 5,865	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 5,865
Accounts payable	75	15,846	497	25		6,092	116	28	39			22,718
Accrued payroll	501	6,887		1		1,077	10	9				8,485
Accrued interest		174				(19)						155
Estimated settlements due to third-party payers		53,356				7,274						60,630
Due to affiliates	675	6,735	28,418	51	5	15,708	12,434	299	18,212	807	(74,235)	9,109
Other current liabilities	1	13,062	1,194	40		2,327	132	16	137	(1)		16,908
Total current liabilities	1,252	101,925	30,109	117	5	32,459	12,692	352	18,388	806	(74,235)	123,870
<b>Long-term Debt, Net</b>		25,181										25,181
<b>Other Long-term Liabilities</b>		107,082		92		25,806						132,980
<b>Due to Affiliates</b>		78,010				16,720						94,730
Total liabilities	1,252	312,198	30,109	209	5	74,985	12,692	352	18,388	806	(74,235)	376,761
<b>Net Assets (Deficit)</b>												
Unrestricted	2,227	205,180	78,009	12,924	21,090	3,691	(6,574)	2,278	(14,181)	(749)	(30,468)	273,427
Temporarily restricted		17,824		11,598		5,734		119			(11,598)	23,677
Permanently restricted		5,396		5,376		451					(5,376)	5,847
Total net assets (deficit)	2,227	228,400	78,009	29,898	21,090	9,876	(6,574)	2,397	(14,181)	(749)	(47,442)	302,951
Total liabilities and net assets	\$ 3,479	\$ 540,598	\$ 108,118	\$ 30,107	\$ 21,095	\$ 84,861	\$ 6,118	\$ 2,749	\$ 4,207	\$ 57	\$ (121,677)	\$ 679,712

**Definitions**

MHSC - Methodist Health Services Corporation  
MMCI - Methodist Medical Center of Illinois  
MS - Methodist Services, Inc.  
MMCF - Methodist Medical Center Foundation  
PHC - Proctor Health Care, Inc.

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

**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**  
*(In Thousands)*  
**Year Ended December 31, 2016**

Schedule 6

	MHSC	MMCI	MS	MMCF	PHC	PH	Belcrest	Hult	PHS	HP	Eliminations	Consolidated
<b>Revenue</b>												
Patient service revenue (net of contractual allowances)	\$ 1,198	\$ 377,561	\$	\$	\$	\$ 105,957	\$ 6,535	\$	\$ 5,799	\$	\$	\$ 497,050
Provision for patient uncollectible accounts	(1)	(11,443)				(5,237)	(451)		(149)			(17,281)
Net patient service revenue	1,197	366,118				100,720	6,084		5,650			479,769
Other operating revenue	18,085	27,656	11,974	479		4,352	177	1,068	392		(30,016)	34,167
Net assets released from restrictions used for operations		383		636		380		240				1,639
Total revenue	19,282	394,157	11,974	1,115		105,452	6,261	1,308	6,042		(30,016)	515,575
<b>Expenses</b>												
Salaries and wages	15,386	129,165		348		29,877	2,568	750	1,938		(18,085)	161,947
Physician compensation and services	75	66,346		1		1,896	3,389		4,627		(37)	76,297
Employee benefits	3,648	26,951	20	90		4,977	88	150	37			35,961
Supplies	9	50,188	45	2		20,719	848	47	264		(1)	72,121
Other expenses	176	98,454	7,479	914		26,841	2,075	394	1,800	30	(11,893)	126,270
Depreciation and amortization		15,281	4,493			4,586	30	79	32			24,501
Interest		2,464				962						3,426
Provision for uncollectible accounts		62										62
Total expenses	19,294	388,911	12,037	1,355		89,858	8,998	1,420	8,698	30	(30,016)	500,585
<b>Operating Income (Loss)</b>	(12)	5,246	(63)	(240)		15,594	(2,737)	(112)	(2,656)	(30)		14,990
<b>Nonoperating Gains (Losses)</b>												
Investment income		16,379		1,263		1	4	49	4			17,700
Other, net		(962)										(962)
Total nonoperating gains (losses), net		15,417		1,263		1	4	49	4			16,738
<b>Revenue Over (Under) Expenses Before Gain (Loss) on Bond Refinancing Transactions</b>	(12)	20,663	(63)	1,023		15,595	(2,733)	(63)	(2,652)	(30)		31,728
Gain (loss) on bond refinancing transactions		(576)				415						(161)
<b>Revenues Over (Under) Expenses</b>	\$ (12)	\$ 20,087	\$ (63)	\$ 1,023	\$ -	\$ 16,010	\$ (2,733)	\$ (63)	\$ (2,652)	\$ (30)	\$ -	\$ 31,567

**Definitions**

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

**Iowa Health System and Subsidiaries**  
**d/b/a UnityPoint Health**  
**Trinity Regional Health System and Subsidiaries (Rock Island)**  
**Consolidating Schedule - Balance Sheet Information**  
*(In Thousands)*  
**December 31, 2016**

Schedule 7

**Assets**

	TRHS	TMC	THF	THE	TM	UPC	UPAH	Eliminations	Consolidated
<b>Current Assets</b>									
Cash and cash equivalents	\$	\$ 11,337	\$ 984	\$ 839	\$ 8,721	\$	\$	\$	\$ 21,881
Short-term investments		260	49	31	409				749
Assets limited as to use - required for current liabilities		3,828							3,828
Patient accounts receivable, less estimated uncollectibles		53,355		1,507	6,281				61,143
Other receivables	370	4,059		171	181				4,781
Inventories		9,371		304	1,099				10,774
Prepaid expenses	61	1,915	73	10	206				2,265
Due from affiliates	3,697	19,031	60	95	269			(20,874)	2,278
Total current assets	4,128	103,156	1,166	2,957	17,166			(20,874)	107,699
<b>Assets Limited As to Use, Noncurrent</b>									
Internally designated	18,929	129,408			8,297				156,634
<b>Property, Plant and Equipment, Net</b>		175,118		368	27,421				202,907
<b>Other Long-term Investments</b>		7,687	7,705	61	2,609				18,062
<b>Investments in Joint Ventures and Other Investments</b>	2,157	13,972				6,406	2,121	(11,433)	13,223
<b>Contributions Receivable, Net</b>			2,393		18				2,411
<b>Other</b>		53,008		67				(1)	53,074
<b>Due from Affiliates</b>		11,794						(11,794)	-
Total assets	\$ 25,214	\$ 494,143	\$ 11,264	\$ 3,453	\$ 55,511	\$ 6,406	\$ 2,121	\$ (44,102)	\$ 554,010

**Liabilities and Net Assets**

<b>Current Liabilities</b>									
Current maturities of long-term debt	\$	\$ 2,975	\$	\$	\$ 382	\$	\$	\$	\$ 3,357
Accounts payable	566	22,573	7	218	2,109				25,473
Accrued payroll	769	8,437	18	100	848				10,172
Accrued interest					7				7
Estimated settlements due to third-party payers		3,301			355				3,656
Due to affiliates	7,258	17,418	1,092	1,039	6,842			(20,874)	12,775
Other current liabilities	89	6,886	109	(102)	344				7,326
Total current liabilities	8,682	61,590	1,226	1,255	10,887			(20,874)	62,766
<b>Long-term Debt, Net</b>		5,936			3,057				8,993
<b>Other Long-term Liabilities</b>		13,781	62	46	433				14,322
<b>Due to Affiliates</b>		141,793			22,224			(11,794)	152,223
Total liabilities	8,682	223,100	1,288	1,301	36,601			(32,668)	238,304
<b>Net Assets</b>									
Unrestricted									
Attributable to UnityPoint Health	16,532	217,146	17	2,152	17,310	6,406	2,121	(2,729)	258,955
Attributable to noncontrolling interest		45,107							45,107
Total unrestricted	16,532	262,253	17	2,152	17,310	6,406	2,121	(2,729)	304,062
Temporarily restricted		6,622	6,936		1,600			(6,537)	8,621
Permanently restricted		2,168	3,023					(2,168)	3,023
Total net assets	16,532	271,043	9,976	2,152	18,910	6,406	2,121	(11,434)	315,706
Total liabilities and net assets	\$ 25,214	\$ 494,143	\$ 11,264	\$ 3,453	\$ 55,511	\$ 6,406	\$ 2,121	\$ (44,102)	\$ 554,010

**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



**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**  
*(In Thousands)*  
**Year Ended December 31, 2016**

Schedule 8

	TRHS	TMC	THF	THE	TM	UPC	UPAH	Eliminations	Consolidated
<b>Revenue</b>									
Patient service revenue (net of contractual allowances)	\$	\$ 444,810	\$	\$ 6,211	\$ 49,299	\$ 52,133	\$ 20,735	\$ (19)	\$ 573,169
Provision for patient uncollectible accounts		(18,450)		(107)	(2,907)	(2,529)			(23,993)
Net patient service revenue		426,360		6,104	46,392	49,604	20,735	(19)	549,176
Other operating revenue	(40)	22,529	154	(69)	2,772	3,860	709	(4,754)	25,161
Net assets released from restrictions used for operations	4	269			4				277
Total revenue	(36)	449,158	154	6,035	49,168	53,464	21,444	(4,773)	574,614
<b>Expenses</b>									
Salaries and wages		135,193	628	1,552	15,796	18,178	14,083		185,430
Physician compensation and services		42,553			5,661	34,945	260	(1,245)	82,174
Employee benefits		31,882	125	378	3,600	5,225	3,445	(109)	44,546
Supplies		88,845	14	3,206	6,127	4,703	1,197		104,092
Other expenses		101,851	444	816	11,609	13,215	3,117	(3,455)	127,597
Depreciation and amortization		25,049		119	2,408	995	55		28,626
Interest		7,652			969	31	18	(481)	8,189
Provision for uncollectible accounts		15					36		51
Total expenses		433,040	1,211	6,071	46,170	77,292	22,211	(5,290)	580,705
<b>Operating Income (Loss)</b>	(36)	16,118	(1,057)	(36)	2,998	(23,828)	(767)	517	(6,091)
Loss attributable to noncontrolling interests		(1,157)							(1,157)
<b>Operating Income (Loss) Attributable to UPH</b>	(36)	14,961	(1,057)	(36)	2,998	(23,828)	(767)	517	(7,248)
<b>Nonoperating Gains</b>									
Investment income	1,806	12,262	556		918			(481)	15,061
Other, net						468	429		897
Total nonoperating gains, net	1,806	12,262	556		918	468	429	(481)	15,958
<b>Revenue Over (Under) Expenses Before Loss on Bond Refinancing Transactions</b>	1,770	27,223	(501)	(36)	3,916	(23,360)	(338)	36	8,710
Loss on bond refinancing transactions					(299)				(299)
<b>Revenues Over (Under) Expenses</b>	\$ 1,770	\$ 27,223	\$ (501)	\$ (36)	\$ 3,617	\$ (23,360)	\$ (338)	\$ 36	\$ 8,411

**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

**Iowa Health System and Subsidiaries**  
**d/b/a UnityPoint Health**  
**Meriter Health Services, Inc. and Subsidiaries (Madison)**  
**Consolidating Schedule - Balance Sheet Information**  
*(In Thousands)*  
**December 31, 2016**

Schedule 9

**Assets**

	MHS	MH	MF	MMG	ML	MHH	MMS	UPAH	Eliminations	Consolidated
<b>Current Assets</b>										
Cash and cash equivalents	\$ 782	\$ 25,081	\$ 2,017	\$ 61	\$ 192	\$	\$ 469	\$	\$	\$ 28,602
Short-term investments		1,051								1,051
Patient accounts receivable, less estimated uncollectibles		45,478		7,813	725					54,016
Other receivables		1,745	121	(309)	1,281	339	2,469			5,646
Inventories		3,335								3,335
Prepaid expenses		877	24	475	126					1,502
Due from affiliates	8,091	190,711	8	900	538	3,596	1,747		(193,993)	11,598
Total current assets	8,873	268,278	2,170	8,940	2,862	3,935	4,685		(193,993)	105,750
<b>Property, Plant and Equipment, Net</b>		221,508		27,665	1,735		167		(510)	250,565
<b>Other Long-term Investments</b>	405	298,312	18,491	563	2,237		4,040			324,048
<b>Investments in Joint Ventures and Other Investments</b>	5,133	71,275					516	(62)	(14,020)	62,842
<b>Contributions Receivable, net</b>			14							14
<b>Other</b>					530	825	3			1,358
<b>Due From Affiliates</b>	21,583									21,583
Total assets	\$ 35,994	\$ 859,373	\$ 20,675	\$ 37,168	\$ 7,364	\$ 4,760	\$ 9,411	\$ (62)	\$ (208,523)	\$ 766,160

**Liabilities and Net Assets (Deficit)**

<b>Current Liabilities</b>										
Current maturities of long-term debt	\$	\$ 855	\$	\$	\$ -	\$	\$	\$	\$	\$ 855
Accounts payable	457	12,167	646	683	793	(16)	581		(31)	15,280
Accrued payroll	1,194	15,322	35	2,215	704		1,725			21,195
Estimated settlements due to third-party payers		563		250						813
Due to affiliates	8,543	6,740	54	189,100	32				(193,990)	10,479
Other current liabilities	18	1,301	33	410	17	36	22			1,837
Total current liabilities	10,212	36,948	768	192,658	1,546	20	2,328		(194,021)	50,459
<b>Long-term Debt, Net</b>		3,844			95					3,939
<b>Other Long-term Liabilities</b>	1,503	50,543	214	2,440	3,250	2,095	5,146			65,191
<b>Due to Affiliates</b>		191,429								191,429
Total liabilities	11,715	282,764	982	195,098	4,891	2,115	7,474		(194,021)	311,018
<b>Net Assets (Deficit)</b>										
Unrestricted	24,279	571,099	10,762	(157,930)	2,473	2,645	1,937	(62)	(6,093)	449,110
Temporarily restricted		5,188	8,302						(8,087)	5,403
Permanently restricted		322	629						(322)	629
Total net assets (deficit)	24,279	576,609	19,693	(157,930)	2,473	2,645	1,937	(62)	(14,502)	455,142
Total liabilities and net assets	\$ 35,994	\$ 859,373	\$ 20,675	\$ 37,168	\$ 7,364	\$ 4,760	\$ 9,411	\$ (62)	\$ (208,523)	\$ 766,160

**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

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

Schedule 10

## Meriter Health Services, Inc. and Subsidiaries (Madison) Consolidating Schedule - Revenue and Gains, Expenses and Losses Information (In Thousands)

Year Ended December 31, 2016

	MHS	MH	MF	MMG	ML	MHH	MMS	UPAH	Eliminations	Consolidated
<b>Revenue</b>										
Patient service revenue (net of contractual allowances)	\$	\$ 368,812	\$	\$ 55,332	\$ 18,096	\$	\$	\$ 9,031	\$ (12,491)	\$ 438,780
Provision for patient uncollectible accounts		(7,544)		(370)	5					(7,909)
Net patient service revenue		361,268		54,962	18,101			9,031	(12,491)	430,871
Other operating revenue	3,712	31,954	1,420	3,104	1,238	485	15,992	301	(21,043)	37,163
Net assets released from restrictions used for operations		206	197	62						465
Total revenue	3,712	393,428	1,617	58,128	19,339	485	15,992	9,332	(33,534)	468,499
<b>Expenses</b>										
Salaries and wages	2,723	124,528	359	13,733	5,143	66	5,018	4,665		156,235
Physician compensation and services		12,287		41,709	1					53,997
Employee benefits	518	39,161	110	5,058	1,917	37	2,163	1,252		50,216
Supplies	-	47,776	6	5,877	3,230	(193)	40	1,918		58,654
Other expenses	2,293	104,137	1,336	12,882	5,814	(567)	3,804	1,385	(33,751)	97,333
Depreciation and amortization	-	17,996		2,086	425		7	12		20,526
Interest		8,165			6			5		8,176
Provision for uncollectible accounts								227		227
Total expenses	5,534	354,050	1,811	81,345	16,536	(657)	11,032	9,464	(33,751)	445,364
<b>Operating Income (Loss)</b>	(1,822)	39,378	(194)	(23,217)	2,803	1,142	4,960	(132)	217	23,135
<b>Nonoperating Gains</b>										
Investment income	13	28,453	1,119	3	24		151	143		29,906
Other, net	1,080									1,080
Total nonoperating gains, net	1,093	28,453	1,119	3	24		151	143		30,986
<b>Revenues Over (Under) Expenses</b>	\$ (729)	\$ 67,831	\$ 925	\$ (23,214)	\$ 2,827	\$ 1,142	\$ 5,111	\$ 11	\$ 217	\$ 54,121

**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

**Iowa Health System and Subsidiaries**  
**d/b/a UnityPoint Health**  
**St. Luke's Healthcare and Subsidiaries (Cedar Rapids)**  
**Consolidating Schedule - Balance Sheet Information**  
**(In Thousands)**

Schedule 11

December 31, 2016

**Assets**

	SLMH	CARE	CC-STL	STL-HR	JRMC	STEAM, INC.	MED LABS	UPC	UPAH	Eliminations	Consolidated
<b>Current Assets</b>											
Cash and cash equivalents	\$ 12,444	\$ 2,996	\$ 1,290	\$	\$ 12,852	\$	\$ 2,712	\$	\$	\$	\$ 32,294
Short-term investments	545		61		494						1,100
Assets limited as to use - required for current liabilities	2,218										2,218
Patient accounts receivable, less estimated uncollectibles	50,038	939	1,170		3,800		1,183				57,130
Other receivables	2,925			4	38	55	2				3,024
Inventories	7,381		52		146		91				7,670
Prepaid expenses	2,495	45			55	16	13				2,624
Due from affiliates	5,823	229		1,868	178	113	76			(4,552)	3,735
Total current assets	83,869	4,209	2,573	1,872	17,563	184	4,077			(4,552)	109,795
<b>Assets Limited As to Use, Noncurrent</b>											
Internally designated	146,627										146,627
<b>Property, Plant and Equipment, Net</b>	144,216	3,730	212	1,695	20,798	3,676	224			673	175,224
<b>Other Long-term Investments</b>	31,884		119		1,530						33,533
<b>Investments in Joint Ventures and Other Investments</b>	13,232	4,864						14,897	917	(12,350)	21,560
<b>Contributions Receivable, Net</b>	36,977				1,728						38,705
<b>Other</b>	944				(1)						943
<b>Due From Affiliates</b>				1,065						(1,065)	-
Total assets	\$ 457,749	\$ 12,803	\$ 2,904	\$ 4,632	\$ 41,618	\$ 3,860	\$ 4,301	\$ 14,897	\$ 917	\$ (17,294)	\$ 526,387

**Liabilities and Net Assets**

<b>Current Liabilities</b>											
Current maturities of long-term debt	\$	\$	\$	\$	\$ 542	\$	\$	\$	\$	\$	\$ 542
Accounts payable	15,023	506	284		1,233	125	320				17,491
Accrued payroll	11,928	564	136		681		107				13,416
Accrued interest					31						31
Estimated settlements due to third-party payers	2,374		(81)		219						2,512
Due to affiliates	10,394	1	346		595		2,287			(4,552)	9,071
Other current liabilities	5,280	(1)	2	52	2		(4)				5,331
Total current liabilities	44,999	1,070	687	52	3,303	125	2,710			(4,552)	48,394
<b>Long-term Debt, Net</b>	1				9,297						9,298
<b>Other Long-term Liabilities</b>	14,313			546							14,859
<b>Due to Affiliates</b>	76,273									(1,065)	75,208
Total liabilities	135,586	1,070	687	598	12,600	125	2,710			(5,617)	147,759
<b>Net Assets</b>											
Unrestricted											
Attributable to UnityPoint Health	285,626	11,733	2,217	4,034	27,295	267	1,591	14,897	917	(11,677)	336,900
Attributable to noncontrolling interest						116					116
Total unrestricted	285,626	11,733	2,217	4,034	27,295	383	1,591	14,897	917	(11,677)	337,016
Temporarily restricted											
Attributable to UnityPoint Health	17,599				1,723	2,392					21,714
Attributable to noncontrolling interest						960					960
Total temporarily restricted	17,599				1,723	3,352					22,674
Permanently restricted	18,938										18,938
Total net assets	322,163	11,733	2,217	4,034	29,018	3,735	1,591	14,897	917	(11,677)	378,628
Total liabilities and net assets	\$ 457,749	\$ 12,803	\$ 2,904	\$ 4,632	\$ 41,618	\$ 3,860	\$ 4,301	\$ 14,897	\$ 917	\$ (17,294)	\$ 526,387

**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

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

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

Schedule 12

## St. Luke's Healthcare and Subsidiaries (Cedar Rapids) Consolidating Schedule - Revenue and Gains, Expenses and Losses Information (In Thousands)

Year Ended December 31, 2016

	SLMH	CARE	CC-STL	STL-HR	JRMC	STEAM, INC.	MED LABS	UPC	UPAH	Eliminations	Consolidated
<b>Revenue</b>											
Patient service revenue (net of contractual allowances)	\$ 346,781	\$ 13,075	\$ 7,424	\$	\$ 24,798	\$	\$ 9,760	\$ 68,012	\$ 3,663	\$ (1,427)	\$ 472,086
Provision for patient uncollectible accounts	(9,652)	(120)	(43)		(941)		(563)	(2,351)			(13,670)
Net patient service revenue	337,129	12,955	7,381		23,857		9,197	65,661	3,663	(1,427)	458,416
Other operating revenue	24,409	264		68	229	1,120	33	22,885		(28,374)	20,634
Net assets released from restrictions used for operations	1,173				11						1,184
Total revenue	362,711	13,219	7,381	68	24,097	1,120	9,230	88,546	3,663	(29,801)	480,234
<b>Expenses</b>											
Salaries and wages	120,757	6,982	2,692	13	7,610	67	2,040	25,168	646		165,975
Physician compensation and services	20,867	34	14		3,320		873	56,989		(16,991)	65,106
Employee benefits	31,889	1,001	651		2,292	17	639	6,902	209		43,600
Supplies	63,679	1,293	778		2,054	28	943	6,759	1,371	(142)	76,763
Other expenses	77,336	3,130	3,075	63	5,603	988	4,809	18,621	618	(12,668)	101,575
Depreciation and amortization	16,224	318	39	53	1,533	233	634	1,689	63		20,786
Interest	3,772				286			47	-		4,105
Provision for uncollectible accounts	(256)				1				36		(219)
Total expenses	334,268	12,758	7,249	129	22,699	1,333	9,938	116,175	2,943	(29,801)	477,691
<b>Operating Income (Loss)</b>	28,443	461	132	(61)	1,398	(213)	(708)	(27,629)	720		2,543
Income attributable to noncontrolling interests						61					61
<b>Operating Income (Loss) Attributable to UPH</b>	28,443	461	132	(61)	1,398	(152)	(708)	(27,629)	720		2,604
<b>Nonoperating Gains</b>											
Investment income	14,567	1	10		92						14,670
Other, net								702			702
Total nonoperating gains, net	14,567	1	10		92			702			15,372
<b>Revenues Over (Under) Expenses</b>	\$ 43,010	\$ 462	\$ 142	\$ (61)	\$ 1,490	\$ (152)	\$ (708)	\$ (26,927)	\$ 720	\$ -	\$ 17,976

**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

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

**Iowa Health System and Subsidiaries**  
**d/b/a UnityPoint Health**  
**Allen Health Systems, Inc. and Subsidiaries (Waterloo)**  
**Consolidating Schedule - Balance Sheet Information**  
*(In Thousands)*  
**December 31, 2016**

Schedule 13

**Assets**

	AHS	AMH	MFAH	AC	BHGMHC	UPC	UPAH	Eliminations	Consolidated
<b>Current Assets</b>									
Cash and cash equivalents	\$	\$ 9,916	\$ 4,903	\$ 890	\$ 866	\$	\$	\$	\$ 16,575
Short-term investments		850	186		231				1,267
Assets limited as to use - required for current liabilities		958							958
Patient accounts receivable, less estimated uncollectibles		32,543			298				32,841
Other receivables		2,779	2	527	150				3,458
Inventories		6,349		5					6,354
Prepaid expenses		2,988	11	123	19				3,141
Due from affiliates		2,222	3	4,713	15			(5,385)	1,568
Total current assets		58,605	5,105	6,258	1,579			(5,385)	66,162
<b>Assets Limited As to Use, Noncurrent</b>									
Internally designated		1,205							1,205
<b>Property, Plant and Equipment, Net</b>		128,860			2,251				131,111
<b>Other Long-term Investments</b>		126,870	7,705		445				135,020
<b>Investments in Joint Ventures and Other Investments</b>		7,563	922	10,433		(1,448)	3,247	(16,412)	4,305
<b>Contributions Receivable, Net</b>			5,665						5,665
<b>Other</b>		3,916	(2)	1					3,915
Total assets	\$ -	\$ 327,019	\$ 19,395	\$ 16,692	\$ 4,275	\$ (1,448)	\$ 3,247	\$ (21,797)	\$ 347,383

**Liabilities and Net Assets (Deficit)**

<b>Current Liabilities</b>									
Current maturities of long-term debt	\$	\$	\$	\$	\$ 41	\$	\$	\$	\$ 41
Accounts payable		14,206	15	60	30				14,311
Accrued payroll		7,804	66	91	176				8,137
Estimated settlements due to third-party payers		1,847							1,847
Due to affiliates	3	12,333	693	142	10			(5,385)	7,796
Other current liabilities		2,950		2			1		2,953
Total current liabilities	3	39,140	774	295	257		1	(5,385)	35,085
<b>Long-term Debt, Net</b>					445				445
<b>Other Long-term Liabilities</b>		10,817	61	621	612				12,111
<b>Due to Affiliates</b>		72,623							72,623
Total liabilities	3	122,580	835	916	1,314		1	(5,385)	120,264
<b>Net Assets (Deficit)</b>									
Unrestricted	(3)	198,241	1,019	5,341	2,799	(1,448)	3,123		209,072
Temporarily restricted		3,783	8,240	3,550	162		123	(7,111)	8,747
Permanently restricted		2,415	9,301	6,885				(9,301)	9,300
Total net assets (deficit)	(3)	204,439	18,560	15,776	2,961	(1,448)	3,246	(16,412)	227,119
Total liabilities and net assets	\$ -	\$ 327,019	\$ 19,395	\$ 16,692	\$ 4,275	\$ (1,448)	\$ 3,247	\$ (21,797)	\$ 347,383

**Definitions**

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

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

**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**  
*(In Thousands)*  
**Year Ended December 31, 2016**

Schedule 14

	AHS	AMH	MFAH	AC	BHGMHC	UPC	UPAH	Eliminations	Consolidated
<b>Revenue</b>									
Patient service revenue (net of contractual allowances)	\$	\$ 234,283	\$	\$	\$ 3,847	\$ 37,399	\$ 14,438	\$	\$ 289,967
Provision for patient uncollectible accounts		(5,236)				(1,329)			(6,565)
Net patient service revenue		229,047			3,847	36,070	14,438		283,402
Other operating revenue		7,217	33	10,471	1,009	5,532	614	(5,541)	19,335
Net assets released from restrictions used for operations		289	(19)	381					651
Total revenue		236,553	14	10,852	4,856	41,602	15,052	(5,541)	303,388
<b>Expenses</b>									
Salaries and wages		70,714	419	5,444	3,406	12,743	8,650		101,376
Physician compensation and services		19,935		251	93	23,616	213	(2,739)	41,369
Employee benefits		37,929	79	1,323	565	3,562	1,973		45,431
Supplies		52,390	19	163	70	4,169	1,688		58,499
Other expenses		46,048	355	1,891	368	9,796	2,086	(2,802)	57,742
Depreciation and amortization		13,495			152	449	189		14,285
Interest		2,785			23	22	12		2,842
Provision for uncollectible accounts		1		3	20		78		102
Total expenses		243,297	872	9,075	4,697	54,357	14,889	(5,541)	321,646
<b>Operating Income (Loss)</b>		(6,744)	(858)	1,777	159	(12,755)	163		(18,258)
<b>Nonoperating Gains</b>									
Investment income		11,131	103	1	13				11,248
Other, net						330	299		629
Total nonoperating gains, net		11,131	103	1	13	330	299		11,877
<b>Revenues Over (Under) Expenses</b>	\$	\$ 4,387	\$ (755)	\$ 1,778	\$ 172	\$ (12,425)	\$ 462	\$ -	\$ (6,381)

**Definitions**

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

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

**Iowa Health System and Subsidiaries**  
**d/b/a UnityPoint Health**  
**St. Luke's Health System, Inc. (Sioux City)**  
**Consolidating Schedule - Balance Sheet Information**  
**(In Thousands)**  
**December 31, 2016**

Schedule 15

**Assets**

	SLHS	SLRMC	SLHR	PACE	UPC	UPAH	Eliminations	Consolidated
<b>Current Assets</b>								
Cash and cash equivalents	\$ 1,029	\$ 3,668	\$ 271	\$ 223	\$	\$	\$	\$ 5,191
Short-term investments	38	177	1					216
Assets limited as to use - required for current liabilities		930						930
Patient accounts receivable, less estimated uncollectibles		24,994	599	184				25,777
Other receivables	15	2,672	3	396				3,086
Inventories		4,269	28					4,297
Prepaid expenses		1,615		26				1,641
Due from affiliates	367	52,229	197	88			(51,356)	1,525
Total current assets	1,449	90,554	1,099	917			(51,356)	42,663
<b>Assets Limited As to Use, Noncurrent</b>								
Internally designated		42,849						42,849
<b>Property, Plant and Equipment, Net</b>	10,750	65,378	1,390	3,601				81,119
<b>Other Long-term Investments</b>	75	2,084	2	1				2,162
<b>Investments in Joint Ventures and Other Investments</b>	9,960	320			740	7,611		18,631
<b>Contributions Receivable, Net</b>		4,364						4,364
<b>Other</b>		268						268
Total assets	\$ 22,234	\$ 205,817	\$ 2,491	\$ 4,519	\$ 740	\$ 7,611	\$ (51,356)	\$ 192,056

**Liabilities and Net Assets (Deficit)**

<b>Current Liabilities</b>								
Current maturities of long-term debt	\$	\$ 1,106	\$	\$	\$	\$	\$	\$ 1,106
Accounts payable	21	7,719	64	1,003				8,807
Accrued payroll		3,387	93	81				3,561
Estimated settlements due to third-party payers		1,361		273				1,634
Due to affiliates	1,594	7,106	50,428	631			(51,356)	8,403
Other current liabilities	350	2,695	138	2				3,185
Total current liabilities	1,965	23,374	50,723	1,990			(51,356)	26,696
<b>Long-term Debt, Net</b>		1,243						1,243
<b>Other Long-term Liabilities</b>		6,603	174					6,777
<b>Due to Affiliates</b>	6,960	37,064						44,024
Total liabilities	8,925	68,284	50,897	1,990			(51,356)	78,740
<b>Net Assets (Deficit)</b>								
Unrestricted								
Attributable to UnityPoint Health	13,309	130,223	(48,406)	2,529	740	7,611		106,006
Attributable to noncontrolling interest		2,419						2,419
Total unrestricted	13,309	132,642	(48,406)	2,529	740	7,611		108,425
Temporarily restricted		2,909						2,909
Permanently restricted		1,982						1,982
Total net assets (deficit)	13,309	137,533	(48,406)	2,529	740	7,611		113,316
Total liabilities and net assets	\$ 22,234	\$ 205,817	\$ 2,491	\$ 4,519	\$ 740	\$ 7,611	\$ (51,356)	\$ 192,056

**Definitions**

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

PACE - Siouxland PACE  
UPC - UnityPoint Clinic, SLHS portion  
UPAH - UnityPoint at Home, SLHS portion



**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**  
*(In Thousands)*  
**Year Ended December 31, 2016**

Schedule 16

	SLHS	SLRMC	SLHR	PACE	UPC	UPAH	Eliminations	Consolidated
<b>Revenue</b>								
Patient service revenue (net of contractual allowances)	\$	\$ 178,392	\$ 4,121	\$ 12,221	\$ 10,636	\$ 10,281	\$ (1,452)	\$ 214,199
Provision for patient uncollectible accounts		(6,057)	428		(678)			(6,307)
Net patient service revenue		172,335	4,549	12,221	9,958	10,281	(1,452)	207,892
Other operating revenue	4,019	6,044	191	376	1,376	281	(2,090)	10,197
Total revenue	4,019	178,379	4,740	12,597	11,334	10,562	(3,542)	218,089
<b>Expenses</b>								
Salaries and wages		60,883	1,686	2,598	3,185	4,723		73,075
Physician compensation and services		17,414	1,554	697	7,276			26,941
Employee benefits		14,419	417	620	901	1,249		17,606
Supplies	1	31,756	441	2,275	1,001	2,075		37,549
Other expenses	973	39,417	834	5,676	2,219	1,140	(3,542)	46,717
Depreciation and amortization	1,124	7,863	211	105	48	207		9,558
Interest	414	2,394			6	8		2,822
Provision for uncollectible accounts		36	1			159		196
Total expenses	2,512	174,182	5,144	11,971	14,636	9,561	(3,542)	214,464
<b>Operating Income (Loss)</b>	1,507	4,197	(404)	626	(3,302)	1,001		3,625
Loss attributable to noncontrolling interests		(2,867)						(2,867)
<b>Operating Income (Loss) Attributable to UPH</b>	1,507	1,330	(404)	626	(3,302)	1,001		758
<b>Nonoperating Gains</b>								
Investment income	1	2,196						2,197
Other, net					93	183		276
Total nonoperating gains, net	1	2,196			93	183		2,473
<b>Revenues Over (Under) Expenses</b>	\$ 1,508	\$ 3,526	\$ (404)	\$ 626	\$ (3,209)	\$ 1,184	\$ -	\$ 3,231

**Definitions**

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

PACE - Siouxland PACE  
UPC - UnityPoint Clinic, SLHS portion  
UPAH - UnityPoint at Home, SLHS portion

**Iowa Health System and Subsidiaries**  
**d/b/a UnityPoint Health**  
**Trinity Health Systems, Inc. and Subsidiaries (Fort Dodge)**  
**Consolidating Schedule - Balance Sheet Information**  
*(In Thousands)*  
**December 31, 2016**

Schedule 17

**Assets**

	THS	TRMC	THF	TBC	TPG	BMHC	TP ACO	AUX	UPC	UPAH	Eliminations	Consolidated
<b>Current Assets</b>												
Cash and cash equivalents	\$ 396	\$ 3,777	\$ 1,203	\$ 1,562	\$ 3,168	\$ 556	\$	\$ 282	\$	\$	\$	\$ 10,944
Short-term investments	192	156	23	2		13		8				394
Assets limited as to use - required for current liabilities		339										339
Patient accounts receivable, less estimated uncollectibles		13,520			5,016	476						19,012
Other receivables	367	763		146	917	776						2,969
Inventories		3,102			394			185				3,681
Prepaid expenses	41	392				6						439
Due from affiliates	1,005	18,394	29	119	3,735	117	998				(21,119)	3,278
Total current assets	2,001	40,443	1,255	1,829	13,230	1,944	998	475			(21,119)	41,056
<b>Assets Limited As to Use, Noncurrent</b>												
Internally designated		40,061	15,520									55,581
<b>Property, Plant and Equipment, Net</b>	197	61,304		11,325	705	637						74,168
<b>Other Long-term Investments</b>	331	1,349	1,852	4	11,292	26		15				14,869
<b>Investments in Joint Ventures and Other Investments</b>	36,461	21,013				4			249	4,110	(57,424)	4,413
<b>Contributions Receivable, Net</b>			3,325									3,325
<b>Other</b>	23	1,383	(1)			34						1,439
<b>Due From Affiliates</b>		14									(14)	-
Total assets	\$ 39,013	\$ 165,567	\$ 21,951	\$ 13,158	\$ 25,227	\$ 2,645	\$ 998	\$ 490	\$ 249	\$ 4,110	\$ (78,557)	\$ 194,851

**Liabilities and Net Assets (Deficit)**

<b>Current Liabilities</b>												
Accounts payable	\$ 7	\$ 4,403	\$ 7	\$ 16	\$ 665	\$ 26	\$	\$ 33	\$	\$	\$	\$ 5,157
Accrued payroll	298	3,212	20	4	981	146						4,661
Estimated settlements due to third-party payers		704										704
Due to affiliates	146	6,722	854	66	19,007	637	983	43			(21,119)	7,339
Other current liabilities	14	1,072		397	280	(1)	1					1,763
Total current liabilities	465	16,113	881	483	20,933	808	984	76			(21,119)	19,624
<b>Other Long-term Liabilities</b>	330	1,082			11,292	34						12,738
<b>Due to Affiliates</b>		14,400				14					(14)	14,400
Total liabilities	795	31,595	881	483	32,225	856	984	76			(21,133)	46,762
<b>Net Assets (Deficit)</b>												
Unrestricted	38,218	127,363	15,330	12,675	(6,998)	1,785	14	414	249	3,369	(52,573)	139,846
Temporarily restricted		3,231	2,362			4				741	(1,473)	4,865
Permanently restricted		3,378	3,378								(3,378)	3,378
Total net assets (deficit)	38,218	133,972	21,070	12,675	(6,998)	1,789	14	414	249	4,110	(57,424)	148,089
Total liabilities and net assets	\$ 39,013	\$ 165,567	\$ 21,951	\$ 13,158	\$ 25,227	\$ 2,645	\$ 998	\$ 490	\$ 249	\$ 4,110	\$ (78,557)	\$ 194,851

**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

**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**  
*(In Thousands)*  
**Year Ended December 31, 2016**

Schedule 18

	THS	TRMC	THF	TBC	TPG	BMHC	TP ACO	AUX	UPC	UPAH	Eliminations	Consolidated
<b>Revenue</b>												
Patient service revenue (net of contractual allowances)	\$	\$ 100,690	\$	\$	\$ 40,992	\$ 3,466	\$	\$	\$	\$ 11,567	\$	\$ 156,715
Provision for patient uncollectible accounts		(3,266)			(1,501)	(112)						(4,879)
Net patient service revenue		97,424			39,491	3,354				11,567		151,836
Other operating revenue	3,500	5,553	289	2,248	2,915	1,067		363		570	(5,072)	11,433
Net assets released from restrictions used for operations		105	51		3							159
Total revenue	3,500	103,082	340	2,248	42,409	4,421		363		12,137	(5,072)	163,428
<b>Expenses</b>												
Salaries and wages	2,639	34,366	182	146	10,175	1,394	59		36	6,906		55,903
Physician compensation and services		14,070			20,706	1,548			85	74		36,483
Employee benefits	438	7,479	35	48	2,885	315	15			1,786		13,001
Supplies	6	15,096	2	7	3,994	39		236		2,180		21,560
Other expenses	201	22,869	202	1,162	9,609	604	53	183		1,861	(5,072)	31,672
Depreciation and amortization	60	5,341		814	217	93				268		6,793
Interest		518								11		529
Provision for uncollectible accounts		71		12						73		156
Total expenses	3,344	99,810	421	2,189	47,586	3,993	127	419	121	13,159	(5,072)	166,097
<b>Operating Income (Loss)</b>	156	3,272	(81)	59	(5,177)	428	(127)	(56)	(121)	(1,022)		(2,669)
<b>Nonoperating Gains (Losses)</b>												
Investment income		3,591	1,725	2		2						5,320
Other, net		(1,213)								267		(946)
Total nonoperating gains (losses), net		2,378	1,725	2		2				267		4,374
<b>Revenues Over (Under) Expenses</b>	\$ 156	\$ 5,650	\$ 1,644	\$ 61	\$ (5,177)	\$ 430	\$ (127)	\$ (56)	\$ (121)	\$ (755)	\$ -	\$ 1,705

**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

**Iowa Health System and Subsidiaries**  
**d/b/a UnityPoint Health**  
**Finley Tri-States Health Group, Inc. and Subsidiaries (Dubuque)**  
**Consolidating Schedule - Balance Sheet Information**  
*(In Thousands)*  
**December 31, 2016**

Schedule 19

**Assets**

	TRI-ST	Finley	VNA	Eliminations	Consolidated
<b>Current Assets</b>					
Cash and cash equivalents	\$	\$ 4,221	\$ 360	\$	\$ 4,581
Short-term investments		141	11		152
Patient accounts receivable, less estimated uncollectibles		18,454	543		18,997
Other receivables		1,967	59		2,026
Inventories		2,483			2,483
Prepaid expenses		670			670
Due from affiliates		1,050	1	(465)	586
Total current assets		<u>28,986</u>	<u>974</u>	<u>(465)</u>	<u>29,495</u>
<b>Assets Limited As to Use, Noncurrent</b>					
Internally designated		80,283			80,283
<b>Property, Plant and Equipment, Net</b>					
		84,666	58		84,724
<b>Other Long-term Investments</b>					
		898	22		920
<b>Investments in Joint Ventures and Other Investments</b>					
	14	4,414			4,428
<b>Contributions Receivable, Net</b>					
		7,122	2,159		9,281
<b>Other</b>					
		<u>181</u>			<u>181</u>
Total assets	<u>\$ 14</u>	<u>\$ 206,550</u>	<u>\$ 3,213</u>	<u>\$ (465)</u>	<u>\$ 209,312</u>

**Liabilities and Net Assets**

<b>Current Liabilities</b>					
Accounts payable	\$	\$ 8,169	\$ 54	\$	\$ 8,223
Accrued payroll		3,697	165		3,862
Estimated settlements due to third-party payers		216	1		217
Due to affiliates		5,067	517	(465)	5,119
Other current liabilities		1,424	1		1,425
Total current liabilities		<u>18,573</u>	<u>738</u>	<u>(465)</u>	<u>18,846</u>
<b>Other Long-term Liabilities</b>					
		1,773			1,773
<b>Due to Affiliates</b>					
		<u>18,451</u>			<u>18,451</u>
Total liabilities		<u>38,797</u>	<u>738</u>	<u>(465)</u>	<u>39,070</u>
<b>Net Assets</b>					
Unrestricted	14	160,626	298		160,938
Temporarily restricted		3,919	1,959		5,878
Permanently restricted		3,208	218		3,426
Total net assets	<u>14</u>	<u>167,753</u>	<u>2,475</u>		<u>170,242</u>
Total liabilities and net assets	<u>\$ 14</u>	<u>\$ 206,550</u>	<u>\$ 3,213</u>	<u>\$ (465)</u>	<u>\$ 209,312</u>

**Definitions**

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

**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**  
*(In Thousands)*  
**Year Ended December 31, 2016**

Schedule 20

	TRI-ST	Finley	VNA	Eliminations	Consolidated
<b>Revenue</b>					
Patient service revenue (net of contractual allowances)	\$	\$ 117,860	\$ 495	\$	\$ 118,355
Provision for patient uncollectible accounts		(3,372)			(3,372)
Net patient service revenue		114,488	495		114,983
Other operating revenue		3,588	2,334		5,922
Net assets released from restrictions used for operations		84	202		286
Total revenue		118,160	3,031		121,191
<b>Expenses</b>					
Salaries and wages		41,956	2,047		44,003
Physician compensation and services		11,389			11,389
Employee benefits		10,573	592		11,165
Supplies		17,617	61		17,678
Other expenses		30,737	336		31,073
Depreciation and amortization		6,417	23		6,440
Interest		132			132
Provision for uncollectible accounts		35	2		37
Total expenses		118,856	3,061		121,917
<b>Operating Loss</b>		(696)	(30)		(726)
<b>Nonoperating Gains (Losses)</b>					
Investment income		6,403			6,403
Other, net		(1)			(1)
Total nonoperating gains (losses), net		6,402			6,402
<b>Revenues Over (Under) Expenses</b>	\$ -	\$ 5,706	\$ (30)	\$ -	\$ 5,676

**Definitions**

TRI-ST - Finley Tri-States Health Group, Inc.  
 Finley - The Finley Hospital  
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**Iowa Health System and Subsidiaries**  
**d/b/a UnityPoint Health**  
**Affiliated Colleges**  
**Balance Sheet Information**  
*(In Thousands)*  
**December 31, 2016**

Schedule 21

**Assets**

	MC	TCN	AC	SLC
<b>Current Assets</b>				
Cash and cash equivalents	\$ 836	\$ 893	\$ 890	\$ 2,210
Short-term investments		39		
Student loan and other receivables	678	17	527	237
Inventories	66		5	
Prepaid expenses	15		123	17
Due from affiliates		755	4,713	
Total current assets	<u>1,595</u>	<u>1,704</u>	<u>6,258</u>	<u>2,464</u>
<b>Property, Plant and Equipment, Net</b>	1,405	184		46
<b>Other Long-term Investments</b>	5,293	77		
<b>Interest in Net Assets of Foundation</b>	3,170	2,529	10,433	2,003
<b>Other</b>			1	317
Total assets	<u>\$ 11,463</u>	<u>\$ 4,494</u>	<u>\$ 16,692</u>	<u>\$ 4,830</u>

**Liabilities and Net Assets**

<b>Current Liabilities</b>				
Accounts payable	\$ 116	\$ 66	\$ 60	\$ 76
Accrued payroll	17	21	91	96
Due to affiliates		250	142	
Other current liabilities	25	37	2	1,758
Total current liabilities	<u>158</u>	<u>374</u>	<u>295</u>	<u>1,930</u>
<b>Other Long-term Liabilities</b>			621	13
Total liabilities	<u>158</u>	<u>374</u>	<u>916</u>	<u>1,943</u>
<b>Net Assets</b>				
Unrestricted	8,135	1,562	5,341	357
Temporarily restricted	1,163	664	3,550	1,264
Permanently restricted	2,007	1,894	6,885	1,266
Total net assets	<u>11,305</u>	<u>4,120</u>	<u>15,776</u>	<u>2,887</u>
Total liabilities and net assets	<u>\$ 11,463</u>	<u>\$ 4,494</u>	<u>\$ 16,692</u>	<u>\$ 4,830</u>

**Definitions**

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

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.

**Iowa Health System and Subsidiaries**  
**d/b/a UnityPoint Health**  
**Affiliated Colleges**  
**Revenue and Gains, Expenses and Losses Information**  
*(In Thousands)*  
**Year Ended December 31, 2016**

Schedule 22

	<u>MC</u>	<u>TCN</u>	<u>AC</u>	<u>SLC</u>
<b>Revenue</b>				
Tuition and student revenue	\$ 11,648	\$ 4,571	\$ 10,430	\$ 3,277
Governmental pass-thru				698
Grant revenue	114		8	5
Other revenue	134	101	33	201
Net assets released from restrictions used for operations		80	381	
Total revenue	<u>11,896</u>	<u>4,752</u>	<u>10,852</u>	<u>4,181</u>
<b>Expenses</b>				
Salaries and wages	5,560	2,109	5,444	2,604
Physician compensation and services		12	251	
Employee benefits	1,220	500	1,323	598
Supplies	427	83	163	167
Other expenses	3,280	1,053	1,891	1,250
Depreciation and amortization	465	64		7
Provision for uncollectible accounts		15	3	17
Total expenses	<u>10,952</u>	<u>3,836</u>	<u>9,075</u>	<u>4,643</u>
<b>Operating Income (Loss)</b>	<u>944</u>	<u>916</u>	<u>1,777</u>	<u>(462)</u>
<b>Nonoperating Gains</b>				
Investment income	293		1	
Total nonoperating gains, net	<u>293</u>		<u>1</u>	
<b>Revenues Over (Under) Expenses</b>	<u>\$ 1,237</u>	<u>\$ 916</u>	<u>\$ 1,778</u>	<u>\$ (462)</u>

**Definitions**  
MC - Methodist College (Peoria)  
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