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HEALTH FACILITIES & SERVICES REVIEW BOARD

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR EXEMPTION FOR THE
CHANGE OF OWNERSHIP FOR AN EXISTING HEALTH CARE FACILITY

1. **INFORMATION FOR EXISTING FACILITY**

Current Facility Name Pekin Memorial Hospital
Address 600 South 13th St.
City Pekin Zip Code 61554 County Tazewell County
Name of current licensed entity for the facility Pekin Memorial Hospital
Does the current licensee: own this facility ☑ OR lease this facility ____ (if leased, check if sublease ☐)
Type of ownership of the current licensed entity (check one of the following:) ____ Sole Proprietorship
☑ Not-for-Profit Corporation ____ For Profit Corporation ____ Partnership ____ Governmental
____ Limited Liability Company ____ Other, specify ____
Illinois State Senator for the district where the facility is located: Sen. David Koehler
State Senate District Number 46 Mailing address of the State Senator M113 State Capitol Building
Springfield, IL 62706
Illinois State Representative for the district where the facility is located: Rep. Michael Unes
State Representative District Number 91 Mailing address of the State Representative
224 N Stratton Office Building, Springfield, IL 62706

2. **OUTSTANDING PERMITS.** Does the facility have any projects for which the State Board issued a permit that will not be completed (refer to 1130.140 "Completion or Project Completion" for a definition of project completion) by the time of the proposed ownership change? Yes ■ No ☐. If yes, refer to Section 1130.520(f), and indicate the projects by Project # 16-017 Griffin Medical Office Building

3. **NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant Methodist Health Services Corporation
Address 221 NE Glen Oak
City, State & Zip Code Peoria, IL 61636
Type of ownership of the current licensed entity (check one of the following:) ____ Sole Proprietorship
☑ Not-for-Profit Corporation ____ For Profit Corporation ____ Partnership ____ Governmental
____ Limited Liability Company ____ Other, specify ____

4. **NAME OF LEGAL ENTITY THAT WILL BE THE LICENSEE/OPERATING ENTITY OF THE FACILITY NAMED IN THE APPLICATION AS A RESULT OF THIS TRANSACTION.**

Exact Legal Name of Entity to be Licensed Pekin Memorial Hospital
Address 600 S 13th St.
City, State & Zip Code Pekin, IL 61554
Type of ownership of the current licensed entity (check one of the following:) ____ Sole Proprietorship
☑ Not-for-Profit Corporation ____ For Profit Corporation ____ Partnership ____ Governmental
____ Limited Liability Company ____ Other, specify ____

5. **BUILDING/SITE OWNERSHIP. NAME OF LEGAL ENTITY THAT WILL OWN THE "BRICKS AND MORTAR"** (BUILDING) OF THE FACILITY NAMED IN THIS APPLICATION IF DIFFERENT FROM THE OPERATING/LICENSED ENTITY

Exact Legal Name of Entity That Will Own the Site Pekin Memorial Hospital
Address 600 South 13th St.
City, State & Zip Code Pekin, IL 61636
Type of ownership of the current licensed entity (check one of the following:) ____ Sole Proprietorship
☑ Not-for-Profit Corporation ____ For Profit Corporation ____ Partnership ____ Governmental
____ Limited Liability Company ____ Other, specify ____

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR EXEMPTION FOR THE
CHANGE OF OWNERSHIP FOR AN EXISTING HEALTH CARE FACILITY

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City _____ Zip Code _____ County _____
Name of current licensed entity for the facility _____
Does the current licensee: own this facility _____ OR lease this facility _____ (if leased, check if sublease □)
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
_____ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify _____
Illinois State Senator for the district where the facility is located: Sen. _____
State Senate District Number _____ Mailing address of the State Senator _____
_____
Illinois State Representative for the district where the facility is located: Rep. _____
State Representative District Number _____ Mailing address of the State Representative _____
_____

2. **OUTSTANDING PERMITS.** Does the facility have any projects for which the State Board issued a permit that will not be completed (refer to 1130.140 "Completion or Project Completion" for a definition of project completion) by the time of the proposed ownership change? Yes □ No □. If yes, refer to Section 1130.520(f), and indicate the projects by Project # _____

3. **NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant Iowa Health System, doing business as UnityPoint Health
Address 120 NE Glen Oak Ave, Ste. 101
City, State & Zip Code Peoria, IL 61603
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
[✓] Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify _____

4. **NAME OF LEGAL ENTITY THAT WILL BE THE LICENSEE/OPERATING ENTITY OF THE FACILITY NAMED IN THE APPLICATION AS A RESULT OF THIS TRANSACTION.**

Exact Legal Name of Entity to be Licensed _____
Address _____
City, State & Zip Code _____
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
_____ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify _____

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Exact Legal Name of Entity That Will Own the Site _____
Address _____
City, State & Zip Code _____
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
_____ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
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ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
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_____ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify _____
Illinois State Senator for the district where the facility is located: Sen. _____
State Senate District Number _____ Mailing address of the State Senator _____
_____
Illinois State Representative for the district where the facility is located: Rep. _____
State Representative District Number _____ Mailing address of the State Representative _____
_____

2. **OUTSTANDING PERMITS.** Does the facility have any projects for which the State Board issued a permit that will not be completed (refer to 1130.140 "Completion or Project Completion" for a definition of project completion) by the time of the proposed ownership change? Yes □ No □. If yes, refer to Section 1130.520(f), and indicate the projects by Project # _____

3. **NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant Pekin Memorial Hospital
Address 600 S 13th St.
City, State & Zip Code Pekin, IL 61554
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
[✓] Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify _____

4. **NAME OF LEGAL ENTITY THAT WILL BE THE LICENSEE/OPERATING ENTITY OF THE FACILITY NAMED IN THE APPLICATION AS A RESULT OF THIS TRANSACTION.**

Exact Legal Name of Entity to be Licensed _____
Address _____
City, State & Zip Code _____
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City, State & Zip Code _____
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
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ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
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Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
_____ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify _____
Illinois State Senator for the district where the facility is located: Sen._____
State Senate District Number _____ Mailing address of the State Senator _____
_____
Illinois State Representative for the district where the facility is located: Rep. _____
State Representative District Number _____ Mailing address of the State Representative _____
_____

2. **OUTSTANDING PERMITS**. Does the facility have any projects for which the State Board issued a permit that will not be completed (refer to 1130.140 "Completion or Project Completion" for a definition of project completion) by the time of the proposed ownership change? Yes ☐ No ☐. If yes, refer to Section 1130.520(f), and indicate the projects by Project # _____

3. **NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant Progressive Health Systems
Address 600 S 13th St.
City, State & Zip Code Pekin, IL 61554
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
☑ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify _____

4. **NAME OF LEGAL ENTITY THAT WILL BE THE LICENSEE/OPERATING ENTITY OF THE FACILITY NAMED IN THE APPLICATION AS A RESULT OF THIS TRANSACTION.**

Exact Legal Name of Entity to be Licensed _____
Address _____
City, State & Zip Code _____
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
_____ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
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5. **BUILDING/SITE OWNERSHIP. NAME OF LEGAL ENTITY THAT WILL OWN THE "BRICKS AND** MORTAR" (BUILDING) OF THE FACILITY NAMED IN THIS APPLICATION IF DIFFERENT FROM THE OPERATING/LICENSED ENTITY

Exact Legal Name of Entity That Will Own the Site _____
Address _____
City, State & Zip Code _____
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
_____ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental
_____ Limited Liability Company _____ Other, specify _____

6. **TRANSACTION TYPE. CHECK THE FOLLOWING THAT APPLY TO THE TRANSACTION:**
   - o Purchase resulting in the issuance of a license to an entity different from current licensee;
   - o Lease resulting in the issuance of a license to an entity different from current licensee;
   - o Stock transfer resulting in the issuance of a license to a different entity from current licensee;
   - o Stock transfer resulting in no change from current licensee;
   - o Assignment or transfer of assets resulting in the issuance of a license to an entity different from the current licensee;
   - o Assignment or transfer of assets not resulting in the issuance of a license to an entity different from the current licensee;
   - ● Change in membership or sponsorship of a not-for-profit corporation that is the licensed entity;
   - o Change of 50% or more of the voting members of a not-for-profit corporation's board of directors that controls a health care facility's operations, license, certification or physical plant and assets;
   - o Change in the sponsorship or control of the person who is licensed, certified or owns the physical plant and assets of a governmental health care facility;
   - o Sale or transfer of the physical plant and related assets of a health care facility not resulting in a change of current licensee;
   - o Any other transaction that results in a person obtaining control of a health care facility's operation or physical plant and assets, and explain in "Attachment 3 Narrative Description"

7. **APPLICATION FEE.** Submit the application fee in the form of a check or money order for $2,500 payable to the Illinois Department of Public Health and append as **ATTACHMENT #1.**

8. **FUNDING.** Indicate the type and source of funds which will be used to acquire the facility (e.g., mortgage through Health Facilities Authority; cash gift from parent company, etc.) and append as **ATTACHMENT #2.**

9. **ANTICIPATED ACQUISITION PRICE: $** (not applicable)

10. **FAIR MARKET VALUE OF THE FACILITY: $** 39,000,000
    (to determine fair market value, refer to 77 IAC 1130.140)

11. **DATE OF PROPOSED TRANSACTION:** December 31, 2016

12. **NARRATIVE DESCRIPTION.** Provide a narrative description explaining the transaction, and append it to the application as **ATTACHMENT #3.**

13. **BACKGROUND OF APPLICANT** (co-applicants must also provide this information). Corporations and Limited Liability Companies must provide a current Certificate of Good Standing from the Illinois Secretary of State. Limited Liability Companies and Partnerships must provide the name and address of each partner/ member and specify the percentage of ownership of each. Append this information to the application as **ATTACHMENT #4.**

14. **TRANSACTION DOCUMENTS.** Provide a copy of the complete transaction document(s) including schedules and exhibits which detail the terms and conditions of the proposed transaction (purchase, lease, stock transfer, etc). Applicants should note that the document(s) submitted should reflect the applicant's (and co-applicant's, if applicable) involvement in the transaction. The document must be signed by both parties and contain language stating that the transaction is contingent upon approval of the Illinois Health Facilities and Services Review Board. Append this document(s) to the application as **ATTACHMENT #5.**

15. FINANCIAL STATEMENTS. (Co-applicants must also provide this information) Provide a copy of the applicants latest audited financial statements, and append it to this application as ATTACHMENT #6. If the applicant is a newly formed entity and financial statements are not available, please indicate by checking YES ____ , and indicate the date the entity was formed _____

16. **PRIMARY CONTACT PERSON.** Individual representing the applicant to whom all correspondence and inquiries pertaining to this application are to be directed. (Note: other persons representing the applicant not named below will need written authorization from the applicant stating that such persons are also authorized to represent the applicant in relationship to this application).

Name: Keith Anderson
Address: 191 N Upper Wacker Drive Suite 3700
City, State & Zip Code: Chicago, IL 60606
Telephone ( ) Ext. (312)-569-1278

17. **ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this** application and act on behalf of the applicant.

Name: Anthony Ashenhurst
Address: 221 NE Glen Oak Ave
City, State & Zip Code: Peoria, IL 61603
Telephone ( ) Ext. (309)-671-3606

18. **CERTIFICATION** METHODIST HEALTH SERVICES CORPORATION

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the number of beds within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Signature of Authorized Officer Debbie Simon

Typed or Printed Name of Authorized Officer Debbie Simon

Title of Authorized Officer: President & CEO

Address: 221 NE Glen Oak Ave

City, State & Zip Code: Peoria, IL 61603

Telephone (309)672-5929 Date: 9/14/16

NOTE: complete a separate signature page for each co-applicant and insert following this page.

16. **PRIMARY CONTACT PERSON.** Individual representing the applicant to whom all correspondence and inquiries pertaining to this application are to be directed. (Note: other persons representing the applicant not named below will need written authorization from the applicant stating that such persons are also authorized to represent the applicant in relationship to this application).

Name: Anthony Ashenhurst
Address: 221 NE Glen Oak Ave
City, State & Zip Code: Peoria, IL 61603
Telephone ( ) Ext. (309)-671-3606

17. **ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this** application and act on behalf of the applicant.

Name: _____
Address: _____
City, State & Zip Code: _____
Telephone ( ) Ext. _____

18. **CERTIFICATION** IOWA HEALTH SYSTEM D/B/A UNITYPOINT HEALTH

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the number of beds within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Signature of Authorized Officer _____

Typed or Printed Name of Authorized Officer Kevin E. Vermeer

Title of Authorized Officer: President & CEO

Address: 1776 West Lakes Parkway, Suite 400

City, State & Zip Code: West Des Moines, IA 50266-8239

Telephone (515) 241-8215 Date: 9/14/16

NOTE: complete a separate signature page for each co-applicant and insert following this page.

16. **PRIMARY CONTACT PERSON.** Individual representing the applicant to whom all correspondence and inquiries pertaining to this application are to be directed. (Note: other persons representing the applicant not named below will need written authorization from the applicant stating that such persons are also authorized to represent the applicant in relationship to this application).

Name: Keith Anderson
Address: 191 N Upper Wacker Drive Ste 3700
City, State & Zip Code: Chicago, IL 60606
Telephone ( ) Ext. (312)-569-1278

17. **ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this** application and act on behalf of the applicant.

Name: _____
Address: _____
City, State & Zip Code: _____
Telephone ( ) Ext. _____

18. **CERTIFICATION** PEKIN MEMORIAL HOSPITAL

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the number of beds within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Signature of Authorized Officer: _____

Typed or Printed Name of Authorized Officer: Ronald H. Miller

Title of Authorized Officer: Pekin Memorial Hospital, Chairman of Board of Trustees

Address: 600 S 13th St.

City, State & Zip Code: Pekin, IL 61554

Telephone (309) 353-0700 Date: 9/13/2016

NOTE: complete a separate signature page for each co-applicant and insert following this page.

16. **PRIMARY CONTACT PERSON**. Individual representing the applicant to whom all correspondence and inquiries pertaining to this application are to be directed. (Note: other persons representing the applicant not named below will need written authorization from the applicant stating that such persons are also authorized to represent the applicant in relationship to this application).

Name: Keith Anderson
Address: 191 N Upper Wacker Drive Ste 3700
City, State & Zip Code: Chicago, IL 60606
Telephone ( ) Ext. (312)-569-1278

17. **ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this** application and act on behalf of the applicant.

Name: _____
Address: _____
City, State & Zip Code: _____
Telephone ( ) Ext. _____

18. **CERTIFICATION** PROGRESSIVE HEALTH SYSTEMS

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the number of beds within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Signature of Authorized Officer Bob Haley

Typed or Printed Name of Authorized Officer Bob J. Haley

Title of Authorized Officer: Chief Executive Officer

Address: 600 S 13th St.

City, State & Zip Code: Pekin, IL 61554

Telephone (309) 353-0700 Date: 9/14/2016

NOTE: complete a separate signature page for each co-applicant and insert following this page.

Attachment 1
Application Fee

Attached is a check for Two Thousand Five Hundred Dollars ($2,500.00) payable to the Illinois Department of Public Health for the required application fee.

Attachment 2
Funding Sources

There is no funding required by this transaction. The Change of Ownership will occur through member substitution.

Section 12 Narrative Description
Attachment 3
Narrative Description

Subject to Review Board and other regulatory approvals, Methodist Health Services Corporation ("MHSC") and Progressive Health Systems ("PHS") (collectively, the "Parties") contemplate entering into an affiliation agreement and other related agreements and documents (the "Affiliation") by which PHS will agree to affiliate with MHSC.

MHSC is an Illinois not-for-profit corporation that operates two (2) hospital campuses and forty-two (42) clinical sites with five (5) urgent care locations.

PHS is an Illinois not-for-profit corporation and provider of healthcare services in Pekin, IL and surrounding geographic areas.

The form of the transaction will be a membership substitution pursuant to which MHSC will become the sole member of PHS. PHS will remain the sole member of its wholly-owned subsidiaries: Pekin Memorial Hospital; Pekin ProHealth, Inc.; and Park Court Limited (collectively, the "Affiliates"). At the closing of the Affiliation, Pekin Memorial Hospital Foundation (the "Foundation"), a subsidiary of PHS, will become a non-member not-for-profit corporation for a seven (7)-year period, after which PHS will again become its sole member. The Foundation's Board of Trustees will be self-perpetuating for such seven (7)-year period.

UnityPoint or MHSC will appoint two (2) of the eleven (11) members of the PHS Board of Trustees, and the MHSC CEO will be an *ex officio* voting trustee. The remaining eight (8) members will be independent community members, appointed by the PHS Board of Trustees.

The Foundation's Board of Trustees will be comprised of eight (8) members. One (1) member of the Board of Trustees of PHS will be appointed by PHS to serve on the Foundation's Board of Trustees. One (1) member of the Board of Trustees of the Methodist Medical Center of Illinois Foundation will be appointed by MHSC to serve as an *ex officio* non-voting member of the Foundation's Board of Trustees. The remaining six (6) trustees will be independent community members.

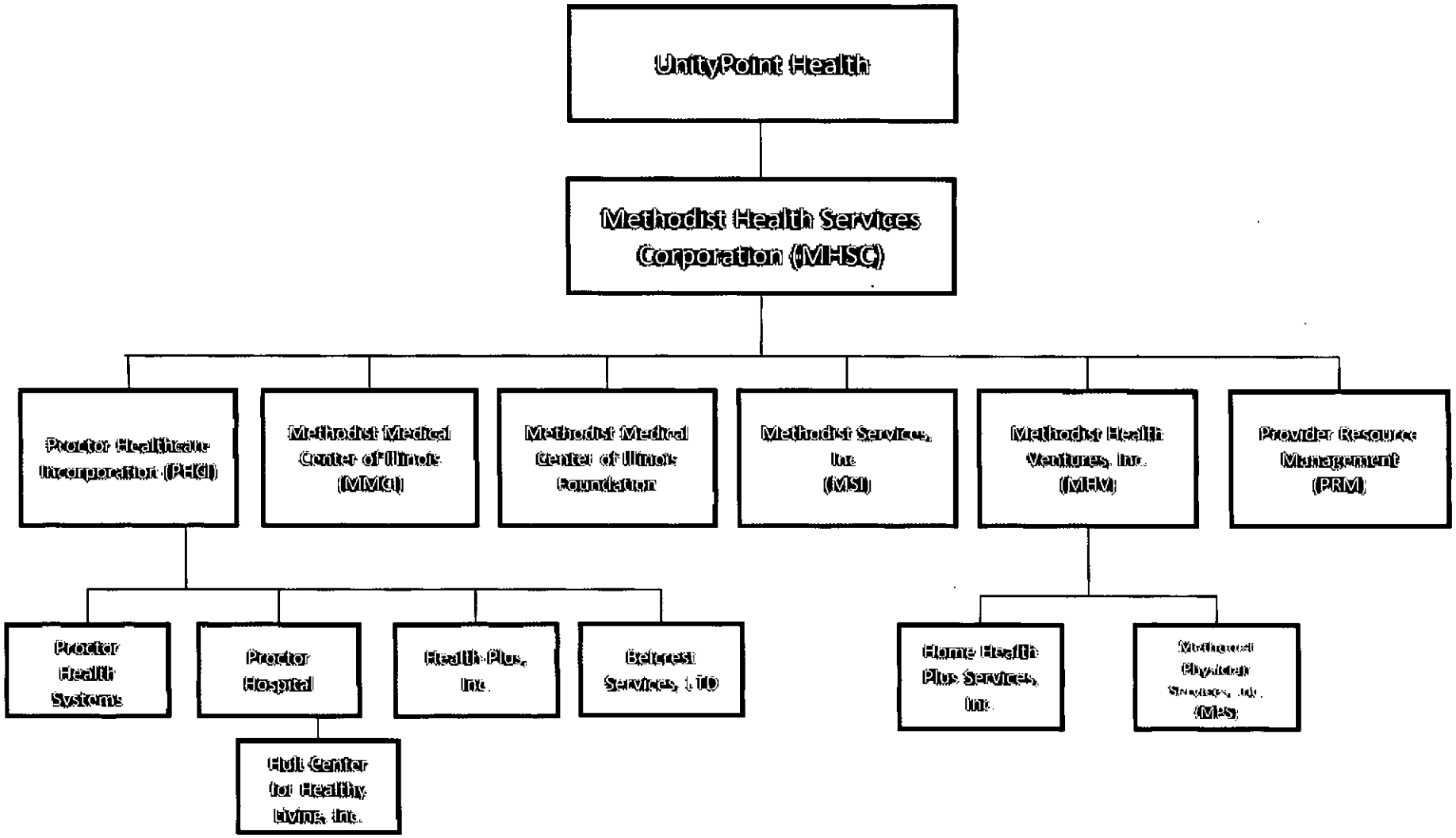
One (1) member of the Board of Trustees of the Foundation will be selected to serve as an *ex officio* non-voting member on the Methodist Medical Center of Illinois Foundation Board.

Pekin Hospital is an acute care hospital facility owned and operated by Pekin Memorial Hospital, a direct subsidiary of PHS. Pekin Hospital will experience a change of control as a result of this transaction, which requires Review Board approval.

Neither the licensed entity of Pekin Hospital, nor the legal entity that owns the physical plant of Pekin Hospital, will change as part of the Affiliation.

There is no monetary consideration being exchanged between the parties as part of the Affiliation. The Applicants have scheduled closing for December 31, 2016, subject to Review Board and regulatory approvals.

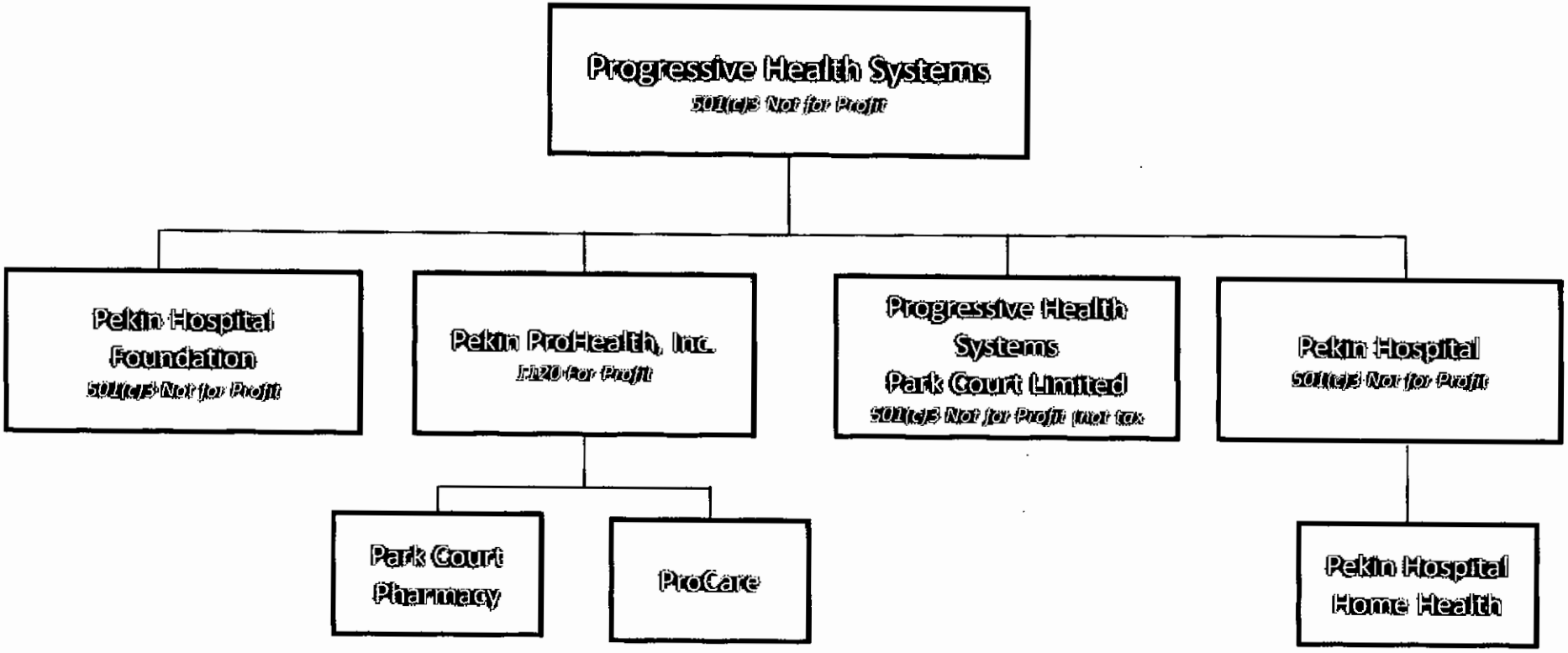
Existing UnityPoint Corporate Structure



86470620.2

ATTACHMENT 3

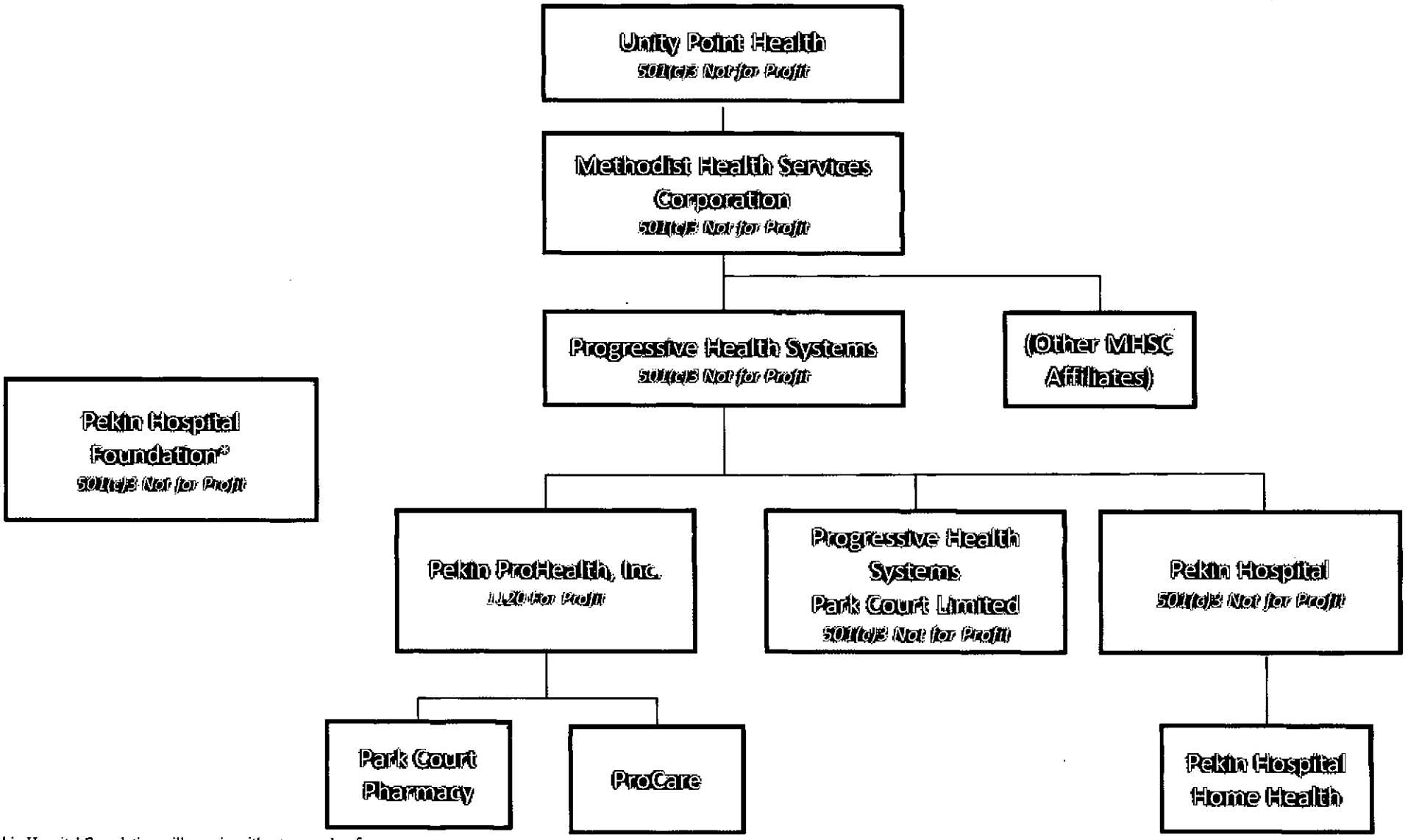
Existing PHS Corporate Structure



ATTACHMENT 3

86470620.2

Post-Closing System Structure



*Pekin Hospital Foundation will remain without a member for a period of seven (7) years, after which Progressive Health Systems will again become its sole member.

864/0620.2

ATTACHMENT 3

Section 13 Background of Applicants
Attachment 4
Background of Applicants

1. **Methodist Health Services Corporation**

Methodist Health Services Corporation (MHSC) is an Illinois not-for-profit corporation located in Peoria, Illinois. MHSC provides a comprehensive array of health services to the residents of Central Illinois through its affiliates and subsidiaries. MHSC is the sole corporate member of The Methodist Medical Center of Illinois and Proctor Healthcare, Inc., the parent of Proctor Hospital. MHSC and its subsidiaries have annual revenues of $500 million and employ in excess of 4,000 staff.

2. **Iowa Health System**

Iowa Health System (IHS), doing business as UnityPoint Health (UPH), is an Iowa non-profit corporation and is the sole corporate member of MHSC. UPH is one of the nation's largest and most integrated healthcare delivery systems. With annual revenue of $3.9 billion, UPH is the nation's 13th largest not-for-profit health system and the 4th largest non-denominational health system. Through its 17 hospitals and 280 clinic locations, UPH provides healthcare services to the residents of Iowa, Illinois and Wisconsin.

3. **Pekin Memorial Hospital**

Pekin Memorial Hospital ("Pekin Hospital") was founded in 1913 and began seeing patients in 1918. It currently consists of 107 licensed beds providing a wide array of community based hospital services including Obstetrics, Pediatrics, and General Acute Care with an 8-bed Critical Care Unit. Pekin Hospital provides state-of-the-art ancillary services including Inpatient and Outpatient Surgical, Imaging, Therapy, Cardiology, Pulmonology, and Laboratory.

Pekin Hospital is supported by Pekin ProHealth, Inc. medical group with physician practices in Family Practice, Internal Medicine, Pediatrics, Obstetrics & Gynecology, Pulmonology, Urology, General Surgery, and ENT.

Park Court Limited owns medical office buildings in Pekin on campus (Specialty Providers) and off campus at Olt (Family Practice & Internal Medicine), Griffin (Pediatrics) and Broadway (Orthopedics). It is currently building a new 60,000 square feet Medical Office Building scheduled for completion in the fall of 2017.

4. **Progressive Health Systems**

Progressive Health Systems (PHS) is an Illinois not-for-profit corporation that is exempt from federal income tax pursuant to Section 501(c)3 of the Internal Revenue Code of 1986, as amended. It serves as the parent for Pekin Memorial Hospital, a community hospital serving Pekin, Illinois and Tazewell County. PHS also includes Pekin Memorial Hospital Foundation, Park Court Limited (a real estate company owning medical office

buildings), and Pekin ProHealth, Inc. (includes multi-specialty physician practices, two retail Durable Medical Equipment stores, and a retail Pharmacy).

5. **Organizational Chart and Certificates of Good Standing**

Organization charts at Attachment 3 of this application describe the membership and ownership structures before and after the transaction. Certificates of Good standing of the following entities are attached hereto:

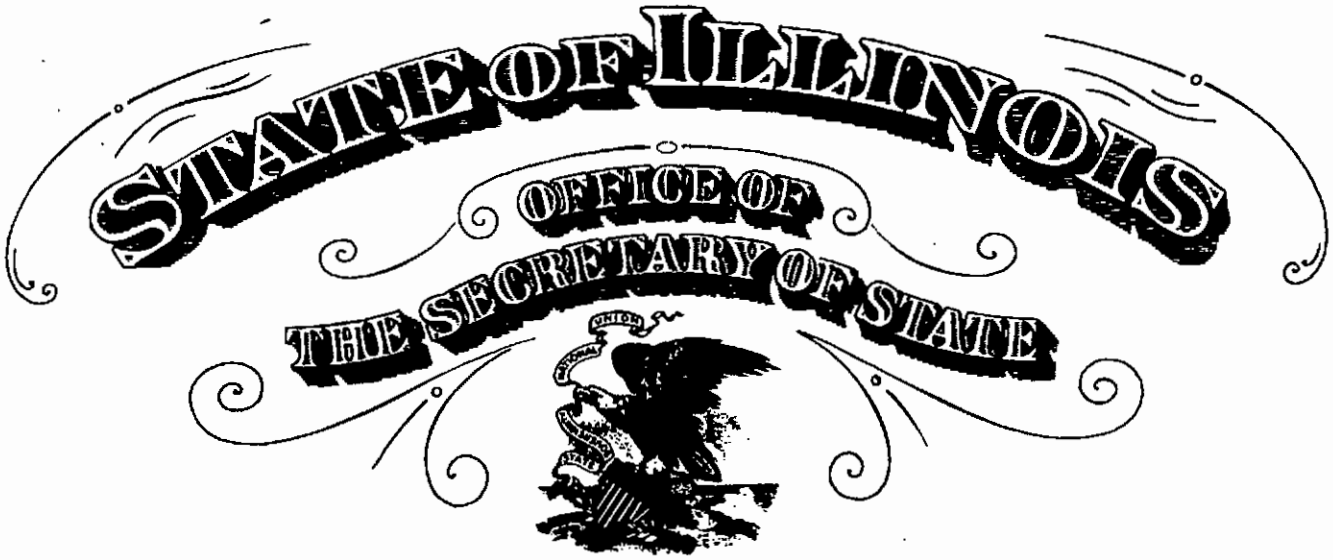
a. **Methodist Health Services Corporation**: Methodist Health Services Corporation is an Illinois not-for-profit corporation.

b. **Iowa Health System**: Iowa Health System is an Iowa non-profit corporation licensed to conduct affairs in Illinois.

c. **Pekin Memorial Hospital**: Pekin Memorial Hospital is an Illinois not-for-profit corporation.

d. **Progressive Health Systems**: Progressive Health Systems is an Illinois not-for-profit corporation.

File Number 5257-769-1



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

METHODIST HEALTH SERVICES CORPORATION, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON NOVEMBER 25, 1981, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 12TH *day of* SEPTEMBER *A.D.* 2016 .

Authentication #: 1625601386 verifiable until 09/12/2017
Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

ATTACHMENT 4

IOWA SECRETARY OF STATE
PAUL D. PATE

CERTIFICATE OF EXISTENCE

Certificate Validation
The following certificate was issued by the Iowa Secretary of State
Certificate ID: **CS125743** Validation Date: **9/9/2016**

Date: 9/7/2016

Name: IOWA HEALTH SYSTEM (504RDN - 181348)
Date of Incorporation: 12/31/1994
Duration: PERPETUAL

I, Paul D. Pate, Secretary of State of the State of Iowa, custodian of the records of incorporations, certify the following for the nonprofit corporation named on this certificate:

a. The entity is in existence and duly incorporated under the laws of Iowa.

b. All fees required under the Revised Iowa Nonprofit Corporation Act due the Secretary of State have been paid.

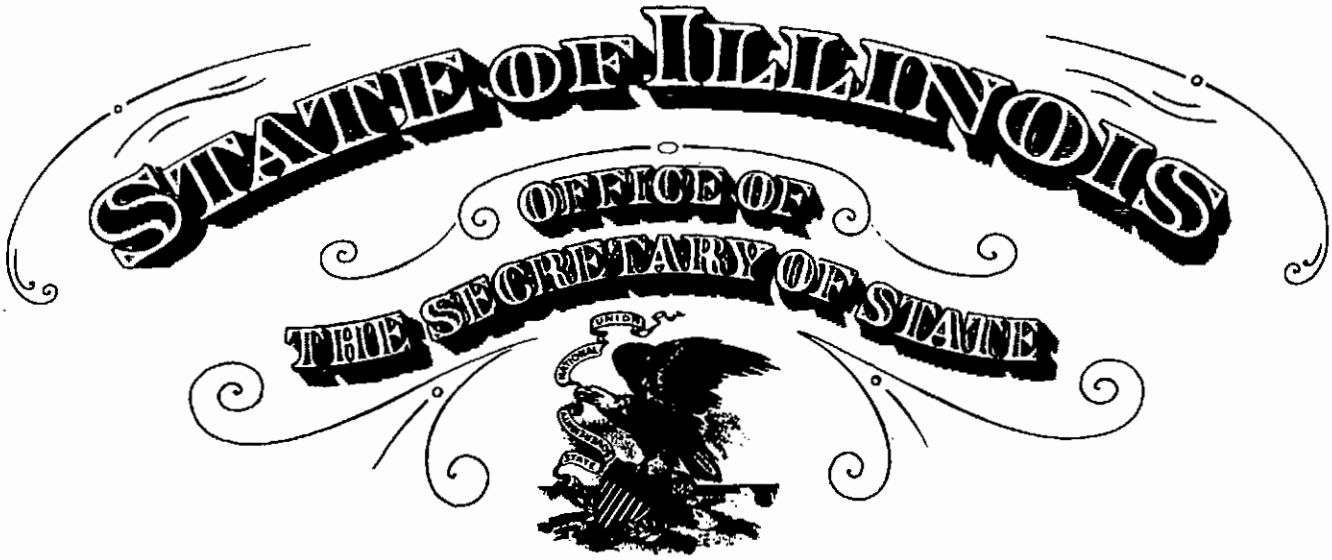
c. The most recent biennial report required has been filed with the Secretary of State.

d. Articles of dissolution have not been filed.

Paul D. Pate, Iowa Secretary of State

ATTACHMENT 4

File Number 6720-693-2



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

IOWA HEALTH SYSTEM, INCORPORATED IN IOWA AND LICENSED TO CONDUCT AFFAIRS IN THIS STATE ON JUNE 15, 2010, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO CONDUCT AFFAIRS IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 9TH *day of* SEPTEMBER *A.D.* 2016 .

Authentication #: 1625301464 verifiable until 09/09/2017
Authenticate at: http://www.cyberdriveillinois.com

Jesse White
SECRETARY OF STATE

ATTACHMENT 4

File Number 1250-952-9

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

PEKIN MEMORIAL HOSPITAL, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JUNE 25, 1913, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

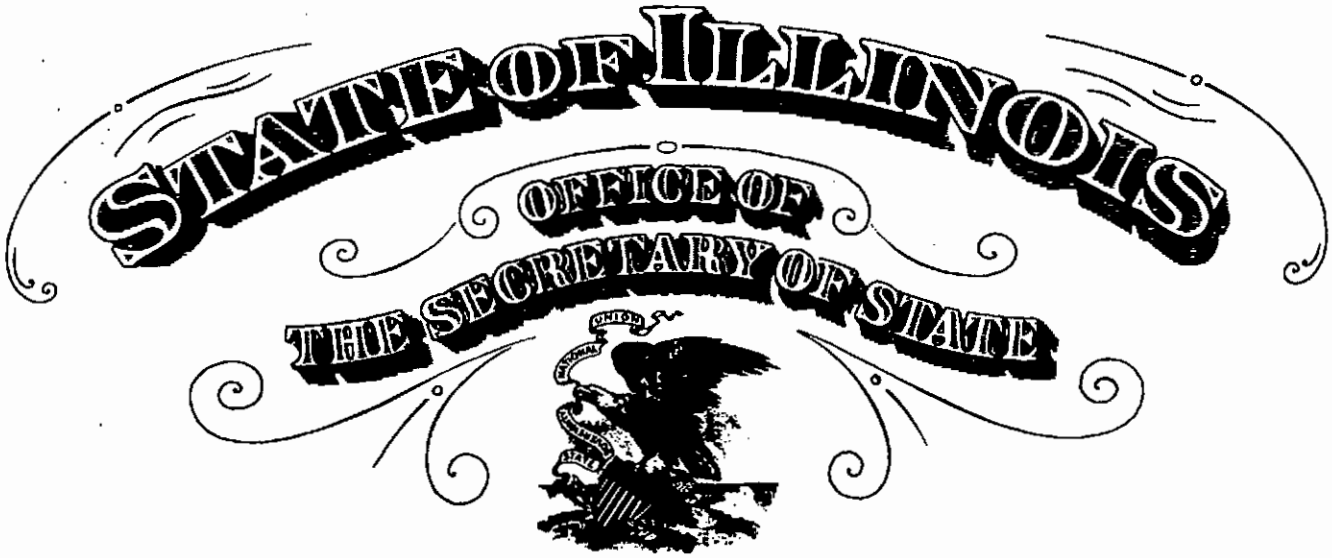
In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 12TH *day of* SEPTEMBER *A.D.* 2016 .

Authentication #: 1625601356 verifiable until 09/12/2017
Authenticate at: http://www.cyberdriveillinois.com

Jesse White
SECRETARY OF STATE

ATTACHMENT 4

File Number 5380-419-5



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

PROGRESSIVE HEALTH SYSTEMS, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON APRIL 05, 1985, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 12TH *day of* SEPTEMBER *A.D.* 2016 .

Authentication #: 1625601326 verifiable until 09/12/2017
Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

ATTACHMENT 4

Section 14 Transaction Documents
Attachment 5
Summary of the Transaction Documents

1. **Names and Backgrounds of the Parties**

   a. Iowa Health System, doing business as UnityPoint Health ("UnityPoint"), is an Iowa non-profit corporation that is exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended ("IRC").

   b. Methodist Health Services Corporation ("MHSC") is an Illinois not-for-profit corporation that is exempt from federal income tax pursuant to IRC Section 501(c)(3). UnityPoint is the sole member of MHSC.

   c. Progressive Health Systems ("PHS") is an Illinois not-for-profit corporation that is exempt from federal income tax pursuant to IRC Section 501(c)(3).

   d. Pekin Memorial Hospital, doing business as Pekin Hospital ("Pekin Hospital"), is an Illinois not-for-profit corporation that is exempt from federal income tax pursuant to IRC Section 501(c)(3). PHS is the sole member of Pekin Hospital.

   e. Pekin Memorial Hospital Foundation (the "Foundation") is an Illinois not-for-profit corporation that is exempt from federal income tax pursuant to IRC Section 501(c)(3). PHS is the sole member of the Foundation.

   f. Pekin Hospital, Pekin ProHealth, Inc., and Park Court Limited are referred to hereafter as a "PHS Affiliate" or collectively as the "PHS Affiliates." PHS is the sole member of Pekin ProHealth, Inc., and Park Court Limited.

2. **Structure of the Transaction**

   As further described below, the parties have entered into a letter of intent dated August 22, 2016.

   Subject to Review Board and other regulatory approvals, the parties contemplate entering into an affiliation agreement and other related agreements and documents (the "Affiliation") by which PHS will agree to affiliate with MHSC.

   The form of the transaction will be a membership substitution pursuant to which MHSC will become the sole member of PHS. PHS will remain the sole member of the Affiliates, and the Foundation will become a non-member not-for-profit corporation for a seven (7)-year period, after which PHS will again become its sole member. The Foundation's Board of Trustees will be self-perpetuating for such seven (7)-year period.

   Two (2) of the eleven (11) members of the PHS Board of Trustees will be appointed by UnityPoint or MHSC, and the MHSC CEO will be an *ex officio* voting trustee. The remaining eight (8) members will be independent community members nominated and elected by the PHS Board of Trustees, subject to confirmation by MHSC.

The Foundation's Board of Trustees will be comprised of eight (8) members. One (1) member of the Board of Trustees of PHS will be appointed by PHS to serve on the Foundation's Board of Trustees. One (1) member of the Board of Trustees of the Methodist Medical Center of Illinois Foundation will be appointed by MHSC to serve as an *ex officio* non-voting member of the Foundation's Board of Trustees. The remaining six (6) members will be independent community members.

One (1) member of the Board of Trustees of the Foundation will be selected to serve as an *ex officio* non-voting member on the Methodist Medical Center of Illinois Foundation Board.

Pekin Hospital is an acute care hospital facility owned and operated by Pekin Hospital, a direct subsidiary of PHS. Pekin Hospital will experience a change of control as a result of this transaction, which requires Review Board approval.

Neither the licensed entity of Pekin Hospital, nor the legal entity that owns the physical plant of Pekin Hospital, will change as part of the Affiliation.

There is no monetary consideration being exchanged between the parties as part of the Affiliation. The applicants have scheduled closing for December 31, 2016, subject to Review Board and regulatory approvals.

3. **The Person Who Will Be the Licensed Entity After the Transaction**

Pekin Memorial Hospital will continue to be the licensed entity.

4. **The Ownership/Membership Interest in the Licensed Entity Pre and Post Transaction**

Organization charts at Attachment 3 of this application describe the ownership and membership interest in Pekin Hospital before and after the transaction.

5. **Fair Market Value of the Assets Being Transferred**

$39,000,000

6. **Purchase Price and Other Consideration**

No monetary consideration will be exchanged as part of the transaction. MHSC will commit to investments in capital facilities and operations at Pekin Hospital and will assume PHS's outstanding indebtedness and obligations.

7. **Post-Closing Attestation**

Within ninety (90) days after the closing of the proposed transaction, the Applicants will provide certification to the Review Board that the change in ownership has been completed in accordance with the terms set forth in this application.

Section 15 Financial Statements
Attachment 6
Financial Statements

Attached are copies of the most recently audited financial statements for:

1. Iowa Health System and Subsidiaries d/b/a UnityPoint Health for the years ending December 31, 2014 and 2015; and

2. Progressive Health Systems for the years ending April 30, 2015 and 2016.

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

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2015 and 2014

BKD LLP
CPAs & Advisors

ATTACHMENT 6

Iowa Health System and Subsidiaries
d/b/a UnityPoint Health
December 31, 2015 and 2014

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BKD LLP
CPAs & Advisors

1201 Walnut Street, Suite 1700 // Kansas City, MO 64106-2246
816 221 6300 // fax 816.221 6380 // bkd.com

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, 2015 and 2014, 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.

Praxity
MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

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, 2015 and 2014, 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 19, 2016

Iowa Health System and Subsidiaries
d/b/a UnityPoint Health
Consolidated Balance Sheets
December 31, 2015 and 2014

Assets

	2015	2014
	(in thousands)	
Current Assets		
Cash and cash equivalents	$ 181,267	$ 235,376
Short-term investments	49,790	55,620
Assets limited as to use – required for current liabilities	13,599	37,655
Patient accounts receivable, less estimated uncollectibles; 2015 – $65,335, 2014 – $70,879	461,082	460,101
Other receivables	80,899	86,365
Inventories	69,679	62,301
Prepaid expenses	57,315	33,777
Total current assets	913,631	971,195
Assets Limited As to Use, Noncurrent		
Held by trustee under bond indenture agreements	1,217	20,126
By statute	-	4,335
Internally designated	1,049,003	1,060,612
Total assets limited as to use, noncurrent	1,050,220	1,085,073
Property, Plant and Equipment, Net	1,782,685	1,719,784
Other Long-term Investments	946,066	930,251
Investments in Joint Ventures and Other Investments	133,854	127,749
Contributions Receivable, Net	83,107	89,278
Other	129,204	61,559
Total assets	$ 5,038,767	$ 4,984,889

ATTACHMENT 6

See Notes to Consolidated Financial Statements

Liabilities and Net Assets

	2015	2014
	(in thousands)	
Current Liabilities		
Current maturities of long-term debt	$ 187,667	$ 167,076
Accounts payable	189,498	164,583
Accrued payroll	204,073	218,814
Accrued interest	10,421	10,597
Estimated settlements due to third-party payers	78,286	68,047
Medical claims payable	21,736	19,963
Other current liabilities	70,216	76,104
Total current liabilities	761,897	725,184
Long-term Debt, Net	937,190	959,737
Other Long-term Liabilities	444,564	486,618
Total liabilities	2,143,651	2,171,539
Net Assets		
Unrestricted		
Attributable to UnityPoint Health	2,687,189	2,657,915
Attributable to noncontrolling interest	50,847	2,982
Total unrestricted	2,738,036	2,660,897
Temporarily restricted		
Attributable to UnityPoint Health	95,336	91,416
Attributable to noncontrolling interest	1,018	1,076
Total temporarily restricted	96,354	92,492
Permanently restricted	60,726	59,961
Total net assets	2,895,116	2,813,350
Total liabilities and net assets	$ 5,038,767	$ 4,984,889

Iowa Health System and Subsidiaries
d/b/a UnityPoint Health
Consolidated Statements of Operations
Years Ended December 31, 2015 and 2014

	2015	2014
	(in thousands)	
Unrestricted Revenues		
Patient service revenue (net of contractual allowances)	$ 3,520,016	$ 3,377,851
Provision for patient uncollectible accounts	(115,665)	(124,330)
Net patient service revenue	3,404,351	3,253,521
Premium revenue	252,285	232,238
Other operating revenue	223,866	209,311
Net assets released from restrictions used for operations	7,912	8,874
Total unrestricted revenues	3,888,414	3,703,944
Expenses		
Salaries and wages	1,351,938	1,273,198
Physician compensation and services	500,838	445,193
Employee benefits	327,638	324,105
Medical claims and capitation payments	161,236	130,774
Supplies	587,381	544,232
Other expenses	639,570	630,297
Depreciation and amortization	216,196	208,315
Interest	34,473	36,300
Provision for uncollectible accounts	1,630	1,722
Total expenses	3,820,900	3,594,136
Operating Income	67,514	109,808
Nonoperating Gains (Losses)		
Investment income	726	125,757
Contribution received in affiliations	2,518	363,462
Other, net	(7,801)	(26,948)
Total nonoperating gains (losses), net	(4,557)	462,271
Revenues Over Expenses Before Loss on Bond Refinancing Transactions	62,957	572,079
Loss on bond refinancing transactions	-	(14,943)
Excess of Revenues Over Expenses	62,957	557,136
Less Noncontrolling Interest	4,663	1,995
Excess of Revenues Over Expenses Attributable to UnityPoint Health	$ 58,294	$ 555,141

ATTACHMENT 6

See Notes to Consolidated Financial Statements

Iowa Health System and Subsidiaries
d/b/a UnityPoint Health
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2015 and 2014

	2015	2014
	(in thousands)	
Unrestricted Net Assets		
Excess of revenues over expenses	$ 58,294	$ 555,141
Change in the fair value of interest rate swaps	1,336	(9,675)
Net assets released from restrictions used for capital expenditures	7,710	11,505
Change in defined benefit pension plan losses and prior credits	(37,165)	(79,662)
Contributions of or for acquisition of property and equipment	221	724
Other, net	(1,122)	(247)
Increase in unrestricted net assets, UnityPoint Health	29,274	477,786
Unrestricted net assets, noncontrolling interests:		
Excess of revenues over expenses	4,663	1,995
Distributions of capital	(3,522)	(1,097)
Contributions of capital	46,113	-
Net assets released from restrictions used for capital expenditures	58	58
Other	553	-
Increase in unrestricted net assets, noncontrolling interests	47,865	956
Temporarily Restricted Net Assets		
Contributions	15,532	12,377
Contribution received in affiliations	162	5,550
Investment income	1,370	3,149
Government grants	208	37
Net assets released from restrictions used for operations	(7,912)	(8,874)
Net assets released from restrictions used for capital expenditures	(7,710)	(11,505)
Change in net unrealized gains (losses) on investments	(2,384)	157
Change in beneficial interest in net assets of affiliate	3,945	7,364
Other, net	709	(795)
Increase in temporarily restricted net assets, UnityPoint Health	3,920	7,460
Temporarily restricted net assets, noncontrolling interest:		
Net assets released from restrictions used for capital expenditures	(58)	(58)
Decrease in temporarily restricted net assets, noncontrolling interests	(58)	(58)

See Notes to Consolidated Financial Statements

Iowa Health System and Subsidiaries
d/b/a UnityPoint Health
Consolidated Statements of Changes in Net Assets (Continued)
Years Ended December 31, 2015 and 2014

	2015	2014
	(in thousands)	
Permanently Restricted Net Assets		
Contributions	$ 1,873	$ 4,020
Contribution received in affiliations	-	611
Investment income	178	102
Change in net unrealized gains (losses) on investments	(143)	268
Change in beneficial interest in net assets of affiliate	(122)	402
Other, net	(1,021)	(259)
Increase in permanently restricted net assets	765	5,144
Increase in Net Assets	81,766	491,288
Net Assets, Beginning of Year	2,813,350	2,322,062
Net Assets, End of Year	$ 2,895,116	$ 2,813,350

ATTACHMENT 6

See Notes to Consolidated Financial Statements

Iowa Health System and Subsidiaries
d/b/a UnityPoint Health
Consolidated Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014
	(in thousands)	
Operating Activities		
Increase in net assets	$ 81,766	$ 491,288
Items not requiring (providing) operating cash		
Net (gains) losses on investments	44,264	(85,302)
Net unrealized (gains) losses on swaps	(2,422)	29,362
Restricted contributions, investment income and government grants received	(11,249)	(11,236)
Contributions of or for acquisition of property and equipment	(221)	(724)
Depreciation and amortization	216,196	208,315
Change in defined pension plans' liability	37,165	79,662
Contribution received in affiliations	(2,680)	(369,623)
Increase in noncontrolling interest due to acquisition	(46,113)	-
Amortization of debt issuance costs and bond premium	(402)	425
Loss on disposition of assets	3	1,402
Gain on bond extinguishment	-	(3,636)
Equity in earnings of joint ventures	(33,283)	(32,495)
Change in beneficial interest in net assets of affiliates	(3,823)	(7,766)
Provision for uncollectible accounts	117,295	126,052
Changes in		
Receivables	(108,650)	(178,671)
Inventories, prepaid expenses, and other assets	(26,553)	(4,748)
Accounts payable, accrued liabilities and other liabilities	(70,921)	(31,206)
Due to third-party payers	10,239	8,534
Net cash provided by operating activities	200,611	219,633
Investing Activities		
Capital expenditures	(280,585)	(235,541)
Proceeds from sale of assets	4,109	353
Decrease in assets limited as to use, net	36,589	5,418
Cash acquired in affiliations	611	79,350
Acquisitions, net of cash received	(17,290)	-
Increase in loans receivable	(2,337)	(2,383)
Decrease in short-term investments	5,775	8,286
Increase in other long-term investments	(32,789)	(66,034)
Investments in joint ventures	(4,910)	(893)
Distributions received from joint ventures	29,442	28,244
Net cash used in investing activities	(261,385)	(183,200)
Financing Activities		
Proceeds from issuance of long-term debt and lines of credit	53,752	313,615
Payments of debt	(58,557)	(80,685)
Payments of financing costs	-	(2,785)
Payments on early extinguishment of debt	-	(240,660)
Proceeds from restricted contributions, investment income and government grants	11,249	11,236
Proceeds from contributions for acquisition of property and equipment	221	724
Net cash provided by financing activities	6,665	1,445
Increase (Decrease) in Cash and Cash Equivalents	(54,109)	37,878
Cash and Cash Equivalents, Beginning of Year	235,376	197,498
Cash and Cash Equivalents, End of Year	$ 181,267	$ 235,376

See Notes to Consolidated Financial Statements

Iowa Health System and Subsidiaries
d/b/a UnityPoint Health
Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2015 and 2014

	2015	2014
	(in thousands)	
Supplemental Cash Flows Information		
Interest paid (net of amount capitalized)	$ 34,649	$ 35,851
Capital lease obligations incurred for property and equipment	3,306	1,403
Property and equipment purchases in accounts payable	20,386	27,722
Affiliations		
Assets acquired	4,144	828,095
Liabilities assumed	1,464	458,472
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, 2015 and 2014

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)

On January 1, 2014, the System closed on an Affiliation Agreement with Meriter Health Services, Inc. (MHS). Under the terms of the Affiliation Agreement, the System became the sole corporate member of MHS.

Also, as part of this agreement, the System purchased MHS's ownership interest in PPIC, a for-profit health maintenance organization licensed under Wisconsin statutes, effective February 1, 2014.

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

Reclassifications

Certain reclassifications have been made to the 2014 consolidated financial statements to conform to the 2015 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 maturities between 91 and 365 days of the consolidated balance sheet date 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, assets required by statute to be held in a state security fund deposit 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.

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 5 and 13 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 2015 and 2014, the System capitalized $3,140 and $3,999 of interest expense, respectively.

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 $2,315 and $1,538 were recognized during the years ended December 31, 2015 and 2014, 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 $56,277 and $3,090 of goodwill at December 31, 2015 and 2014, respectively. The increase in goodwill was due to new ownership in an ambulatory surgery center. 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 2015 and 2014 showed the carrying amount exceeded fair value for one of the System's subsidiaries and $500 and $1,154 of impairment was recognized in operating expenses in the accompanying consolidated statements of operations in 2015 and 2014, respectively.

Other intangible assets at December 31, 2015 and 2014 were $15,032 and $11,543, respectively, which are subject to amortization. Other assets also include deferred financing costs, which are amortized over the period the obligation is expected to be outstanding.

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 expiration of donor restrictions is recorded in the period in which the restrictions expire.

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.

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, 2015 and 2014 was $65,335 and $70,879, respectively. The allowance for uncollectible accounts (including a portion allowed for financial assistance) for self-pay patients was approximately 93% and 96% of self-pay accounts receivable at December 31, 2015 and 2014, respectively. The provision for patient uncollectible accounts for the year ended December 31, 2015 was $115,665 compared to $124,330 for the year ended December 31, 2014. 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.

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:

	2015	2014
Medicare	$ 1,194,749	$ 1,078,120
Medicaid	493,067	467,887
Wellmark/Blue Cross	865,226	754,710
Commercial and other	907,791	982,650
Self-pay	59,183	94,484
	$ 3,520,016	$ 3,377,851

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

	2015	2014
Medicare	$ 129,859	$ 134,838
Medicaid	47,347	60,067
Wellmark/Blue Cross	82,062	72,229
Commercial and other	161,528	164,251
Self-pay	40,286	28,716
	$ 461,082	$ 460,101

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.

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:

	2015	2014
General health care services	$ 2,841,904	$ 2,683,216
Management, general and administrative	963,422	907,925
Research	15,574	2,995
	$ 3,820,900	$ 3,594,136

Contributions and Beneficial Interest in Net Assets

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

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

Interests in charitable trusts and perpetual trusts are carried at the present value of expected future cash flows, which approximates fair value. The System's interest in the net assets (the Interest) of certain foundations that raise and hold assets on behalf of the System is accounted for in a manner similar to the equity method. The Interest is 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 demand bond issues. The Swaps were entered into for the risk management purpose of reducing the variability in cash flows related to the System's variable rate debt.

As described in Note 8, 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.

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 2012. 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: Affiliations

Meriter Health Services, Inc. (Madison)

Effective January 1, 2014, MHS of Madison, Wisconsin, became a consolidated subsidiary of the System. The results of MHS's operations have been included in the consolidated financial statements since that date. MHS is a nationally recognized health system comprised of Meriter Hospital (a non-profit 448-bed community hospital); Meriter Medical Group, offering primary and specialty care; and PPIC. MHS complements the System's current provider group and expand its service area into the South-Central Wisconsin region. The affiliation provided both the System and MHS the ability to continue to develop their population health and care coordination capabilities, while providing MHS with greater efficiencies available through the System. PPIC was subsequently transferred out of MHS and directly to the System, which is discussed further below. The affiliation was accomplished by the System becoming the sole corporate member of MHS and having the ability to appoint the board members of MHS. No consideration was transferred for the net assets of MHS, thus the fair value of unrestricted net assets received by the System is shown as contribution revenue in the consolidated statement of operations for the year ended December 31, 2014.

On February 1, 2014, PPIC was transferred from MHS and became a direct subsidiary of the System. PPIC is a Wisconsin based for-profit corporation that contracts with business organizations, the State of Wisconsin and individuals, primarily in the Madison, Wisconsin area, to provide comprehensive medical care benefits. PPIC is organized as a health maintenance organization under Wisconsin statutes.

The System incurred $5,253 of costs in connection with this affiliation, $4,077 of which are included in other expenses in the consolidated statements of operations, for the year ended December 31, 2014, and $1,176 of which was incurred in previous periods.

The following table summarizes the fair value of the assets acquired and liabilities assumed recognized at the affiliation date:

Recognized Fair Value of Identifiable Assets Acquired and Liabilities Assumed

	2014
Current assets	$ 154,181
Property, plant and equipment	281,022
Noncurrent assets	392,892
Total assets	828,095
Current liabilities	115,361
Long-term debt	224,987
Long-term liabilities	118,124
Total liabilities	458,472
Total contribution received	$ 369,623

Summary of Contribution Received by Net Asset Classification

	2014
Unrestricted contribution received	$ 363,462
Temporarily restricted contribution received	5,550
Permanently restricted contribution received	611
Total contribution received	$ 369,623

The MHS affiliation resulted in an inherent contribution received of $369,623, which represents the net recognized amount of the identifiable assets acquired over the liabilities assumed. Acquisition of the unrestricted net assets, in the amount of $363,462, is included in contribution revenue in the consolidated statement of operations for the year ended December 31, 2014. The inherent contribution related to temporarily and permanently restricted net assets are included as increases to those classes of net assets in the amounts of $5,550 and $611, respectively, for the year ended December 31, 2014.

MHS, excluding PPIC, contributed revenues of $469,133, excess of revenues over expenses of $49,034, and changes in unrestricted, temporarily restricted and permanently restricted net assets of $56,857, $(859) and $0, respectively, to the System for the year ended December 31, 2014. PPIC contributed revenues of $234,762 and excess of revenues over expenses of $3,170 for the same period.

Note 3: 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 $21,547 and $27,405 for the years ended December 31, 2015 and 2014, respectively. The expansion of Medicaid coverage, under the provisions of the PPACA, for a large population of previously uninsured patients has had a significant impact on the amount of self-pay charges and resulting charity care provided.

Community benefit is also provided through reduced price services and free programs offered throughout the year. The System provides an array of uncompensated activities and services intended to meet the community health needs. These activities include wellness programs, community education programs and various health screening programs. The cost of providing these community benefit services is reported on Schedule H of the System's IRS Form 990.

Note 4: 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) has approved Iowa Medicaid's transition to managed care effective April 1, 2016. The System intends to participate 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.

The System's aggregate tax assessment during 2015 and 2014 was $50,419 and $50,268, respectively, and is included in operating expenses in the consolidated statements of operations. Additional Medicaid reimbursement in the same periods was approximately $98,842 and $105,524, respectively, and is included in net patient service revenue in the consolidated statements of operations, resulting in a net increase in operating income of $48,423 and $55,256 for 2015 and 2014, respectively.

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 $10,343 and $19,156 during 2015 and 2014, 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, 2015 and 2014

Note 5: Investments

Investment Summary

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

	2015	2014
Cash equivalents	$ 5,144	$ -
U.S. Treasury obligations	28,160	26,217
U.S. Government agency obligations	100	1,287
Asset-backed securities		
Home equity	377	-
Other	3,686	455
Mortgage-backed securities		
Government	4,291	8,367
Non-government	442	-
Certificates of deposit	7	7
Corporate bonds	7,385	15,598
Mutual funds		
Domestic	62	333
International	28	351
Index	-	280
Equity	-	1,589
Fixed income	100	761
Other	8	375
Total short-term investments	$ 49,790	$ 55,620

Iowa Health System and Subsidiaries
d/b/a UnityPoint Health
Notes to Consolidated Financial Statements
(Dollars in Thousands)
December 31, 2015 and 2014

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

	2015	2014
Held by trustees under bond indenture agreements		
Cash equivalents	$ 1,217	$ 20,113
Mortgage-backed securities	-	13
	1,217	20,126
Held by Wisconsin State Treasurer under statute		
U.S. Treasury obligations	-	3,345
Municipal bonds	-	990
	-	4,335
Internally designated		
Cash equivalents	4,788	4,719
U.S. Treasury obligations	1,080	4,398
U.S. Government agency obligations	-	109
Mortgage-backed securities		
Non-government	-	114
Certificates of deposit	214	780
Corporate bonds	4,326	6,316
Equity securities		
Domestic	7,077	8,710
International	1,173	98
Mutual funds		
Domestic	1,907	1,305
International	236,997	220,410
Emerging markets	2,700	37,095
Equity	278,420	363,040
Fixed income	343,256	274,018
Other	920	951
Alternative investments	132,178	130,353
Hedge funds	41,500	41,219
Private equity funds	6,013	4,579
Interest receivable	53	53
	1,062,602	1,098,267
Total assets limited as to use	1,063,819	1,122,728
Less amount required to meet current obligations	13,599	37,655
Noncurrent portion of assets limited as to use	$ 1,050,220	$ 1,085,073

ATTACHMENT 6

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:

	2015	2014
Construction accounts	$ -	$ 14,425
Debt service accounts	1,217	2,778
Collateral and other accounts	-	2,923
	$ 1,217	$ 20,126

Assets held by statute are certain deposits required to be held in a Wisconsin State security fund, the amount of which is based on premium revenues. These deposits may be used to satisfy certain obligations in the event of insolvency of health maintenance organizations in the state. During 2015, the assets previously on deposit were no longer required to be held by the State of Wisconsin.

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

	2015	2014
Capital improvements	$ 1,031,384	$ 1,039,931
Self-insured reserves	29,335	33,304
Bond interest account	1,883	25,032
	$ 1,062,602	$ 1,098,267

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

	2015	2014
Cash equivalents	$ 46,925	$ 2,259
U.S. Treasury obligations	2,338	3,074
U.S. Government agency obligations	1,652	752
Municipal bonds	6,962	7,099
Asset-backed securities	1,389	499
Mortgage-backed securities		
Government	4,205	5,605
Non-government	153	220
Corporate bonds	27,443	28,764
Equity securities		
Domestic	21,213	20,385
International	291	308
Mutual funds		
Domestic	5,033	9,533
International	184,562	166,980
Emerging markets	3,137	22,884
Index	523	5,170
Equity	219,007	280,847
Fixed income	268,677	239,037
Other	2,468	5,715
Alternative investments	103,473	84,688
Hedge funds	32,488	37,321
Private equity funds	4,708	2,632
Interest receivable	-	120
Insurance policies	4,991	4,393
Real estate	1,624	-
Interest rate swaps (see *Note 8*)	2,804	1,966
Total other long-term investments	$ 946,066	$ 930,251

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:

	2015	2014
Investment return		
Interest and dividends	$ 43,637	$ 44,355
Realized gains on sales of investments	45,956	75,387
Unrealized losses on trading investments	(94,927)	(4,086)
Unrealized gains (losses) on other-than-trading investments	(2,527)	425
Equity in earnings of joint ventures	33,283	32,495
Change in fair value of investments accounted for under the fair value option of FASB ASC Topic 825	7,234	13,576
	$ 32,656	$ 162,152
Investment return classification		
Unrestricted net assets		
Other operating revenue	$ 32,909	$ 32,719
Nonoperating gains – investment income	726	125,757
Temporarily restricted net assets	(1,014)	3,306
Permanently restricted net assets	35	370
	$ 32,656	$ 162,152

Alternative Investments

At December 31, 2015 and 2014, 16% and 15%, 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.

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, 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
	$ 320,360	$ 76,270		

	As of December 31, 2014			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Diversified property alternative fund	$ 81,738	$ -	Quarterly	65 days
Structured credit alternative fund	66,962	-	Quarterly, 2 year lock-up*	65 days
Special situations alternative fund	66,341	-	Semi-annual, 2 year lock-up*	95 days
Multi-strategy offshore hedge fund	76,704	-	Quarterly, 1 year lock-up	65 days
Multi-strategy offshore hedge fund	1,649	-	Liquidated, escrow hold-back	95 days
Multi-strategy hedge fund	187	-	Liquidated, escrow hold-back	95 days
Healthcare private equity fund	7,211	2,846	10 year lock-up**	N/A
	$ 300,792	$ 2,846		

* Subject to 2 year lock-up based on initial subscription in the investment, which will expire in 2016.

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

As of December 31, 2015, the alternative investment vehicles consist of four 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 is an alternative fund with an objective of investing in a diversified set of private equity real estate funds. The structured credit alternative fund is a fixed income fund with an objective of generating high total returns using a strategy of investing in domestic credit markets, primarily through collateralized debt obligations and other structured credit instruments, such as loan participations and derivative instruments. The special situations alternative fund is a multi-strategy hedge fund-of-funds with the objective of achieving high returns balanced against an appropriate level of volatility and market exposure over a full market cycle. The hedge fund 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 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 $8,897 to this investment as of December 31, 2015.

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 $1,050 to the investment as of December 31, 2015.

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 $11,908 as of December 31, 2015.

In January 2016, an additional $56,000 of the System's investments were invested in alternative investment vehicles.

Investments in Joint Ventures

At December 31, 2015 and 2014, investments in joint ventures amounted to $122,802 and $114,808, respectively. Other investments also included in this line in the consolidated balance sheets consist primarily of investments reported at cost and real estate held for investment.

The joint ventures consist of 49 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:

	2015	2014
Total assets	$ 303,292	$ 304,971
Net revenues	475,290	436,860
Net income	74,689	69,608

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:

	2015	2014
Earnings on investments in joint ventures	$ 33,283	$ 32,495
New investments in joint ventures	4,659	893
Distributions received from joint ventures	29,191	28,244

The System both purchases services and sells services and supplies to several joint ventures. In 2015 and 2014, services purchased from joint ventures totaled $22,693 and $20,580, respectively. Services and supplies sold to joint ventures in 2015 and 2014 were $8,626 and $7,576, respectively. The System has loaned $4,500 to a joint venture as of December 31, 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.

Note 6: Property, Plant and Equipment

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

	2015	2014
Land	$ 172,076	$ 166,900
Land improvements	59,881	58,516
Buildings, improvements and fixed equipment	2,026,058	1,919,811
Moveable equipment	1,374,247	1,213,706
	3,632,262	3,358,933
Less accumulated depreciation and amortization	1,983,152	1,783,465
	1,649,110	1,575,468
Construction/information systems installation in progress	133,575	144,316
Net property, plant and equipment	$ 1,782,685	$ 1,719,784

As of December 31, 2015 and 2014, the System has committed approximately $255,784 and $224,287, respectively, for costs related to various hospital construction and information systems projects. The System plans to fund the majority of these projects through internal funds, with supplemental debt financing for certain projects.

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Note 7: Long-term Debt

Long-term debt at December 31, 2015 and 2014 is summarized as follows:

	Payable Through	Issuance Type[1]	Interest Rate[2]	2015	2014
Hospital Facility Revenue Bonds					
Series 2014A (WHEFA)	2029	Fixed	4.98%	$ 81,865	$ 85,560
Series 2014B (WHEFA)	2041	Variable	0.21%, 0.12%	85,000	85,000
Series 2014C (WHEFA)	2035	Fixed	4.47%	69,145	69,145
Series 2014A	2019	Variable	3.25%	7,665	1,482
Series 2014B	2018	Variable	5.00%	915	352
Series 2013A	2044	Fixed	5.25%	103,175	103,175
Series 2013B	2039	VRDB	0.01%, 0.05%	77,385	78,125
Series 2012A	2024	Fixed	2.16%	13,950	15,275
Series 2012C	2037	Fixed	2.43%	18,800	19,215
Series 2011A	2021	Fixed	3.29%	36,955	42,455
Series 2011B	2041	VRDB	0.01%, 0.14%	51,220	51,220
Series 2011	2031	Fixed	4.40%	524	-
Series 2010A	2016	VRDB	0.57%, 0.70%	775	3,875
Series 2009A	2035	VRDB	0.01%, 0.03%	46,805	48,095
Series 2009B	2035	VRDB	0.01%, 0.03%	46,805	48,095
Series 2009D	2035	Variable	0.91%, 0.79%	49,985	51,360
Series 2009E	2039	Variable	0.99%, 0.93%	38,100	41,500
Series 2008A	2037	Fixed	2.50% - 5.625%	139,475	139,475
Series 2006	2031	VRDB	0.01%, 0.05%	11,410	11,870
Series 2006A	2025	Fixed	5.12%	22,525	22,525
Series 2005	2031	Fixed	1.98% - 4.00%	3,165	3,282
Series 2005A	2029	Fixed	2.50% - 5.625%	101,130	105,825
Series 1992A	2022	Fixed	6.00%	6,255	6,960
Series 1985B	2015	VRDB	N/A, 0.05%	-	23,000
Total hospital facility revenue bonds				1,013,029	1,056,866
Capital lease obligations	2026	Fixed	0% - 5.92%	20,574	21,567
Commercial paper	Ongoing	Variable	Various	28,503	25,000
Revolving lines of credit	2016	Variable	Various	36,000	-
Other notes and mortgages	2022	Fixed	2.70% - 8.00%	14,556	10,346
				1,112,662	1,113,779
Current maturities				(187,667)	(167,076)
Unamortized bond premium				12,195	13,034
Long-term portion				$ 937,190	$ 959,737

(1) Fixed rate, variable rate, or variable rate demand bonds (VRDB)
(2) Variable rates shown as of December 31, 2015 and 2014, respectively

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The Series 1992A, 2012A and 2012C Bonds were issued by 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 have a mandatory tender date less than one year, if not remarketed, and are reported as current maturities of long-term debt.

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 amount outstanding at December 31, 2015 was $7,665 and $915, respectively.

The Series 2011 Bonds are obligations of Black Hawk Grundy Mental Health that were issued prior to their affiliation with Waterloo. 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, 2015 was $524.

The Series 2013, 2011, 2010, 2009, 2008, 2006A and 2005 Bonds (collectively "the Bonds") 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 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 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 letters of credit that can be drawn on should the bonds not be remarketed. These letters of credit expire beginning in 2016 through 2020 and are renewable, subject to trustee approval and at the option of the providers, throughout the term of the bonds. See below for further discussion on letters of credit expiring in 2016. 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 January 4, 2016, the System issued $93,610 of direct note obligations, Series 2016A, to refund the Series 2009A and Series 2009B Bonds. On February 1, 2016, the System issued $51,220 of Illinois Finance Authority Refunding Revenue Bonds, Series 2016B, to refund the Series 2011B Bonds. On January 22, 2016, the System issued $11,410 of Iowa Finance Authority Refunding Revenue Bonds, Series 2016C, to refund the series 2006 Bonds. The Series 2016A, 2016B and 2016C Bonds removed the requirement to maintain letters of credit set to expire in 2016.

On December 1, 2014, the System established a $200,000 taxable commercial paper program, which had $25,000 drawn on it as of December 31, 2014 and $28,503 drawn on it as of December 31, 2015. The System's commercial paper program is sold in traunches, with varying maturities of one to 270 days, so that no more than $25,000 will mature in any five business day period.

On January 6, 2012 and August 1, 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 on December 22, 2016 and January 5, 2018. These agreements contain various financial covenants that mirror those in the System's master bond trust indenture.

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

	Accelerated Maturities with Letter of Credit Expirations	Scheduled Maturities Based on Loan Agreements
2016	$ 187,667	$ 187,667
2017	115,114	39,859
2018	40,461	41,591
2019	117,226	38,486
2020	26,028	37,228
Thereafter	626,166	767,831
	$ 1,112,662	$ 1,112,662

Note 8: 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 2015	Fair Value 2014
2005	2035	$ 113,660	3.5%	62.4% of LIBOR + 29 bps	Cash Flow Hedge	$ (18,931)	$ (23,914)

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 a portion of the swaps that were hedging these Bonds to hedge the new Series 2013B Bonds. The swap agreements have an aggregate notional amount of $113,660 and $136,370 at December 31, 2015 and 2014, respectively.

Management has designated the above interest rate swap agreements as cash flow hedging instruments, and has determined that these agreements are highly effective. The aggregate fair value of the swap agreements is recorded as a long-term liability of $(18,931) at December 31, 2015 and $(23,914) at December 31, 2014. The change in fair value of $941 and $(9,850) for the years ended December 31, 2015 and 2014, respectively, is reported as part of the change in unrealized gains and losses on swaps. The year-over-year change in fair value is partially offset by a reduction of $4,042 due to payments made to unwind a portion of the notional amount, as discussed below. 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.

During 2014, the System reduced the notional amount of these swap agreements by $38,815 by paying $4,408 as of the date of the transactions to the counterparty. During 2015, the System further reduced the notional amount of these swap agreements by $19,580 by paying $4,042 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, 2015 and 2014, $8,002 and $4,294 remains in unrestricted net assets to be amortized and $334 and $114 was amortized into interest expense in 2015 and 2014, 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, 2015, 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, 2015 and 2014 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.

	2015	2014
Other Long-term Liabilities		
Fair value of interest rate swap agreement	$ (18,931)	$ (23,914)
Unrestricted Net Assets		
Gain (loss) recognized in changes in unrealized gains and losses on investments (effective portion)	941	(9,850)
Operating Expenses		
Loss recognized in interest expense	334	114

Other Swap Agreements

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

Trade Date	Maturity Date	Notional Amount	System Pays	System Receives	Fair Value 2015	Fair Value 2014
2006	2030	$ 60,000	100% of SIFMA*	68.0% of 10Y LIBOR + 14.3 bps*	$ 2,804	$ 1,966
2006	2037	137,450	3.8%	61.9% of LIBOR + 31 bps	(36,877)	(36,135)
2006	2023	37,800	3.5%	61.9% of LIBOR + 31 bps	(5,028)	(5,393)
2005	2035	56,830	3.3%	62.4% of LIBOR + 29 bps	(8,775)	(8,876)
2008	2026	21,250	3.5%	63.0% of 1m LIBOR + 30 bps	(2,592)	(2,870)
2008	2024	13,950	3.5%	63.0% of 1m LIBOR + 30 bps	(1,423)	(1,651)
2002	2032	24,000	3.5%	67.0% of 1m LIBOR	(5,224)	(5,242)
					$ (57,115)	$ (58,201)

*Through February 15, 2017, MHSC 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 $2,804 and $1,966 and long-term liabilities of $(59,919) and $(60,167), as of December 31, 2015 and 2014, respectively. The change in fair value of $1,086 and $(19,687) is included as a component of other income as of December 31, 2015 and 2014, 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 incomc (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, 2015 and 2014, $(455) and $(516), respectively, of net unrealized losses remain in net assets to be amortized and $(61) was amortized into other loss in both 2015 and 2014.

Upon affiliation with MHS, three swap agreements with an aggregate notional amount of $65,750 and fair value of $(7,531) at January 1, 2014 were inherited by the System. As part of the issuance of the Series 2014 Bonds, these swaps became secured under the System's master trust indenture. These swaps are accounted for as unhedged instruments with their fair values recorded as other long-term liabilities within the consolidated balance sheets.

Other Swaps:

	2015	2014
Other Long-term Investments		
Fair value of interest rate swap agreement	$ 2,804	$ 1,966
Other Long-term Liabilities		
Fair value of interest rate swap agreements	(59,919)	(60,167)
Unrestricted Net Assets		
Change in unrestricted net assets amortizing into Other, net	61	61
Nonoperating Other, net		
Gain (loss) recognized in income from changes in fair value of interest rate swaps	1,086	(19,687)
Loss recognized in income from amortization of unrecognized losses in unrestricted net assets	(61)	(61)

Note 9: 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 2015 and 2014 totaled $33,207 and $24,272, 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 $48,801 and $48,754 as of December 31, 2015 and 2014, respectively. Contributions received from nonconsolidated foundations and other related parties were $5,138 and $4,583 in 2015 and 2014, respectively.

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

Note 10: 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 $69,780 and $61,865 for 2015 and 2014, respectively. The System also has deferred compensation plans for certain employees. Total expenses under the deferred compensation plans were $6,399 and $8,148 for 2015 and 2014, respeetively.

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. (MHSC or Methodist Peoria) has been frozen to new participants since 2007. As of December 31, 2012, MHSC 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 (PHC or Proctor Peoria) has been frozen with regard to the accrual of additional benefits and new participants since 2008. There is currently no arrangement to terminate the plans and contributions will continue to the extent the plans remain underfunded. The unrecognized pension benefit costs in unrestricted net assets were eliminated for both the MHSC and PHC plans as part of the accounting for the affiliation with the System.

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 and $1,610 was recognized in the consolidated statements of operations for the years ended December 31, 2015 and 2014, respectively.

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 2014, certain plans were amended to provide a one-time election for certain participants to receive a distribution of their vested benefit at an early distribution date. Lump sum distributions of $42,358 were made during 2014 to those participants making the election.

The System expects to contribute $25,615 to the plans in 2016. The System uses a December 31 measurement date for the plans.

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

	As of December 31, 2015					
	Des Moines	Methodist Peoria	Proctor Peoria	Madison	Cedar Rapids	Waterloo
Change in benefit obligation						
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	189,222	240,604	70,139	239,611	123,217	65,470
Change in fair value of plan assets						
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	202,089	163,769	48,426	172,988	109,579	68,443
Funded status, end of year	$ 12,867	$ (76,835)	$ (21,713)	$ (66,623)	$ (13,638)	$ 2,973
Accumulated benefit obligation	$ 189,222	$ 240,604	$ 70,139	$ 239,611	$ 123,217	$ 65,470

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	As of December 31, 2015					
	Des Moines	Methodist Peoria	Proctor Peoria	Madison	Cedar Rapids	Waterloo
Assets and liabilities recognized in the consolidated balance sheets						
Noncurrent assets	$ 12,867	$ -	$ -	$ -	$ -	$ 4,342
Current liabilities	-	(3)	-	-	-	-
Noncurrent liabilities	-	(76,832)	(21,713)	(66,623)	(13,638)	(1,369)
	$ 12,867	$ (76,835)	$ (21,713)	$ (66,623)	$ (13,638)	$ 2,973
Amounts recognized in unrestricted net assets but not yet recognized as components of net periodic benefit cost						
Net loss	$ 45,386	$ 17,338	$ 16,035	$ 21,365	$ 41,450	$ 19,402
Net prior service credit	-	-	-	-	-	(1,798)
	$ 45,386	$ 17,338	$ 16,035	$ 21,365	$ 41,450	$ 17,604
Amounts expected to be recognized within one year						
Net loss	$ 2,353	$ -	$ 140	$ -	$ 3,509	$ 1,576
Net prior service credit	-	-	-	-	-	(666)
	$ 2,353	$ -	$ 140	$ -	$ 3,509	$ 910
Other changes in plan assets recognized in changes in net assets						
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	$ 7,665	$ 11,079	$ 4,097	$ 18,440	$ (4,177)	$ 379

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	As of December 31, 2015					
	Des Moines	Methodist Peoria	Proctor Peoria	Madison	Cedar Rapids	Waterloo
Weighted-average assumptions used to determine benefit obligations for the year ended December 31, 2015						
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
Weighted-average assumptions used to determine benefit costs for the year ended December 31, 2015						
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
Components of net periodic benefit cost						
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)	$ (3,919)	$ (3,679)	$ (876)	$ 1,418	$ 1,243	$ (300)

	As of December 31, 2014					
	Des Moines	Methodist Peoria	Proctor Peoria	Madison	Cedar Rapids	Waterloo
Change in benefit obligation						
Benefit obligation, beginning of year	$ 195,877	$ 208,148	$ 62,007	$ 280,194	$ 121,168	$ 62,311
Service cost	-	-	-	6,960	48	492
Interest cost	9,591	11,015	3,259	9,801	6,255	3,224
Actuarial gain	25,796	35,885	10,866	(150)	22,581	10,308
Benefits paid	(30,104)	(7,683)	(3,477)	(15,092)	(16,593)	(7,900)
Curtailment gain from freezing benefits	-	-	-	(641)	-	-
Benefit obligation, end of year	201,160	247,365	72,655	281,072	133,459	68,435
Change in fair value of plan assets						
Fair value of plan assets, beginning of year	208,320	163,263	50,553	183,747	109,287	62,867
Actual return on plan assets	25,116	11,157	1,653	8,652	14,185	9,919
Employer contributions	11,641	4,873	3,127	8,000	5,004	3,300
Benefits paid	(30,104)	(7,684)	(3,477)	(15,092)	(16,593)	(7,900)
Fair value of plan assets, end of year	214,973	171,609	51,856	185,307	111,883	68,186
Funded status, end of year	$ 13,813	$ (75,756)	$ (20,799)	$ (95,765)	$ (21,576)	$ (249)
Accumulated benefit obligation	$ 201,160	$ 247,365	$ 72,655	$ 277,057	$ 133,445	$ 68,435

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	As of December 31, 2014					
	Des Moines	Methodist Peoria	Proctor Peoria	Madison	Cedar Rapids	Waterloo
Assets and liabilities recognized in the consolidated balance sheets						
Noncurrent assets	$ 13,813	$ -	$ -	$ -	$ -	$ 793
Noncurrent liabilities	-	(75,756)	(20,799)	(95,765)	(21,576)	(1,042)
	$ 13,813	$ (75,756)	$ (20,799)	$ (95,765)	$ (21,576)	$ (249)
Amounts recognized in unrestricted net assets but not yet recognized as components of net periodic benefit cost						
Net loss	$ 37,721	$ 6,259	$ 11,938	$ 2,925	$ 45,627	$ 19,686
Net prior service credit	-	-	-	-	-	(2,461)
	$ 37,721	$ 6,259	$ 11,938	$ 2,925	$ 45,627	$ 17,225
Amounts expected to be recognized within one year						
Net loss	$ 2,192	$ -	$ -	$ -	$ 3,754	$ 1,601
Net prior service credit	-	-	-	-	-	(663)
	$ 2,192	$ -	$ -	$ -	$ 3,754	$ 938
Other changes in plan assets recognized in changes in net assets						
Net loss	$ 15,093	$ 38,494	$ 13,169	$ 3,566	$ 16,538	$ 4,898
Curtailment gain from freezing benefits	-	-	-	(641)	-	-
Recognition due to settlement	(3,829)	-	-	-	(3,420)	(1,560)
Amortization of						
Net gain (loss)	(712)	1,490	-	-	(2,708)	(1,423)
Prior service credit	-	-	-	-	-	649
Total recognized in changes in net assets	$ 10,552	$ 39,984	$ 13,169	$ 2,925	$ 10,410	$ 2,564

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	As of December 31, 2014					
	Des Moines	Methodist Peoria	Proctor Peoria	Madison	Cedar Rapids	Waterloo
Weighted-average assumptions used to determine benefit obligations for the year ended December 31, 2014						
Discount rate	4.45%	4.45%	4.45%	4.45%	4.45%	4.45%
Rate of compensation increase	N/A	N/A	N/A	3.25%	N/A	N/A
Weighted-average assumptions used to determine benefit costs for the year ended December 31, 2014						
Discount rate	5.40%	5.40%	N/A	4.34%	5.40%	5.40%
Expected return on plan assets	7.00%	8.50%	8.00%	7.50%	7.50%	7.10%
Rate of compensation increase	N/A	N/A	N/A	3.25%	N/A	N/A
Components of net periodic benefit cost						
Service cost	$ -	$ -	$ -	$ 6,960	$ 48	$ 492
Interest cost	9,591	11,015	3,259	9,801	6,255	3,224
Expected return on plan assets	(14,413)	(13,769)	(3,956)	(12,368)	(8,141)	(4,508)
Amortization of prior service credit	-	-	-	-	-	(649)
Recognized net actuarial (gain) loss	712	(1,490)	-	-	2,708	1,423
Curtailment charge	3,829	-	-	-	3,420	1,560
Net periodic benefit cost (benefit)	$ (281)	$ (4,244)	$ (697)	$ 4,393	$ 4,290	$ 1,542

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

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

Asset allocation is primarily based on a strategy to provide stable earnings while still permitting the plans to recognize potentially higher returns through investment in equity securities and limited exposure to alternative investments. Target asset allocation percentages for 2015 and 2014 were as follows:

	2015					
	Des Moines	Methodist Peoria	Proctor Peoria	Madison	Cedar Rapids	Waterloo
Equity securities	13%	56%	45%	45%	28%	5%
Fixed income	75	28	39	40	66	88
Alternative investments	12	16	16	15	6	8

	2014					
	Des Moines	Methodist Peoria	Proctor Peoria	Madison	Cedar Rapids	Waterloo
Equity securities	17%	56%	54%	45%	30%	22%
Fixed income	73	29	29	40	65	72
Alternative investments	10	15	17	15	5	6

Plan assets are re-balanced quarterly. At December 31, 2015 and 2014, plan asset allocations are as follows:

	2015						2014					
	Des Moines	Methodist Peoria	Proctor Peoria	Madison	Cedar Rapids	Waterloo	Des Moines	Methodist Peoria	Proctor Peoria	Madison	Cedar Rapids	Waterloo
Cash equivalents	-	-	-	9%	1%	1%	-	-	-	-	-	-
U.S. Treasury obligations	13%	-	-	7	12	23	-	-	-	7%	-	-
U.S. Government agency obligations	-	-	-	-	-	-	20%	-	-	-	20%	21%
Corporate bonds	7	-	-	17	-	-	10	-	-	24	-	-
Equity securities												
Domestic	-	-	-	10	-	-	-	-	-	11	-	-
International	-	-	-	2	-	-	-	-	-	-	-	-
Mutual funds												
Domestic	9	36%	28%	-	19	4	-	-	-	-	-	-
International	4	21	17	-	9	2	4	17%	16%	-	9	9
Emerging markets	-	-	-	-	-	-	-	-	3	-	-	-
Equity	-	-	-	19	-	-	9	36	29	19	19	15
Fixed income	56	28	39	9	53	63	47	28	38	10	47	48
Other	-	-	-	4	-	-	-	-	-	5	-	-
Alternative investments	11	5	6	17	6	7	10	9	5	24	5	7
Hedge funds	-	10	10	6	-	-	-	10	9	-	-	-
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

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, 2015.

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. Government obligations, U.S. Treasury obligations and corporate debt. In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy. There are no Level 3 plan assets.

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

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The following table presents the fair value measurements of the System's pension plans' assets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2015 and 2014:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2015				
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	-	-	-
2014				
Cash equivalents	$ 1,258	$ 1,258	$ -	$ -
U.S. Treasury obligations	13,390	13,390	-	-
U.S. Government agency obligations	77,227	-	77,227	-
Corporate bonds	66,369	-	66,369	-
Equity securities				
Domestic	19,419	19,419	-	-
International	640	640	-	-
Mutual funds				
International	60,443	60,443	-	-
Emerging markets	9,379	9,379	-	-
Equity	162,831	162,831	-	-
Fixed income	266,628	266,628	-	-
Other	16,059	16,059	-	-
Alternative investments*	86,734	-	-	-
Hedge funds*	21,902	-	-	-

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

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31, 2015:

2016	$ 45,148
2017	48,140
2018	51,360
2019	52,451
2020	55,208
2021 - 2025	300,699

Note 11: 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 MHSC) and $30,000 in the aggregate annually. MHS is fully insured with limits of $1,000 per occurrence and $3,000 per policy year. The Injured Patients' and Families' Compensation Fund of the State of Wisconsin will cover claim awards in excess of these limits for MHS. Professional and general liability insurance coverage is maintained on a claims-made basis, with a liability limit of $50,000. Other entities of the System maintain their professional and general liability coverage 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 $97,235 and $99,533 for self-insured losses at December 31, 2015 and 2014, 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, 2015 and 2014, cash and investments designated for this purpose amounted to $29,335 and $33,304, respectively.

Note 12: 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 2015 and 2014 was $74,045 and $56,388, 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, 2015:

2016	$ 45,884
2017	36,785
2018	30,904
2019	26,040
2020	20,951
Thereafter	81,909
Total minimum payments required	$ 242,473

Note 13: 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

December 31, 2015 or 2014. 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.

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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, 2015 and 2014:

		2015 Fair Value Measurements Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Cash equivalents	$ 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)	-

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		2014 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Cash equivalents	$ 27,091	$ 27,091	$ -	$ -
U.S. Treasury obligations	37,034	-	37,034	-
U.S. Government agency obligations	2,148	-	2,148	-
Municipal bonds	8,089	-	8,089	-
Asset-backed securities	954	-	954	-
Mortgage-backed securities				
Government	13,985	-	13,985	-
Non-government	334	-	334	-
Certificates of deposit	787	787	-	-
Corporate bonds	50,678	-	50,678	-
Equity securities				
Domestic	29,095	29,095	-	-
International	406	406	-	-
Mutual funds				
Domestic	11,171	11,171	-	-
International	387,741	387,741	-	-
Emerging markets	59,979	59,979	-	-
Index	5,450	5,450	-	-
Equity	645,476	645,476	-	-
Fixed income	513,816	513,816	-	-
Other	7,041	7,041	-	-
Alternative investments*	215,041	-	-	-
Hedge funds*	78,540	-	-	-
Private equity funds*	7,211	-	-	-
Interest rate swap agreements	1,966	-	1,966	-
Other items at cost**	4,566	-	-	-
Total short-term investments, assets limited as to use and other long-term investments	2,108,599	1,688,053	115,188	-
Beneficial interests in perpetual trusts included in contributions receivable	20,198	-	13,138	7,060
Interest rate swap agreements included in other long-term liabilities	(84,081)	-	(84,081)	-

*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.

Level 3 Reconciliation

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

	Beneficial Interest in Perpetual Trusts
Balance, January 1, 2014	$ 6,914
Gain on beneficial interest in perpetual trusts	146
Balance, December 31, 2014	7,060
Loss on beneficial interest in perpetual trusts	(319)
Balance, December 31, 2015	$ 6,741

Nonrecurring Measurements

The following table presents the fair value measurement of assets acquired during the year which are measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2015:

		2015 Fair Value Measurements Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Goodwill	$ 54,491	$ -	$ -	$ 54,491

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.

Unobservable (Level 3) Inputs

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

	Fair Value	Valuation Technique	Adjustment to NAV
Recurring			
Beneficial interests in perpetual trusts	$ 6,741	Present value of future distributions expected to be received over term of agreement	N/A
Nonrecurring			
Goodwill	54,491	Discounted cash flow	N/A

Note 14: Temporarily and Permanently Restricted Net Assets

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

	2015	2014
Purchase of equipment	$ 36,154	$ 30,099
Indigent care/operations	30,698	30,221
Health education	11,345	12,380
For use in future periods	18,157	19,792
Total temporarily restricted net assets	$ 96,354	$ 92,492

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

	2015	2014
Investments (generally including net investment appreciation and depreciation) to be held in perpetuity (income is unrestricted)	$ 21,729	$ 24,638
Investments (generally including net investment appreciation and depreciation) to be held in perpetuity (income is restricted for various purposes as directed by the donors)	38,997	35,323
Total permanently restricted net assets	$ 60,726	$ 59,961

Note 15: 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 2015 and 2014 is included in the table below.

	2015	2014
Liability, beginning of year	$ 15,403	$ 14,289
Liabilities incurred	85	-
Liabilities assumed in affiliations	-	718
Liabilities settled	(184)	(381)
Accretion expense	988	736
Changes in estimates, including timing	-	41
Liability, end of year	$ 16,292	$ 15,403

Note 16: 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 $32,043 and $33,850, which is outstanding at December 31, 2015 and 2014, 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 17: Subsequent Events

Subsequent events have been evaluated through April 19, 2016, which is the date the consolidated financial statements were issued.

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Schedule 1

Consolidating Schedule - Balance Sheet Information
(In Thousands)
December 31, 2015

Assets

	UPHDM	MHSC	TRHS	MHS	SLHC	AHS	SLHS	THS	TRI-ST	UPC	UPAH	UPH Corp	PPIC	Eliminations	Consolidated
Current Assets															
Cash and cash equivalents	$ 7,726	$ 37,703	$ 15,653	$ 16,184	$ 33,512	$ 21,727	$ 5,288	$ 8,289	$ 6,521	$ 1,818	$ 1,666	$ 22,129	$ 3,051	$	$ 181,267
Short-term investments	3,096	5,093	3,668	2,943	11,227	5,994	(387)	1,501	1,478	1,034	794	13,349			49,790
Assets limited as to use - required for current liabilities	3,793	1,883	3,516		2,175	873	747	602							13,599
Patient accounts receivable, less estimated uncollectibles	95,567	63,808	54,191	40,342	55,061	27,976	25,533	19,306	17,455	36,848	26,900			(1,905)	461,082
Other receivables	11,936	10,488	5,812	4,076	4,550	4,126	3,571	3,023	2,707	5,317	3,589	15,099	6,404	1	80,899
Inventories	15,200	7,556	10,571	5,163	7,930	6,412	4,632	3,189	2,371	4,488	2,097	70			69,679
Prepaid expenses	3,029	3,968	1,439	1,295	1,826	1,050	823	594	397	2,626	335	39,529	404		57,315
Due from affiliates	2,518	1,569	2,667	7,019	2,406	903	1,020	2,701	741	2,074	1,066	97,623	1,522	(123,829)	-
Total current assets	142,865	132,068	97,527	77,022	118,687	69,061	41,227	39,205	31,670	54,405	36,447	187,799	11,381	(125,733)	913,631
Assets Limited As to Use, Noncurrent															
Held by trustee under bond indenture agreements												1,217			1,217
Internally designated	574,229	7,251	157,348		133,593	1,057	47,583	54,028	73,914					-	1,049,003
Total assets limited as to use, noncurrent	574,229	7,251	157,348		133,593	1,057	47,583	54,028	73,914			1,217		-	1,050,220
Property, Plant and Equipment, Net	264,284	281,150	203,669	256,373	176,246	111,222	81,976	72,681	74,455	30,916	6,226	223,006	478	3	1,782,685
Other Long-term Investments	73,305	206,335	15,575	332,814	28,600	121,626	4,060	14,814	773	50,012	31,079	10,869	56,444		946,066
Investments in Joint Ventures and Other Investments	73,150	11,280	11,179	59,170	18,044	334	16,220	5,657	4,897	64	657	36,388		(103,186)	133,854
Contributions Receivable, Net	9,941	12,871	3,327		35,814	5,568	4,188	3,319	8,079						83,107
Other	13,594	20,552	59,606	1,303	1,582	6,082	264	2,462	383	256	140	18,648	4,332	(5)	129,204
Due From Affiliates				21,583						16,300		686,184		(724,067)	-
Total assets	$ 1,151,368	$ 671,507	$ 548,031	$ 748,270	$ 512,566	$ 314,950	$ 195,518	$ 192,166	$ 194,131	$ 151,953	$ 74,549	$ 1,164,111	$ 72,635	$ (952,988)	$ 5,038,767

Liabilities and Net Assets (Deficit)

	UPHDM	MHSC	TRHS	MHS	SLHC	AHS	SLHS	THS	TRI-ST	UPC	UPAH	UPH Corp	PPIC	Eliminations	Consolidated
Current Liabilities															
Current maturities of long-term debt	$ 242	$ 6,985	$ 3,151	$ 1,023	$ 392	$ 47	$ 779	$	$	$ 569	$ 120	$ 174,359	$	$	$ 187,667
Accounts payable	28,645	33,361	22,254	15,280	20,016	13,462	8,577	5,862	6,954	12,405	4,567	17,672	443		189,498
Accrued payroll	19,693	12,223	10,978	30,056	13,258	7,571	4,649	5,568	4,040	22,827	5,407	66,435	1,368		204,073
Accrued interest	5	729										9,687			10,421
Estimated settlements due to third-party payers	7,569	53,842	3,034	3,627	2,849	3,489	1,800	1,086	838		152				78,286
Medical claims payable													23,639	(1,903)	21,736
Due to affiliates	13,141	5,545	9,973	7,494	6,988	5,923	7,360	4,483	2,032	29,439	11,119	12,211	8,131	(123,889)	-
Other current liabilities	9,106	17,852	6,462	3,696	4,644	2,332	2,692	1,876	1,127	8,058	1,220	2,014	8,846	291	70,216
Total current liabilities	78,401	130,537	55,852	61,176	48,147	32,824	25,857	18,875	14,991	73,348	22,585	282,378	42,427	(125,501)	761,897
Long-term Debt, Net	2,850	104,921	21,045	5,179	8,188	477	1,505			7,857		785,168			937,190
Other Long-term Liabilities	25,460	138,549	13,175	82,337	21,708	11,055	6,226	12,576	1,783	33,917	980	93,616	3,181	1	444,564
Due to Affiliates	113,805	24,500	148,906	198,169	78,513	56,737	50,621	15,900	15,334				21,583	(724,068)	-
Total liabilities	220,516	398,507	238,978	346,861	156,556	101,093	84,209	47,351	32,108	115,122	23,565	1,161,162	67,191	(849,568)	2,143,651
Net Assets															
Unrestricted															
Attributable to UnityPoint Health	893,172	243,408	250,443	395,911	315,444	199,665	103,707	138,256	153,917	36,820	50,613	2,901	5,444	(102,512)	2,687,189
Attributable to noncontrolling interest			47,782		119		2,946								50,847
Total unrestricted	893,172	243,408	298,225	395,911	315,563	199,665	106,653	138,256	153,917	36,820	50,613	2,901	5,444	(102,512)	2,738,036
Temporarily restricted															
Attributable to UnityPoint Health	19,852	24,122	8,017	4,887	20,651	5,091	3,039	4,685	5,470	11	371	48		(908)	95,336
Attributable to noncontrolling interest					2,018										1,018
Total temporarily restricted	19,852	24,122	8,017	4,887	21,669	5,091	3,039	4,685	5,470	11	371	48		(908)	96,354
Permanently restricted	17,828	5,470	2,811	611	18,778	9,101	1,617	1,874	2,636						60,726
Total net assets	930,852	273,000	309,053	401,409	356,010	213,857	111,309	144,815	162,023	36,831	50,984	2,949	5,444	(103,420)	2,895,116
Total liabilities and net assets	$ 1,151,368	$ 671,507	$ 548,031	$ 748,270	$ 512,566	$ 314,950	$ 195,518	$ 192,166	$ 194,131	$ 151,953	$ 74,549	$ 1,164,111	$ 72,635	$ (952,988)	$ 5,038,767

Definitions

UPHDM - UnityPoint Health - Des Moines and Subsidiaries (Des Moines)
MHSC - Methodist Health Services Corp. and Subsidiaries (Peoria)
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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

Schedule 2

Consolidating Schedule - Revenue and Gains, Expenses and Losses Information
(In Thousands)
Year Ended December 31, 2015

	UPHDM	MHSC	TRHS	MHS	SLHC	AHS	SLHS	THS	TRI-ST	UPC	UPAH	UPH Corp	PPIC	Eliminations	Consolidated
Revenue															
Patient service revenue (net of contractual allowances)	$ 903,268	$ 486,390	$ 532,932	$ 452,016	$ 458,792	$ 274,203	$ 204,857	$ 155,456	$ 115,537	$ 298,473	$ 115,220	$ 1,793	$	$ (478,921)	$ 3,520,016
Provision for patient uncollectible accounts	(29,447)	(23,304)	(21,134)	(8,419)	(12,905)	(5,066)	(7,366)	(3,914)	(4,110)	(9,121)				9,121	(115,665)
Net patient service revenue	873,821	463,086	511,798	443,597	445,887	269,137	197,491	151,542	111,427	289,352	115,220	1,793		(469,800)	3,404,351
Premium revenue													254,705	(2,420)	252,285
Other operating revenue	59,355	33,299	21,138	19,395	18,383	18,917	8,951	10,043	7,139	40,096	4,671	328,754		(346,275)	223,866
Net assets released from restrictions used for operations	3,557	1,574	287	190	1,191	576		219	313	20	361	5		(381)	7,912
Total revenue	936,733	497,959	533,223	463,182	465,461	288,630	206,442	161,804	118,879	329,468	120,252	330,552	254,705	(818,876)	3,888,414
Expenses															
Salaries and wages	323,129	154,570	169,724	163,712	161,734	93,848	66,742	54,674	41,612	92,762	63,809	113,842	8,154	(156,374)	1,351,938
Physician compensation and services	148,816	63,754	73,881	49,436	59,585	33,837	25,271	32,112	8,539	186,568	681	659		(182,301)	500,838
Employee benefits	77,324	33,616	43,441	50,363	41,888	23,039	16,452	12,698	10,063	23,882	13,500	25,103	2,209	(45,940)	327,638
Medical claims and capitation payments													228,965	(67,729)	161,236
Supplies	157,318	71,760	90,216	61,972	74,237	55,122	33,710	22,357	17,536	30,668	18,852	644	51	(47,062)	587,381
Other expenses	165,226	130,834	119,177	87,738	97,916	53,052	43,682	31,417	27,898	77,335	17,094	124,696	23,548	(360,043)	639,570
Depreciation and amortization	34,663	25,967	22,927	20,317	19,045	14,442	9,600	7,116	5,617	6,369	1,882	56,260	245	(8,254)	216,196
Interest	6,057	3,099	8,548	8,446	3,884	2,879	3,093	793	(150)	436	4	31,983		(34,599)	34,473
Provision for uncollectible accounts	334		435		339	111	332	59	4		627	4	12	(627)	1,630
Total expenses	912,867	483,600	528,349	441,984	458,628	276,330	198,882	161,226	111,119	418,020	116,449	353,191	263,184	(902,929)	3,820,900
Operating Income (Loss)	23,866	14,359	4,874	21,198	6,833	12,300	7,560	578	7,760	(88,552)	3,803	(22,639)	(8,479)	84,053	67,514
Income (loss) attributable to noncontrolling interests			(2,442)		61		(2,280)							(2)	(4,663)
Operating Income (Loss) Attributable to UPH	23,866	14,359	2,432	21,198	6,894	12,300	5,280	578	7,760	(88,552)	3,803	(22,639)	(8,479)	84,051	62,851
Nonoperating Gains (Losses)															
Investment income	1,302	(1,032)	(93)	(105)	(968)	(120)	1,309	(115)	78	(275)	(197)	(149)	622	469	726
Contribution received in affiliations			(87)			2,518								87	2,518
Other, net	2	1,858	(84)	1,245	2	1	(4)		(3)	6		(9,202)	(1,534)	(88)	(7,801)
Total nonoperating gains (losses), net	1,304	826	(264)	1,140	(966)	2,399	1,305	(115)	75	(269)	(197)	(9,351)	(912)	468	(4,557)
Excess of Revenues Over (Under) Expenses	$ 25,170	$ 15,185	$ 2,168	$ 22,338	$ 5,928	$ 14,699	$ 6,585	$ 463	$ 7,835	$ (88,821)	$ 3,606	$ (31,990)	$ (9,391)	$ 84,519	$ 58,294

Definitions

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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

Schedule 3

UnityPoint Health - Des Moines and Subsidiaries (Des Moines)
Consolidating Schedule - Balance Sheet Information
(In Thousands)
December 31, 2015

Assets

	UPHDM	CIHC	UPHF	CIHP	UPC	UPAH	Eliminations	Consolidated
Current Assets								
Cash and cash equivalents	$	$ 5,290	$ 1,872	$ 564	$	$	$	$ 7,726
Short-term investments		3,016	80					3,096
Assets limited as to use - required for current liabilities		3,793						3,793
Patient accounts receivable, less estimated uncollectibles		95,567						95,567
Other receivables		11,833	3	100				11,936
Inventories		15,145	55					15,200
Prepaid expenses		2,932	52	45				3,029
Due from affiliates		4,257	7	13,595			(15,341)	2,518
Total current assets		141,833	2,069	14,304			(15,341)	142,865
Assets Limited As to Use, Noncurrent								
Internally designated		492,835	81,394					574,229
Property, Plant and Equipment, Net		242,672	41	21,571				264,284
Other Long-term Investments		25,367	47,938					73,305
Investments in Joint Ventures and Other Investments		42,993	9	3,752	25,974	35,938	(35,516)	73,150
Contributions Receivable, Net			9,941					9,941
Other		13,566		27			1	13,594
Due From Affiliates		2,106					(2,106)	-
Total assets	$ -	$ 961,372	$ 141,392	$ 39,654	$ 25,974	$ 35,938	$ (52,962)	$ 1,151,368

Liabilities and Net Assets(Deficit)

	UPHDM	CIHC	UPHF	CIHP	UPC	UPAH	Eliminations	Consolidated
Current Liabilities								
Current maturities of long-term debt	$	$ 242	$	$	$	$	$	$ 242
Accounts payable		28,373	11	261				28,645
Accrued payroll		19,385	308					19,693
Accrued interest		5						5
Estimated settlements due to third-party payers		7,569						7,569
Due to affiliates	87	26,139	1,817	439			(15,341)	13,141
Other current liabilities		8,362	1	741			2	9,106
Total current liabilities	87	90,075	2,137	1,441			(15,339)	78,401
Long-term Debt, Net		2,850						2,850
Other Long-term Liabilities		24,449	1,011					25,460
Due to Affiliates		113,805		2,106			(2,106)	113,805
Total liabilities	87	231,179	3,148	3,547			(17,445)	220,516
Net Assets (Deficit)								
Unrestricted	(87)	694,317	101,086	36,107	25,974	35,776	(1)	893,172
Temporarily restricted		18,731	19,330			162	(18,371)	19,852
Permanently restricted		17,145	17,828				(17,145)	17,828
Total net assets (deficit)	(87)	730,193	138,244	36,107	25,974	35,938	(35,517)	930,852
Total liabilities and net assets	$ -	$ 961,372	$ 141,392	$ 39,654	$ 25,974	$ 35,938	$ (52,962)	$ 1,151,368

Definitions

UPHDM - UnityPoint Health - Des Moines
CIHC - Central Iowa Hospital Corporation
UPHF - UnityPoint Health 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, 2015

	UPHDM	CIHC	UPHF	CIHP	UPC	UPAH	Eliminations	Consolidated
Revenue								
Patient service revenue (net of contractual allowances)	$	$ 695,595	$	$	$ 150,306	$ 57,501	$ (134)	$ 903,268
Provision for patient uncollectible accounts		(25,216)			(4,232)		1	(29,447)
Net patient service revenue		670,379			146,074	57,501	(133)	873,821
Other operating revenue		50,876	942	5,675	12,372	2,990	(13,500)	59,355
Net assets released from restrictions used for operations		3,909	(556)		20	183	1	3,557
Total revenue		725,164	386	5,675	158,466	60,674	(13,632)	936,733
Expenses								
Salaries and wages		247,556	1,293	65	41,747	32,468		323,129
Physician compensation and services		74,148		1	78,808	209	(4,350)	148,816
Employee benefits		58,426	224	19	11,854	6,801		77,324
Supplies		130,620	81	9	16,690	9,919	(1)	157,318
Other expenses	92	125,119	782	2,382	37,499	8,634	(9,282)	165,226
Depreciation and amortization		28,712	18	1,608	3,226	1,099		34,663
Interest		5,611		24	436	(13)	(1)	6,057
Provision for uncollectible accounts						334		334
Total expenses	92	670,192	2,398	4,108	190,260	59,451	(13,634)	912,867
Operating Income (Loss)	(92)	54,972	(2,012)	1,567	(31,794)	1,223	2	23,866
Nonoperating Gains (Losses)								
Investment income		1,204	295		(126)	(71)		1,302
Other, net				1	3		(2)	2
Total nonoperating gains (losses), net		1,204	295	1	(123)	(71)	(2)	1,304
Revenues Over (Under) Expenses	$ (92)	$ 56,176	$ (1,717)	$ 1,568	$ (31,917)	$ 1,152	$ -	$ 25,170

Definitions

UPHDM - UnityPoint Health - Des Moines
CIHC - Central Iowa Hospital Corporation
UPHF - UnityPoint Health 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 5

Methodist Health Services Corporation and Subsidiaries (Peoria)
Consolidating Schedule - Balance Sheet Information
(In Thousands)
December 31, 2015

Assets

	MHSC	MMCI	MS	MMCF	PHC	PH	Belcrest	Hult	PHS	HP	Eliminations	Consolidated
Current Assets												
Cash and cash equivalents	$ 2,355	$ 24,539	$ 194	$ 95	$	$ 8,166	$ 731	$ 948	$ 617	$ 58	$	$ 37,703
Short-term investments		3,275				1,332	265		221			5,093
Assets limited as to use - required for current liabilities						1,883						1,883
Patient accounts receivable, less estimated uncollectibles		50,410				11,320	1,147		931			63,808
Other receivables		7,494	183	6		2,805						10,488
Inventories		4,915				2,067	574					7,556
Prepaid expenses		3,052	162	5		736	3	4		4	2	3,968
Due from affiliates	265	46,196	2,800	15	3,478	11,956	5,106		496	2	(68,745)	1,569
Total current assets	2,620	139,881	3,339	121	3,478	40,265	7,826	952	2,265	64	(68,743)	132,068
Assets Limited As to Use, Noncurrent												
Internally designated		4,297		2,954							-	7,251
Property, Plant and Equipment, Net		155,940	90,956			32,480	68	1,192	514			281,150
Other Long-term Investments		180,413		25,391				531				206,335
Investments in Joint Ventures and Other Investments	389	39,231		157	17,617						(46,114)	11,280
Contributions Receivable, Net		6,141		17		6,592		121				12,871
Other	122	14,110	-			6,321	1		2		(4)	20,552
Total assets	$ 3,131	$ 540,013	$ 94,295	$ 28,640	$ 21,095	$ 85,658	$ 7,895	$ 2,796	$ 2,781	$ 64	$ (114,861)	$ 671,507

Liabilities and Net Assets (Deficit)

	MHSC	MMCI	MS	MMCF	PHC	PH	Belcrest	Hult	PHS	HP	Eliminations	Consolidated
Current Liabilities												
Current maturities of long-term debt	$	$ 5,675	$	$	$	$ 1,310	$	$	$	$	$	$ 6,985
Accounts payable	1	27,345	321	2		5,574	86	20	12			33,361
Accrued payroll	300	10,270		1		1,508	83	20	41			12,223
Accrued interest		152				577						729
Estimated settlements due to third-party payers		48,094				5,748						53,842
Due to affiliates	592	4,189	14,826		5	28,137	11,405	284	14,069	783	(68,745)	5,545
Other current liabilities		14,690	1,076	39		1,697	162		188			17,852
Total current liabilities	893	110,415	16,223	42	5	44,551	11,736	324	14,310	783	(68,745)	130,537
Long-term Debt, Net		82,500				22,421						104,921
Other Long-term Liabilities		110,779		100		27,670						138,549
Due to Affiliates		24,500										24,500
Total liabilities	893	328,194	16,223	142	5	94,642	11,736	324	14,310	783	(68,745)	398,507
Net Assets (Deficit)												
Unrestricted	2,238	189,063	78,072	12,091	21,090	(15,698)	(3,841)	2,351	(11,529)	(719)	(29,710)	243,408
Temporarily restricted		17,738		11,408		6,263		121			(11,408)	24,122
Permanently restricted		5,018		4,999		451					(4,998)	5,470
Total net assets (deficit)	2,238	211,819	78,072	28,498	21,090	(8,984)	(3,841)	2,472	(11,529)	(719)	(46,116)	273,000
Total liabilities and net assets	$ 3,131	$ 540,013	$ 94,295	$ 28,640	$ 21,095	$ 85,658	$ 7,895	$ 2,796	$ 2,781	$ 64	$ (114,861)	$ 671,507

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

Schedule 6

Methodist Health Services Corporation and Subsidiaries (Peoria)
Consolidating Schedule - Revenue and Gains, Expenses and Losses Information
(In Thousands)
Year Ended December 31, 2015

	MHSC	MMCI	MS	MMCF	PHC	PH	Belcrest	Hult	PHS	HP	Eliminations	Consolidated
Revenue												
Patient service revenue (net of contractual allowances)	$	$ 382,199	$	$	$	$ 93,760	$ 6,757	$	$ 5,000	$	$ (1,326)	$ 486,390
Provision for patient uncollectible accounts		(18,292)				(4,569)	(354)		(89)			(23,304)
Net patient service revenue		363,907				89,191	6,403		4,911		(1,326)	463,086
Other operating revenue	13,265	24,512	10,044	459		4,289	227	1,000	377		(20,874)	33,299
Net assets released from restrictions used for operations		379		515		400		280				1,574
Total revenue	13,265	388,798	10,044	974		93,880	6,630	1,280	5,288		(22,200)	497,959
Expenses												
Salaries and wages	10,806	111,317		335		28,564	1,931	666	951			154,570
Physician compensation and services	23	55,701				1,688	2,697		3,645			63,754
Employee benefits	2,409	24,764	20	86		5,373	509	152	303			33,616
Supplies	1	52,059	27	4		18,782	648	72	167			71,760
Other expenses	26	112,838	6,370	782	11	28,160	2,335	434	2,050	27	(22,199)	130,834
Depreciation and amortization		17,224	4,293			4,205	112	72	61			25,967
Interest		1,973				1,126						3,099
Total expenses	13,265	375,876	10,710	1,207	11	87,898	8,232	1,396	7,177	27	(22,199)	483,600
Operating Income (Loss)	-	12,922	(666)	(233)	(11)	5,982	(1,602)	(116)	(1,889)	(27)	(1)	14,359
Nonoperating Gains (Losses)												
Investment income		(1,147)		125		10		(20)				(1,032)
Other, net		1,999		(87)		(54)	(1)				1	1,858
Total nonoperating gains (losses), net		852		38		(44)	(1)	(20)			1	826
Revenues Over (Under) Expenses	$ -	$ 13,774	$ (666)	$ (195)	$ (11)	$ 5,938	$ (1,603)	$ (136)	$ (1,889)	$ (27)	$ -	$ 15,185

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

Schedule 7

Trinity Regional Health System and Subsidiaries (Rock Island)
Consolidating Schedule - Balance Sheet Information
(In Thousands)
December 31, 2015

Assets

	TRHS	TMC	THF	THE	TM	UPC	UPAH	Eliminations	Consolidated
Current Assets									
Cash and cash equivalents	$	$ 8,376	$ 694	$ 223	$ 6,358	$	$	$ 2	$ 15,653
Short-term investments		1,141	101	8	2,418				3,668
Assets limited as to use - required for current liabilities		3,526							3,526
Patient accounts receivable, less estimated uncollectibles		47,038		1,651	5,502				54,191
Other receivables	78	5,399			335				5,812
Inventories		9,231		254	1,086				10,571
Prepaid expenses	15	1,225	126	10	63				1,439
Due from affiliates	985	14,969		160	380			(13,827)	2,667
Total current assets	1,078	90,905	921	2,306	16,142			(13,825)	97,527
Assets Limited As to Use, Noncurrent									
Internally designated	17,122	132,663			7,563				157,348
Property, Plant and Equipment, Net	7	174,453		324	28,885				203,669
Other Long-term Investments		6,979	6,867		1,529				15,375
Investments in Joint Ventures and Other Investments	2,193	11,684		116		4,140	2,477	(9,431)	11,179
Contributions Receivable, Net			2,660		667				3,327
Other		59,206		87	313				59,606
Due from Affiliates		12,231						(12,231)	-
Total assets	$ 20,400	$ 488,121	$ 10,448	$ 2,833	$ 55,099	$ 4,140	$ 2,477	$ (35,487)	$ 548,031

Liabilities and Net Assets (Deficit)

	TRHS	TMC	THF	THE	TM	UPC	UPAH	Eliminations	Consolidated
Current Liabilities									
Current maturities of long-term debt	$	$ 2,309	$	$	$ 842	$	$	$	$ 3,151
Accounts payable	769	19,033		196	2,256				22,254
Accrued payroll	834	8,880	13	92	1,159				10,978
Estimated settlements due to third-party payers		2,745			290			(1)	3,034
Due to affiliates	3,883	9,522	1,876	367	8,152			(13,827)	9,973
Other current liabilities		5,785	179	(10)	508				6,462
Total current liabilities	5,486	48,274	2,068	645	13,207			(13,828)	55,852
Long-term Debt, Net		6,671			14,374				21,045
Other Long-term Liabilities		12,341	68		766				13,175
Due to Affiliates		148,906			12,231			(12,231)	148,906
Total liabilities	5,486	216,192	2,136	645	40,578			(26,059)	238,978
Net Assets (Deficit)									
Unrestricted									
Attributable to UnityPoint Health	14,914	216,729	(585)	2,188	12,675	4,140	2,477	(2,095)	250,443
Attributable to noncontrolling interest		47,782							47,782
Total unrestricted	14,914	264,511	(585)	2,188	12,675	4,140	2,477	(2,095)	298,225
Temporarily restricted		5,580	6,086		1,846			(5,495)	8,017
Permanently restricted		1,838	2,811					(1,838)	2,811
Total net assets (deficit)	14,914	271,929	8,312	2,188	14,521	4,140	2,477	(9,428)	309,053
Total liabilities and net assets	$ 20,400	$ 488,121	$ 10,448	$ 2,833	$ 55,099	$ 4,140	$ 2,477	$ (35,487)	$ 548,031

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

Schedule 8

Trinity Regional Health System and Subsidiaries (Rock Island)
Consolidating Schedule - Revenue and Gains, Expenses and Losses Information
(In Thousands)
Year Ended December 31, 2015

	TRHS	TMC	THF	THE	TM	UPC	UPAH	Eliminations	Consolidated
Revenue									
Patient service revenue (net of contractual allowances)	$	$ 411,182	$	$ 6,552	$ 49,686	$ 46,561	$ 18,970	$ (19)	$ 532,932
Provision for patient uncollectible accounts		(15,165)		(143)	(3,669)	(2,157)			(21,134)
Net patient service revenue		396,017		6,409	46,017	44,404	18,970	(19)	511,798
Other operating revenue	332	19,631	266	33	1,916	2,967	624	(4,631)	21,138
Net assets released from restrictions used for operations	43	22	219			-	3		287
Total revenue	375	415,670	485	6,442	47,933	47,371	19,597	(4,650)	533,223
Expenses									
Salaries and wages	(26)	124,338	697	1,524	15,220	15,752	12,220	(1)	169,724
Physician compensation and services	27	40,184			5,553	28,053	64		73,881
Employee benefits		29,628	161	371	3,877	6,785	2,692	(73)	43,441
Supplies	(1)	76,688	16	2,919	5,842	3,897	864	(9)	90,216
Other expenses		94,674	612	1,088	12,395	11,643	2,958	(4,193)	119,177
Depreciation and amortization		19,039		165	2,666	975	82		22,927
Interest		8,372			1,013			(837)	8,548
Provision for uncollectible accounts		403					32		435
Total expenses	-	393,326	1,486	6,067	46,566	67,105	18,912	(5,113)	528,349
Operating Income (Loss)	375	22,344	(1,001)	375	1,367	(19,734)	685	463	4,874
Income (loss) attributable to noncontrolling interests		(2,443)						1	(2,442)
Operating Income (Loss) Attributable to UPH	375	19,901	(1,001)	375	1,367	(19,734)	685	464	2,432
Nonoperating Gains (Losses)									
Investment income	14	777	(27)		66	(44)	(40)	(839)	(93)
Contribution received in affiliations			(100)		13				(87)
Other, net		(85)			1	1		(1)	(84)
Total nonoperating gains (losses), net	14	692	(127)		80	(43)	(40)	(840)	(264)
Revenues Over (Under) Expenses	$ 389	$ 20,593	$ (1,128)	$ 375	$ 1,447	$ (19,777)	$ 645	$ (376)	$ 2,168

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

Schedule 9

Meriter Health Services, Inc. and Subsidiaries (Madison)
Consolidating Schedule - Balance Sheet Information
(In Thousands)
December 31, 2015

Assets

	MHS	MH	MF	MMG	ML	MHH	MMS	Eliminations	Consolidated
Current Assets									
Cash and cash equivalents	$ 104	$ 11,047	$ 1,930	$ 909	$ 189	$ 1,686	$ 319	$	$ 16,184
Short-term investments		2,943							2,943
Patient accounts receivable, less estimated uncollectibles		32,788		5,493	298	1,763			40,342
Other receivables		1,578	501	265	565	232	935		4,076
Inventories		4,317				846			5,163
Prepaid expenses	29	538	86	298	339	5			1,295
Due from affiliates	6,620	167,956		398	714	1		(168,670)	7,019
Total current assets	6,753	221,167	2,517	7,363	2,105	4,533	1,254	(168,670)	77,022
Property, Plant and Equipment, Net		225,219		29,443	1,925	123	174	(511)	256,373
Other Long-term Investments	205	299,538	16,612	9,037	2,214	1,260	3,948		332,814
Investments in Joint Ventures and Other Investments	5,134	66,317					516	(12,797)	59,170
Other							1,308		1,308
Due From Affiliates	21,583								21,583
Total assets	$ 33,675	$ 812,241	$ 19,129	$ 45,843	$ 6,244	$ 5,916	$ 7,200	$ (181,978)	$ 748,270

Liabilities and Net Assets (Deficit)

Current Liabilities									
Current maturities of long-term debt	$	$ 868	$	$	$ 155	$	$	$	$ 1,023
Accounts payable	71	11,962	582	1,509	600	359	228	(31)	15,280
Accrued payroll	461	17,382	37	8,345	775	515	2,541		30,056
Estimated settlements due to third-party payers		2,877		750					3,627
Due to affiliates	6,563	7,467	441	158,365		925	2,401	(168,668)	7,494
Other current liabilities	7	2,735	126	416	285	46	81		3,696
Total current liabilities	7,102	43,291	1,186	169,385	1,815	1,845	5,251	(168,699)	61,176
Long-term Debt, Net		5,084			95				5,179
Other Long-term Liabilities	1,423	56,564	128	11,087	4,824	3,065	5,246		82,337
Due to Affiliates		198,169							198,169
Total liabilities	8,525	303,108	1,314	180,472	6,734	4,910	10,497	(168,699)	346,861
Net Assets (Deficit)									
Unrestricted	25,150	504,306	9,959	(134,629)	(490)	1,006	(3,297)	(6,094)	395,911
Temporarily restricted		4,523	7,245					(6,881)	4,887
Permanently restricted		304	611					(304)	611
Total net assets (deficit)	25,150	509,133	17,815	(134,629)	(490)	1,006	(3,297)	(13,279)	401,409
Total liabilities and net assets	$ 33,675	$ 812,241	$ 19,129	$ 45,843	$ 6,244	$ 5,916	$ 7,200	$ (181,978)	$ 748,270

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

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, 2015

	MHS	MH	MF	MMG	ML	MHH	MMS	Eliminations	Consolidated
Revenue									
Patient service revenue (net of contractual allowances)	$	$ 380,551	$	$ 56,055	$ 18,331	$ 10,084	$	$ (13,005)	$ 452,016
Provision for patient uncollectible accounts		(6,963)		(1,239)	(37)	(179)		(1)	(8,419)
Net patient service revenue		373,588		54,816	18,294	9,905		(13,006)	443,597
Other operating revenue	2,677	20,332	984	3,580	392	75	16,007	(24,652)	19,395
Net assets released from restrictions used for operations		178	10	2					190
Total revenue	2,677	394,098	994	58,398	18,686	9,980	16,007	(37,658)	463,182
Expenses									
Salaries and wages	1,309	128,282	388	17,292	5,691	4,180	6,570		163,712
Physician compensation and services		11,417		38,019					49,436
Employee benefits	238	38,859	106	6,319	1,910	1,429	1,502		50,363
Supplies	3	50,575	7	5,386	3,756	2,197	48		61,972
Other expenses	1,094	98,435	935	9,279	5,317	2,239	6,513	(36,074)	87,738
Depreciation and amortization	4	17,599		2,228	448	31	7		20,317
Interest		8,434			12				8,446
Total expenses	2,648	353,601	1,436	78,523	17,134	10,076	14,640	(36,074)	441,984
Operating Income (Loss)	29	40,497	(442)	(20,125)	1,552	(96)	1,367	(1,584)	21,198
Nonoperating Gains (Losses)									
Investment income	(2)	(186)	54	(161)	73	85	32		(105)
Other, net	1,246				(1)				1,245
Total nonoperating gains (losses), net	1,244	(186)	54	(161)	72	85	32		1,140
Revenues Over (Under) Expenses	$ 1,273	$ 40,311	$ (388)	$ (20,286)	$ 1,624	$ (11)	$ 1,399	$ (1,584)	$ 22,338

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

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ATTACHMENT 6

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

Schedule 11

St. Luke's Healthcare and Subsidiaries (Cedar Rapids)
Consolidating Schedule - Balance Sheet Information
(In Thousands)
December 31, 2015

Assets

	SLMH	CARE	CC-STL	STL-HR	JRMC	CARDIO LC	STEAM, INC.	MED LABS	UPC	Eliminations	Consolidated
Current Assets											
Cash and cash equivalents	$ 16,219	$ 1,964	$ 1,807	$ 442	$ 11,518	$ (84)	$	$ 1,646	$	$	$ 33,512
Short-term investments	7,700		847		2,680						11,227
Assets limited as to use - required for current liabilities	2,175										2,175
Patient accounts receivable, less estimated uncollectibles	48,362	1,192	850		3,398			1,259			55,061
Other receivables	4,416			3	99	1	32	3		(4)	4,550
Inventories	7,382		73		322			153			7,930
Prepaid expenses	1,719	46	6		23		6	25		1	1,826
Due from affiliates	7,039	90		1,412	98	52	124	425		(6,834)	2,406
Total current assets	95,012	3,292	3,583	1,857	18,138	(31)	162	3,511		(6,837)	118,687
Assets Limited As to Use, Noncurrent											
Internally designated	133,593										133,593
Property, Plant and Equipment, Net	144,834	3,899	126	1,692	20,845		3,909	267		674	176,246
Other Long-term Investments	27,893				521	186					28,600
Investments in Joint Ventures and Other Investments	13,254	4,865							12,238	(12,313)	18,044
Contributions Receivable, Net	34,086				1,728						35,814
Other	980				26			574		2	1,582
Due From Affiliates				1,136						(1,136)	-
Total assets	$ 449,652	$ 12,056	$ 3,709	$ 4,685	$ 41,258	$ 155	$ 4,071	$ 4,352	$ 12,238	$ (19,610)	$ 512,566

Liabilities and Net Assets (Deficit)

	SLMH	CARE	CC-STL	STL-HR	JRMC	CARDIO LC	STEAM, INC.	MED LABS	UPC	Eliminations	Consolidated
Current Liabilities											
Current maturities of long-term debt	$	$	$	$	$ 392	$	$	$	$	$	$ 392
Accounts payable	17,351	341	229	2	1,552		122	419			20,016
Accrued payroll	11,956	427	127		629			119			13,258
Estimated settlements due to third-party payers	2,628		(296)		517						2,849
Due to affiliates	8,129	17	1,574		2,585			1,518		(6,835)	6,988
Other current liabilities	4,585		1	63				(3)		(2)	4,644
Total current liabilities	44,649	785	1,635	65	5,675		122	2,053		(6,837)	48,147
Long-term Debt, Net					8,188						8,188
Other Long-term Liabilities	20,997			524		186				1	21,708
Due to Affiliates	79,649									(1,136)	78,513
Total liabilities	145,295	785	1,635	589	13,863	186	122	2,053		(7,972)	156,556
Net Assets (Deficit)											
Unrestricted											
Attributable to UnityPoint Health	269,196	11,271	2,074	4,096	25,664	(31)	275	2,299	12,238	(11,638)	315,444
Attributable to noncontrolling interest							119				119
Total unrestricted	269,196	11,271	2,074	4,096	25,664	(31)	394	2,299	12,238	(11,638)	315,563
Temporarily restricted											
Attributable to UnityPoint Health	16,383				1,731		2,537				20,651
Attributable to noncontrolling interest							1,018				1,018
Total temporarily restricted	16,383				1,731		3,555				21,669
Permanently restricted	18,778										18,778
Total net assets (deficit)	304,357	11,271	2,074	4,096	27,395	(31)	3,949	2,299	12,238	(11,638)	356,010
Total liabilities and net assets	$ 449,652	$ 12,056	$ 3,709	$ 4,685	$ 41,258	$ 155	$ 4,071	$ 4,352	$ 12,238	$ (19,610)	$ 512,566

Definitions

SLMH - St. Luke's Methodist Hospital
CARE - STL Care Company
CC-STL - Continuing Care Hospital, STL
STL-HR - STL Health Resources
JRMC - Jones Regional Medical Center
CARDIO LC - Cardiologists, L.C.
STEAM, INC. - St. Luke's Coe Steam, Inc.
MED LABS - Medical Labs of Eastern Iowa
UPC - UnityPoint Clinic, 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, 2015

	SLMH	CARE	CC-STL	STL-HR	JRMC	CARDIO LC	STEAM, INC.	MED LABS	UPC	Eliminations	Consolidated
Revenue											
Patient service revenue (net of contractual allowances)	$ 342,719	$ 12,217	$ 7,047	$	$ 24,564	$ 36	$	$ 7,719	$ 65,756	$ (1,266)	$ 458,792
Provision for patient uncollectible accounts	(9,309)	(170)	(57)		(1,452)	(26)		(178)	(1,712)	(1)	(12,905)
Net patient service revenue	333,410	12,047	6,990		23,112	10		7,541	64,044	(1,267)	445,887
Other operating revenue	21,738	265		80	192		1,282	35	20,107	(25,316)	18,383
Net assets released from restrictions used for operations	1,186				5						1,191
Total revenue	356,334	12,312	6,990	80	23,309	10	1,282	7,576	84,151	(26,583)	465,461
Expenses											
Salaries and wages	119,502	6,642	2,619	13	7,293		63	1,955	23,616	31	161,734
Physician compensation and services	19,913	34	15		2,963			792	53,031	(17,163)	59,585
Employee benefits	30,797	936	611		1,810		16	555	7,150	13	41,888
Supplies	63,260	1,331	769		1,822		51	1,062	6,012	(70)	74,237
Other expenses	73,327	3,031	2,958	(7)	5,508	2	1,132	2,749	18,586	(9,370)	97,916
Depreciation and amortization	15,406	313	42	55	1,166		233	65	1,765		19,045
Interest	3,902	2			2					(22)	3,884
Provision for uncollectible accounts	165				(1)			175			339
Total expenses	326,272	12,289	7,014	61	20,563	2	1,495	7,353	110,160	(26,581)	458,628
Operating Income (Loss)	30,062	23	(24)	19	2,746	8	(213)	223	(26,009)	(2)	6,833
Income attributable to noncontrolling interests							61				61
Operating Income (Loss) Attributable to UPH	30,062	23	(24)	19	2,746	8	(152)	223	(26,009)	(2)	6,894
Nonoperating Gains (Losses)											
Investment income	(941)	1	4		41				(73)		(968)
Other, net	(1)				1				2		2
Total nonoperating gains (losses), net	(942)	1	4		42				(71)		(966)
Revenues Over (Under) Expenses	$ 29,120	$ 24	$ (20)	$ 19	$ 2,788	$ 8	$ (152)	$ 223	$ (26,080)	$ (2)	$ 5,928

Definitions

SLMH - St. Luke's Methodist Hospital
CARE - STL Care Company
CC-STL - Continuing Care Hospital, STL
STL-HR - STL Health Resources
JRMC - Jones Regional Medical Center
CARDIO LC - Cardiologists, L.C.
STEAM, INC. - St. Luke's Coe Steam, Inc.
MED LABS - Medical Labs of Eastern Iowa
UPC - UnityPoint Clinic, SLHC portion

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

Schedule 13

Allen Health Systems, Inc. and Subsidiaries (Waterloo)
Consolidating Schedule - Balance Sheet Information
(In Thousands)
December 31, 2015

Assets

	AHS	AMH	MFAH	AC	BHGMHC	UPC	UPAH	Eliminations	Consolidated
Current Assets									
Cash and cash equivalents	$	$ 10,691	$ 3,151	$ 7,198	$ 687	$	$	$	$ 21,727
Short-term investments.		5,786			208				5,994
Assets limited as to use - required for current liabilities		873							873
Patient accounts receivable, less estimated uncollectibles		27,745			231				27,976
Other receivables		3,474		451	201				4,126
Inventories		6,407		5					6,412
Prepaid expenses		969		67	14				1,050
Due from affiliates		5,224	4	13				(4,338)	903
Total current assets		61,169	3,155	7,734	1,341			(4,338)	69,061
Assets Limited As to Use, Noncurrent									
Internally designated		1,057							1,057
Property, Plant and Equipment, Net		108,786		39	2,397				111,222
Other Long-term Investments		114,579	6,601		446				121,626
Investments in Joint Ventures and Other Investments		6,188	1,061	9,044		(5,163)	2,865	(13,661)	334
Contributions Receivable, Net			5,568						5,568
Other		6,081	1						6,082
Total assets	$ -	$ 297,860	$ 16,386	$ 16,817	$ 4,184	$ (5,163)	$ 2,865	$ (17,999)	$ 314,950

Liabilities and Net Assets (Deficit)

	AHS	AMH	MFAH	AC	BHGMHC	UPC	UPAH	Eliminations	Consolidated
Current Liabilities									
Current maturities of long-term debt	$	$	$	$	$ 47	$	$	$	$ 47
Accounts payable		13,393	11	37	21				13,462
Accrued payroll		7,198	10	137	226				7,571
Estimated settlements due to third-party payers		3,489							3,489
Due to affiliates		5,774	1,086	3,388	10			(4,335)	5,923
Other current liabilities		2,322		11				(1)	2,332
Total current liabilities		32,176	1,107	3,573	304			(4,336)	32,824
Long-term Debt, Net					477				477
Other Long-term Liabilities		9,744	59	637	615				11,055
Due to Affiliates	3	56,737						(3)	56,737
Total liabilities	3	98,657	1,166	4,210	1,396			(4,339)	101,093
Net Assets (Deficit)									
Unrestricted	(3)	194,368	1,489	3,563	2,626	(5,163)	2,784	1	199,665
Temporarily restricted		2,412	4,630	2,366	162		81	(4,560)	5,091
Permanently restricted		2,423	9,101	6,678				(9,101)	9,101
Total net assets (deficit)	(3)	199,203	15,220	12,607	2,788	(5,163)	2,865	(13,660)	213,857
Total liabilities and net assets	$ -	$ 297,860	$ 16,386	$ 16,817	$ 4,184	$ (5,163)	$ 2,865	$ (17,999)	$ 314,950

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

Schedule 14

Allen Health Systems, Inc. and Subsidiaries (Waterloo)
Consolidating Schedule - Revenue and Gains, Expenses and Losses Information
(In Thousands)
Year Ended December 31, 2015

	AHS	AMH	MFAH	AC	BHGMHC	UPC	UPAH	Eliminations	Consolidated
Revenue									
Patient service revenue (net of contractual allowances)	$	$ 225,316	$	$	$ 2,733	$ 32,799	$ 13,354	$ 1	$ 274,203
Provision for patient uncollectible accounts		(4,047)				(1,019)			(5,066)
Net patient service revenue		221,269			2,733	31,780	13,354	1	269,137
Other operating revenue		7,478	12	9,715	1,849	4,392	491	(5,020)	18,917
Net assets released from restrictions used for operations		144	(3)	406			29		576
Total revenue		228,891	9	10,121	4,582	36,172	13,874	(5,019)	288,630
Expenses									
Salaries and wages		66,671	307	5,316	3,237	10,749	7,568		93,848
Physician compensation and services		16,446		67	114	19,975	(48)	(2,717)	33,837
Employee benefits		16,448	77	1,274	558	3,178	1,504		23,039
Supplies		49,068	20	200	83	3,934	1,817		55,122
Other expenses	3	42,531	323	1,578	429	8,461	2,029	(2,302)	53,052
Depreciation and amortization		13,653		1	156	393	239		14,442
Interest		2,852	4		24		(1)		2,879
Provision for uncollectible accounts				25	20		66		111
Total expenses	3	207,669	731	8,461	4,621	46,690	13,174	(5,019)	276,330
Operating Income (Loss)	(3)	21,222	(722)	1,660	(39)	(10,518)	700	-	12,300
Nonoperating Gains (Losses)									
Investment income		(110)	25			(31)	(4)		(120)
Contribution received in affiliations					2,518				2,518
Other, net						1	(1)	1	1
Total nonoperating gains (losses), net		(110)	25		2,518	(30)	(5)	1	2,399
Revenues Over (Under) Expenses	$ (3)	$ 21,112	$ (697)	$ 1,660	$ 2,479	$ (10,548)	$ 695	$ 1	$ 14,699

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

Schedule 15

St. Luke's Health System, Inc. (Sioux City)
Consolidating Schedule - Balance Sheet Information
(In Thousands)
December 31, 2015

Assets

	SLHS	SLRMC	SLHR	PACE	UPC	UPAH	Eliminations	Consolidated
Current Assets								
Cash and cash equivalents	$ 62	$ 3,724	$ 129	$ 1,373	$	$	$	$ 5,288
Short-term investments		(376)	6	(17)				(387)
Assets limited as to use - required for current liabilities		747						747
Patient accounts receivable, less estimated uncollectibles		24,808	859	(25)			(109)	25,533
Other receivables	114	3,398	8	53			(2)	3,571
Inventories		4,613	19					4,632
Prepaid expenses	21	801		1				823
Due from affiliates	114	51,063	173	25			(50,355)	1,020
Total current assets	311	88,778	1,194	1,410			(50,466)	41,227
Assets Limited As to Use, Noncurrent								
Internally designated		47,583						47,583
Property, Plant and Equipment, Net	11,874	66,456	1,522	2,124				81,976
Other Long-term Investments		4,060						4,060
Investments in Joint Ventures and Other Investments	9,791	297			(370)	6,502		16,220
Contributions Receivable, Net		4,188						4,188
Other		263					1	264
Total assets	$ 21,976	$ 211,625	$ 2,716	$ 3,534	$ (370)	$ 6,502	$ (50,465)	$ 195,518

Liabilities and Net Assets (Deficit)

Current Liabilities								
Current maturities of long-term debt	$	$ 779	$	$	$	$	$	$ 779
Accounts payable	9	7,213	89	1,377			(111)	8,577
Accrued payroll		4,486	96	67				4,649
Estimated settlements due to third-party payers		1,608		192				1,800
Due to affiliates	1,289	6,543	49,840	42			(50,354)	7,360
Other current liabilities	348	2,203	141					2,692
Total current liabilities	1,646	22,832	50,166	1,678			(50,465)	25,857
Long-term Debt, Net		1,505						1,505
Other Long-term Liabilities		6,043	183					6,226
Due to Affiliates	7,740	42,881						50,621
Total liabilities	9,386	73,261	50,349	1,678			(50,465)	84,209
Net Assets (Deficit)								
Unrestricted								
Attributable to UnityPoint Health	12,590	130,762	(47,633)	1,856	(370)	6,502		103,707
Attributable to noncontrolling interest		2,946						2,946
Total unrestricted	12,590	133,708	(47,633)	1,856	(370)	6,502		106,653
Temporarily restricted		3,039						3,039
Permanently restricted		1,617						1,617
Total net assets (deficit)	12,590	138,364	(47,633)	1,856	(370)	6,502		111,309
Total liabilities and net assets	$ 21,976	$ 211,625	$ 2,716	$ 3,534	$ (370)	$ 6,502	$ (50,465)	$ 195,518

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

Schedule 16

St. Luke's Health System, Inc. (Sioux City)
Consolidating Schedule - Revenue and Gains, Expenses and Losses Information
(In Thousands)
Year Ended December 31, 2015

	SLHS	SLRMC	SLHR	PACE	UPC	UPAH	Eliminations	Consolidated
Revenue								
Patient service revenue (net of contractual allowances)	$	$ 170,470	$ 11,487	$ 11,847	$ 3,050	$ 9,882	$ (1,879)	$ 204,857
Provision for patient uncollectible accounts		(6,450)	(915)		(1)			(7,366)
Net patient service revenue		164,020	10,572	11,847	3,049	9,882	(1,879)	197,491
Other operating revenue	3,774	5,693	986	70	259	186	(2,017)	8,951
Total revenue	3,774	169,713	11,558	11,917	3,308	10,068	(3,896)	206,442
Expenses								
Salaries and wages		55,776	3,629	2,125	898	4,314		66,742
Physician compensation and services		16,697	5,943	486	2,145			25,271
Employee benefits		13,833	873	491	259	996		16,452
Supplies	3	29,217	599	2,002	108	1,781		33,710
Other expenses	991	37,362	1,931	5,799	386	1,109	(3,896)	43,682
Depreciation and amortization	1,125	8,009	218	13	10	225		9,600
Interest	451	2,643				(1)		3,093
Provision for uncollectible accounts	30	169				133		332
Total expenses	2,600	163,706	13,193	10,916	3,806	8,557	(3,896)	198,882
Operating Income (Loss)	1,174	6,007	(1,635)	1,001	(498)	1,511	-	7,560
Income (loss) attributable to noncontrolling interests		(2,280)						(2,280)
Operating Income (Loss) Attributable to UPH	1,174	3,727	(1,635)	1,001	(498)	1,511	-	5,280
Nonoperating Gains (Losses)								
Investment income		1,309	(1)				1	1,309
Other, net	(3)		1				(2)	(4)
Total nonoperating gains (losses), net	(3)	1,309					(1)	1,305
Revenues Over (Under) Expenses	$ 1,171	$ 5,036	$ (1,635)	$ 1,001	$ (498)	$ 1,511	$ (1)	$ 6,585

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

Schedule 17

Trinity Health Systems, Inc. and Subsidiaries (Fort Dodge)
Consolidating Schedule - Balance Sheet Information
(In Thousands)
December 31, 2015

Assets

	THS	TRMC	THF	TBC	TPG	BMHC	TP ACO	AUX	UPAH	Eliminations	Consolidated
Current Assets											
Cash and cash equivalents	$ 434	$ 2,409	$ 1,043	$ 323	$ 2,565	$ 1,220	$	$ 296	$	$ (1)	$ 8,289
Short-term investments	153	800	16	135		397					1,501
Assets limited as to use - required for current liabilities		602									602
Patient accounts receivable, less estimated uncollectibles		13,615			5,449	243				(1)	19,306
Other receivables	580	572	1	250	844	777				(1)	3,023
Inventories		2,518			487			184			3,189
Prepaid expenses	106	326			161	1					594
Due from affiliates	803	13,445		613	1,085	131	1,053	72		(14,501)	2,701
Total current assets	2,076	34,287	1,060	1,321	10,591	2,769	1,053	552		(14,504)	39,205
Assets Limited As to Use, Noncurrent											
Internally designated		39,263	14,765								54,028
Property, Plant and Equipment, Net	257	59,017		11,852	927	628					72,681
Other Long-term Investments	348	2,369	1,381		10,716						14,814
Investments in Joint Ventures and Other Investments	37,718	19,956							4,351	(56,368)	5,657
Contributions Receivable, Net			3,319								3,319
Other	22	2,308			87	41				4	2,462
Due From Affiliates		14								(14)	-
Total assets	$ 40,421	$ 157,214	$ 20,525	$ 13,173	$ 22,321	$ 3,438	$ 1,053	$ 552	$ 4,351	$ (70,882)	$ 192,166

Liabilities and Net Assets (Deficit)

	THS	TRMC	THF	TBC	TPG	BMHC	TP ACO	AUX	UPAH	Eliminations	Consolidated
Current Liabilities											
Accounts payable	$ 108	$ 4,841	$ 13	$ 12	$ 809	$ 69	$	$ 10	$	$	$ 5,862
Accrued payroll	347	2,936	9	6	2,188	82					5,568
Estimated settlements due to third-party payers		1,086									1,086
Due to affiliates	1,511	3,096	1,190	167	10,228	1,883	912			(14,504)	4,483
Other current liabilities	14	1,278		374	207	1		1		1	1,876
Total current liabilities	1,980	13,237	1,212	559	13,432	2,035	912	11		(14,503)	18,875
Other Long-term Liabilities	379	1,447			10,715	34				1	12,576
Due to Affiliates		15,900				14				(14)	15,900
Total liabilities	2,359	30,584	1,212	559	24,147	2,083	912	11		(14,516)	47,351
Net Assets (Deficit)											
Unrestricted	38,062	119,911	14,249	12,614	(1,826)	1,355	141	541	4,211	(51,002)	138,256
Temporarily restricted		4,826	3,156						140	(3,437)	4,685
Permanently restricted		1,893	1,908							(1,927)	1,874
Total net assets (deficit)	38,062	126,630	19,313	12,614	(1,826)	1,355	141	541	4,351	(56,366)	144,815
Total liabilities and net assets	$ 40,421	$ 157,214	$ 20,525	$ 13,173	$ 22,321	$ 3,438	$ 1,053	$ 552	$ 4,351	$ (70,882)	$ 192,166

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
UPAH - UnityPoint at Home, THS portion

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

Schedule 18

Trinity Health Systems, Inc. and Subsidiaries (Fort Dodge)
Consolidating Schedule - Revenue and Gains, Expenses and Losses Information
(In Thousands)
Year Ended December 31, 2015

	THS	TRMC	THF	TBC	TPG	BMHC	TP ACO	AUX	UPAH	Eliminations	Consolidated
Revenue											
Patient service revenue (net of contractual allowances)	$	$ 100,586	$	$	$ 40,771	$ 3,110	$	$	$ 10,989	$	$ 155,456
Provision for patient uncollectible accounts		(3,089)			(730)	(95)					(3,914)
Net patient service revenue		97,497			40,041	3,015			10,989		151,542
Other operating revenue	3,460	5,066	284	2,292	2,163	929			272	(4,423)	10,043
Net assets released from restrictions used for operations		58	21						140		219
Total revenue	3,460	102,621	305	2,292	42,204	3,944			11,401	(4,423)	161,804
Expenses											
Salaries and wages	2,618	34,059	155	120	9,993	1,516	207		6,006		54,674
Physician compensation and services		12,282			18,976	812			42		32,112
Employee benefits	436	7,857	49	38	2,587	381	52		1,298		12,698
Supplies	3	17,063	1	10	3,429	16			1,835		22,357
Other expenses	265	22,396	334	1,097	9,133	745	63		1,806	(4,422)	31,417
Depreciation and amortization	60	5,686		818	232	99			221		7,116
Interest		792				1					793
Provision for uncollectible accounts									59		59
Total expenses	3,382	100,135	539	2,083	44,350	3,570	322		11,267	(4,422)	161,226
Operating Income (Loss)	78	2,486	(234)	209	(2,146)	374	(322)		134	(1)	578
Nonoperating Gains (Losses)											
Investment income	(1)	(82)	41						(74)	1	(115)
Total nonoperating gains (losses), net	(1)	(82)	41						(74)	1	(115)
Revenues Over (Under) Expenses	$ 77	$ 2,404	$ (193)	$ 209	$ (2,146)	$ 374	$ (322)	$ -	$ 60	$ -	$ 463

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 - Trinitiy Regional Hospital Auxiliary
UPAH - UnityPoint at Home, THS portion

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

Schedule 19

Finley Tri-States Health Group, Inc. and Subsidiaries (Dubuque)
Consolidating Schedule - Balance Sheet Information
(In Thousands)
December 31, 2015

Assets

	TRI-ST	Finley	VNA	Eliminations	Consolidated
Current Assets					
Cash and cash equivalents	$	$ 5,703	$ 818	$	$ 6,521
Short-term investments		1,475	3		1,478
Patient accounts receivable, less estimated uncollectibles		17,096	359		17,455
Other receivables		2,667	40		2,707
Inventories		2,371			2,371
Prepaid expenses		395	2		397
Due from affiliates		1,468		(727)	741
Total current assets		31,175	1,222	(727)	31,670
Assets Limited As to Use, Noncurrent					
Internally designated		73,914			73,914
Property, Plant and Equipment, Net		74,374	81		74,455
Other Long-term Investments		733			733
Investments in Joint Ventures and Other Investments	14	4,883			4,897
Contributions Receivable, Net		5,829	2,250		8,079
Other		383			383
Total assets	$ 14	$ 191,291	$ 3,553	$ (727)	$ 194,131

Liabilities and Net Assets

Current Liabilities					
Accounts payable	$	$ 6,945	$ 9	$	$ 6,954
Accrued payroll		3,867	173		4,040
Estimated settlements due to third-party payers		837	1		838
Due to affiliates		1,992	767	(727)	2,032
Other current liabilities		1,125	2		1,127
Total current liabilities		14,766	952	(727)	14,991
Other Long-term Liabilities		1,783			1,783
Due to Affiliates		15,334			15,334
Total liabilities		31,883	952	(727)	32,108
Net Assets					
Unrestricted	14	153,575	328		153,917
Temporarily restricted		3,415	2,055		5,470
Permanently restricted		2,418	218		2,636
Total net assets	14	159,408	2,601		162,023
Total liabilities and net assets	$ 14	$ 191,291	$ 3,553	$ (727)	$ 194,131

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

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

Schedule 20

Finley Tri-States Health Group, Inc. and Subsidiaries (Dubuque)
Consolidating Schedule - Revenue and Gains, Expenses and Losses Information
(In Thousands)
Year Ended December 31, 2015

	TRI-ST	Finley	VNA	Eliminations	Consolidated
Revenue					
Patient service revenue (net of contractual allowances)	$	$ 115,035	$ 502	$	$ 115,537
Provision for patient uncollectible accounts		(4,110)			(4,110)
Net patient service revenue		110,925	502		111,427
Other operating revenue		4,860	2,279		7,139
Net assets released from restrictions used for operations		158	155		313
Total revenue		115,943	2,936		118,879
Expenses					
Salaries and wages		39,596	2,016		41,612
Physician compensation and services		8,539			8,539
Employee benefits		9,515	548		10,063
Supplies		17,454	82		17,536
Other expenses		27,617	281		27,898
Depreciation and amortization		5,596	21		5,617
Interest		(150)			(150)
Provision for uncollectible accounts		4			4
Total expenses		108,171	2,948		111,119
Operating Income (Loss)		7,772	(12)		7,760
Nonoperating Gains (Losses)					
Investment income		78			78
Other, net		(3)			(3)
Total nonoperating gains (losses), net		75			75
Revenues Over (Under) Expenses	$ -	$ 7,847	$ (12)	$ -	$ 7,835

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

Schedule 21

Affiliated Colleges
Balance Sheet Information
(In Thousands)
December 31, 2015

Assets

	MC	TCN	AC	SLC
Current Assets				
Cash and cash equivalents	$ 5,994	$ 74	$ 7,198	$ 216
Student loan and other receivables	460	28	464	128
Inventories	109		5	
Prepaid expenses	85		67	56
Total current assets	6,648	102	7,734	400
Property, Plant and Equipment, Net	688	180	39	81
Interest in Net Assets of Foundation	2,277	2,302	9,044	1,783
Other				287
Total assets	$ 9,613	$ 2,584	$ 16,817	$ 2,551

Liabilities and Net Assets (Deficit)

Current Liabilities				
Accounts payable	$ 80	$ 71	$ 37	$ 80
Accrued payroll	6	107	137	97
Other current liabilities	351	90	3,399	1,293
Total current liabilities	437	268	3,573	1,470
Other Long-term Liabilities			637	11
Total liabilities	437	268	4,210	1,481
Net Assets (Deficit)				
Unrestricted	6,899	(16)	3,563	(1,181)
Temporarily restricted	614	630	2,366	1,119
Permanently restricted	1,663	1,702	6,678	1,132
Total net assets (deficit)	9,176	2,316	12,607	1,070
Total liabilities and net assets	$ 9,613	$ 2,584	$ 16,817	$ 2,551

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

Schedule 22

Affiliated Colleges
Revenue and Gains, Expenses and Losses Information
(In Thousands)
Year Ended December 31, 2015

	MC	TCN	AC	SLC
Revenue				
Tuition and student revenue	$ 10,986	$ 4,398	$ 9,658	$ 3,171
Governmental pass-thru				565
Grant revenue	58	134	29	9
Other revenue	93	112	28	205
Net assets released from restrictions used for operations			406	
Total revenue	11,137	4,644	10,121	3,950
Expenses				
Salaries and wages	5,234	2,059	5,382	2,535
Employee benefits	1,302	431	1,273	590
Supplies	303	69	199	105
Other expenses	2,529	613	1,581	1,088
Depreciation and amortization	610	125	1	7
Interest		53		
Provision for uncollectible accounts		30	25	7
Total expenses	9,978	3,380	8,461	4,332
Operating Income (Loss)	1,159	1,264	1,660	(382)
Revenues Over (Under) Expenses	$ 1,159	$ 1,264	$ 1,660	$ (382)

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)

Progressive Health Systems

Independent Auditor's Report and Consolidated Financial Statements

April 30, 2016 and 2015

ATTACHMENT 6

Progressive Health Systems
April 30, 2016 and 2015

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ATTACHMENT 6

BKD LLP
CPAs & Advisors

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Independent Auditor's Report

Board of Trustees
Progressive Health Systems
Pekin, Illinois

We have audited the accompanying consolidated financial statements of Progressive Health Systems and its subsidiaries ("Progressive"), which comprise the consolidated balance sheets as of April 30, 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 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 Progressive'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 Progressive'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.

Praxity MEMBER ALLIANCE OF INDEPENDENT FIRMS

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Progressive as of April 30, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the 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

St. Louis, Missouri
September 14, 2016

Progressive Health Systems

Consolidated Balance Sheets

April 30, 2016 and 2015

Assets

	2016	2015
Current Assets		
Cash and cash equivalents	$ 1,583,045	$ 7,382,585
Short-term investments	503,043	1,001,244
Patient accounts receivable, net of allowance;		
2016 - $5,441,000, 2015 - $4,874,000	14,093,163	11,936,961
Supplies	1,698,529	1,664,661
Due from Medicare	-	243,005
Prepaid expenses and other	2,416,786	2,800,166
Total current assets	20,294,566	25,028,622
Assets Limited As To Use		
Internally designated	21,592,498	31,520,550
Held by trustees	248,231	246,965
	21,840,729	31,767,515
Property and Equipment, At Cost		
Land and land improvements	5,119,994	3,788,895
Buildings and leasehold improvements	38,854,156	37,866,153
Equipment	57,045,569	55,419,130
Construction in progress	3,987,231	942,336
	105,006,950	98,016,514
Less accumulated depreciation	72,794,443	69,900,881
	32,212,507	28,115,633
Other Assets	46,952	2,791,236
Total assets	$ 74,394,754	$ 87,703,006

ATTACHMENT 6

See Notes to Consolidated Financial Statements

Liabilities and Net Assets

	2016	2015
Current Liabilities		
Current maturities of long-term debt	$ 3,905,177	$ 3,511,025
Accounts payable	5,716,929	2,730,997
Other accrued expenses and deferred payments	3,589,225	5,799,627
Estimated amounts due to third-party payers	3,573,500	3,699,353
Total current liabilities	16,784,831	15,741,002
Minimum Pension Liability	10,074,510	9,079,491
Long-term Debt	8,636,458	10,024,947
Total liabilities	35,495,799	34,845,440
Net Assets		
Unrestricted		
Progressive Health Systems	38,372,661	52,472,578
Noncontrolling interest	132,852	32,781
Total unrestricted net assets	38,505,513	52,505,359
Temporarily restricted	393,442	352,207
Total net assets	38,898,955	52,857,566
Total liabilities and net assets	$ 74,394,754	$ 87,703,006

Progressive Health Systems

Consolidated Statements of Operations

Years Ended April 30, 2016 and 2015

	2016	2015
Unrestricted Revenues, Gains and Other Support		
Patient service revenue (net of contractual discounts and allowances)	$ 82,836,450	$ 85,799,114
Provision for uncollectible accounts	(5,177,887)	(5,555,620)
Net patient service revenue less provision for uncollectible accounts	77,658,563	80,243,494
Other	2,201,292	2,424,772
Total unrestricted revenues, gains and other support	79,859,855	82,668,266
Expenses		
Salaries and wages	29,440,570	29,871,472
Employee benefits	8,238,447	6,719,081
Purchased services and professional fees	21,293,723	14,778,156
Supplies and other	25,965,985	24,604,713
Depreciation and amortization	4,312,378	4,478,323
Loss on impairment of goodwill	2,698,898	-
Interest	450,280	583,346
Total expenses	92,400,281	81,035,091
Operating Income (Loss)	(12,540,426)	1,633,175
Investment Return	(663,378)	2,599,667
Excess (Deficiency) of Revenues Over Expenses	(13,203,804)	4,232,842
Net assets released from restrictions used for the purchase of property and equipment	224,154	121,558
Change in minimum pension liability	(1,020,196)	(3,654,386)
Capital contribution	-	49,000
Change in Unrestricted Net Assets	$ (13,999,846)	$ 749,014

See Notes to Consolidated Financial Statements

Progressive Health Systems

Consolidated Statements of Changes in Net Assets

Years Ended April 30, 2016 and 2015

	2016	2015
Unrestricted Net Assets		
Excess (deficiency) of revenues over expenses	$ (13,203,804)	$ 4,232,842
Capital contribution	-	49,000
Net assets released from restriction	224,154	121,558
Change in minimum pension liability	(1,020,196)	(3,654,386)
Change in unrestricted net assets	(13,999,846)	749,014
Temporarily Restricted Net Assets		
Contributions received	265,389	158,351
Net assets released from restriction	(224,154)	(121,558)
Change in temporarily restricted net assets	41,235	36,793
Change in Net Assets	(13,958,611)	785,807
Net Assets, Beginning of Year	52,857,566	52,071,759
Net Assets, End of Year	$ 38,898,955	$ 52,857,566

See Notes to Consolidated Financial Statements

Progressive Health Systems

Consolidated Statements of Cash Flows

Years Ended April 30, 2016 and 2015

	2016	2015
Operating Activities		
Change in net assets	$ (13,958,611)	$ 785,807
Items not requiring (providing) cash		
Depreciation and amortization	4,312,378	4,478,323
Loss on impairment of goodwill	2,698,898	-
Increase in minimum pension liability	995,019	3,534,680
Net (gains) losses on investments	1,611,043	(1,435,905)
Loss (gain) on disposal of property and equipment	(222)	35,923
Restricted contributions	(265,389)	(158,351)
Provision for uncollectible accounts	5,177,887	5,555,620
Changes in		
Patient accounts receivable	(7,334,089)	(7,953,829)
Estimated amounts due from and to third-party payers	117,152	2,532,725
Accounts payable and accrued expenses	(952,015)	306,415
Other current assets	349,512	(1,099,250)
Net cash provided by (used in) operating activities	(7,248,437)	6,582,158
Investing Activities		
Net activity in assets limited as to use	8,813,944	898,781
Proceeds from the sale of property and equipment	54,250	50,540
Purchase of property and equipment	(5,671,706)	(3,441,457)
Net cash provided by (used in) investing activities	3,196,488	(2,492,136)
Financing Activities		
Proceeds from restricted contributions	265,389	158,351
Proceeds from issuance of long-term debt	1,517,649	-
Principal payments on long-term debt	(3,530,629)	(3,373,890)
Net cash used in financing activities	(1,747,591)	(3,215,539)
Increase (Decrease) in Cash and Cash Equivalents	(5,799,540)	874,483
Cash and Cash Equivalents, Beginning of Year	7,382,585	6,508,102
Cash and Cash Equivalents, End of Year	$ 1,583,045	$ 7,382,585
Supplemental Cash Flows Information		
Interest paid (net of amount capitalized)	$ 450,280	$ 583,346
Capital lease obligation incurred for equipment	$ 1,018,643	$ -
Construction in progress in accounts payable	$ 1,727,545	$ -

ATTACHMENT 6

See Notes to Consolidated Financial Statements

Progressive Health Systems

Notes to Consolidated Financial Statements

April 30, 2016 and 2015

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

Nature of Operations

Progressive Health Systems ("Progressive") is an Illinois not-for-profit corporation that primarily earns revenues by providing inpatient, outpatient and emergency services to patients in Pekin, Illinois and surrounding areas.

In addition, Progressive is the sole member of the following not-for-profit subsidiaries:

- Pekin Memorial Hospital (the "Hospital") operates a licensed 107 acute care bed hospital.
- Park Court Limited ("PCL") owns and operates certain real estate investments and provides certain real estate services to Progressive and its affiliates.
- Pekin Hospital Foundation (the "Foundation") conducts fundraising activities and manages activity related to restricted and unrestricted contributions.

Progressive is also the sole shareholder of ProHealth, Inc. ("PHI"), an Illinois for-profit corporation operating outpatient physician medical practices.

The Hospital entered into an agreement during 2015 to become the majority shareholder of Pain Management LLC ("PM"), an Illinois for-profit corporation operating outpatient pain management services.

Principles of Combination and Consolidation

The consolidated financial statements include the accounts of Progressive, the Hospital, PCL, PM, the Foundation and PHI. All material intercompany accounts and transactions have been eliminated in consolidation.

The Hospital, PCL and PM (collectively the "Obligated Group") were combined in the accompanying supplementary information as the listed entities in the 1993 and 1997 bond trust indentures, as supplemented and amended by the 2010 bond trust indenture.

Noncontrolling Interest

Noncontrolling interest represents the 49 percent interest in PM that the Hospital does not own. Losses attributable to the noncontrolling interest are allocated to the noncontrolling interest even if the carrying amount of the noncontrolling interest is reduced below zero.

Progressive Health Systems

Notes to Consolidated Financial Statements

April 30, 2016 and 2015

For the years ended April 30, 2016 and 2015, changes in consolidated unrestricted net assets attributable to the controlling financial interest of the Hospital and the noncontrolling interest are:

	Total	Controlling Interest	Noncontrolling Interest
Balance, May 1, 2014	$ -	$ -	$ -
Deficiency of revenues over expenses	(33,100)	(16,881)	(16,219)
Contributions of or for acquisition of property and equipment	100,000	51,000	49,000
Balance, April 30, 2015	66,900	34,119	32,781
Excess of revenues over expenses	204,226	104,155	100,071
Balance, April 30, 2016	$ 271,126	$ 138,274	$ 132,852

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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Progressive considers all liquid investments with original maturities of three months or less to be cash equivalents. At April 30, 2016 and 2015, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

At April 30, 2016, Progressive's cash accounts exceeded federally insured limits by approximately $2,242,000.

Investments, Investment Return and Assets Limited as to Use

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Investment return includes dividend, interest, other investment income and realized and unrealized gains and losses on investments carried at fair value. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the consolidated statements of operations and changes in net assets as unrestricted or temporarily restricted based upon the existence and nature of any donor or legally imposed restrictions.

Assets limited as to use include: (1) assets set aside by the board of trustees for future capital improvements over which the board retains control and may at its discretion subsequently use for other purposes and (2) assets held by trustees are for use of bond interest costs or for use if and when an obligation should arise from Progressive being self-insured for malpractice insurance in the mid 1980's, these malpractice funds are also controlled by the board, and may, at its discretion, subsequently be used for other purposes.

Patient Accounts Receivable

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful 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 doubtful accounts.

For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. 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 doubtful accounts.

Supplies

Progressive states supply inventories at the lower of cost, determined using the first-in, first-out method or market.

Property and Equipment

Property and equipment are recorded at cost and are depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building and improvements	15 - 30 years
Leasehold improvements	5 - 15 years
Equipment	3 - 7 years

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service.

In 2016, PCL entered into a contractor's agreement and began construction of a medical office building which will be located in Pekin, Illinois. PCL received approval for the project from the Illinois Health and Facilities and Services Review Board which provides for a total project cost of approximately $17,670,000. The medical office building is anticipated to be substantially complete and begin operations in May 2017. The project will be funded through operations, investment reserves and borrowings through a loan agreement with the City of Pekin, Illinois (see Note 7).

Progressive capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project. Total interest capitalized during the year ended April 30, 2016, is approximately $33,000.

Long-lived Asset Impairment

Progressive 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 estimate 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. With the exception of the impairment of goodwill noted below, no other asset impairment was recognized during the years ended April 30, 2016 and 2015.

Other Assets

Other assets consist of deferred financing costs and goodwill. Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the bonds outstanding method.

Goodwill is evaluated annually for impairment or more frequently if impairment indicators are present. A qualitative assessment is performed to determine whether the existence of events or circumstances leads to a determination that it is more likely than not the fair value of the goodwill is less than the carrying amount. If, based on the evaluation, it is determined to be more likely than not that the fair value is less than the carrying value, then goodwill is tested further for impairment. If the implied fair value of goodwill is lower than its carrying amount, impairment is indicated and the goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the financial statements. At April 30, 2016, there was no remaining goodwill as a loss on impairment of goodwill was recognized during the fourth quarter of 2016 for approximately $2,699,000. At April 30, 2015, there was approximately $2,699,000 in goodwill.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by Progressive has been limited by donors to a specific time period or purpose. As of April 30, 2016 and 2015, temporarily restricted net assets were primarily for the purchase of property and equipment.

Net Patient Service Revenue

Progressive has agreements with third-party payers that provide for payments to Progressive at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Contributions

Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received. Gifts received with donor stipulations are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions. Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

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 one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the Hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

Progressive recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

In 2016 and 2015, the Hospital has recorded revenue of approximately $244,000 and $686,000, respectively, which is included in other revenue within operating revenues in the consolidated statements of operations.

Professional Liability Claims

Progressive recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in Note 6.

Employee Health Claims

Substantially all of Progressive's employees are eligible to participate in Progressive's health insurance plan. Progressive is self-insured for health claims of participating employees and dependents up to limits provided for in an agreement with its insurance plan administrator. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims, and other economic and social factors. It is reasonably possible that Progressive's estimate will change by a material amount in the near term.

Income Taxes

Progressive, the Hospital, the Foundation and PCL have been recognized as exempt from income taxes under Section 501 of the *Internal Revenue Code* and a similar provision of state law. However, Progressive is subject to federal income tax on any unrelated business taxable income and any taxable income of PHI. PM is not directly subject to income taxes under the provisions of the *Internal Revenue Code* and applicable state laws. Therefore, taxable income or loss is reported to the shareholders for inclusion in their respective tax returns and no provision for federal and state income taxes has been included in the accompanying consolidated financial statements.

Progressive files tax returns in the U.S. federal jurisdiction. With a few exceptions, Progressive is no longer subject to U.S. federal examinations by tax authorities for years before 2013.

Affordable Care Act Compliance

As part of the Affordable Care Act, hospitals exempt from the tax under Section 501(c)(3) of the *Internal Revenue Code* are required to comply with the new requirements under new Code Section 501(r). Code Section 501(r) requires exempt hospitals prepare and implement a community health needs assessment, implement a financial assistance policy, implement an emergency care policy, limit charges to individuals eligible for financial assistance and refrain from certain collection actions for patients that may qualify for financial assistance. Failure to comply with these requirements could result in a hospital not being recognized as exempt under Code Section 501(c)(3). The IRS has not issued guidance on how they intend to enforce the provisions related to Code Section 501(r). Progressive believes it has taken reasonable steps to comply with Code Section 501(r) and has recorded no provision relative to Progressive's compliance or non-compliance with Code Section 501(r). However, this could change materially in the near-term.

Excess (Deficiency) of Revenues Over Expenses

The consolidated statements of operations include excess (deficiency) of revenues over expenses. Changes in unrestricted net assets which are excluded from excess (deficiency) of revenues over expenses, consistent with industry practice, include the change in pension liability, capital contributions and permanent transfers to and from affiliates for other than goods and services and contributions of long-lived assets including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets.

Reclassifications

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

Note 2: Net Patient Service Revenue

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided. This provision for uncollectible accounts is presented on the statements of operations as a component of net patient service revenue.

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

Medicare. Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient skilled nursing services are paid at prospectively determined per diem rates that are based on the patients' acuity.

The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contactor. The Hospital's Medicare cost reports have been audited by the Medicare administrative contractor through April 30, 2013.

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the years ended April 30, 2016 and 2015, and was approximately:

	2016	2015
Medicare	$ 23,082,000	$ 26,620,000
Medicaid	6,139,000	9,819,000
Other third-party payers	51,057,000	44,345,000
Self-pay	2,558,000	5,015,000
Total	$ 82,836,000	$ 85,799,000

Illinois Hospital Medicaid Assessment Programs

The state of Illinois enacted legislation that provides for an assessment program intended to qualify for federal matching funds under the Illinois Medicaid program. Under the hospital assessment program, each hospital is assessed tax based on that hospital's adjusted gross hospital revenue. The legislation provides that none of the assessment funds are to be collected and no additional Medicaid payments are to be paid until the program receives the required federal government approval through the federal Centers for Medicare and Medicaid Services (CMS).

In October 2013, the CMS notified the Illinois Department of Healthcare and Family Services of its approval of the Enhanced Hospital Assessment Program effective July 1, 2012, which is anticipated to generate an additional annual net benefit for Illinois hospitals under the Hospital Assessment Program. The annual net benefit to the Hospital due to the approval of this program is $682,000.

The effects of these programs in the consolidated statements of operations and changes in net assets for the years ended April 30, 2016 and 2015, are as follows:

	2016	2015
Additional Medicaid payments included in patient service revenue	$ 5,074,000	$ 5,074,000
Taxes assessed and included in supplies and other	$ 2,675,000	$ 2,675,000

The hospital assessment programs contain a sunset provision effective June 30, 2018, and there is no assurance the program will not be discontinued or materially modified.

Affordable Care Act Access Payments

In January 2015, the CMS notified Illinois Department of Healthcare and Family Services of its approval of supplemental payments ("ACA Access Payments") to the Hospital for services provided to newly eligible Medicaid beneficiaries in 2014 under the *Affordable Care Act*. The program, which CMS approved retroactive to March 1, 2014, is anticipated to generate an additional annual benefit for Illinois Hospitals.

For the years ended April 30, 2016 and April 30, 2015, the Hospital received ACA Access payments of approximately $1,493,000 and $1,131,000, respectively, which is included in patient service revenue on the consolidated statements of operations.

Note 3: Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at April 30, 2016 and 2015, is:

	2016	2015
Medicare	27%	27%
Medicaid	17%	12%
Other third-party payers	52%	49%
Patients	4%	12%
	100%	100%

Note 4: Investments and Investment Return

Short-term investments include:

	2016	2015
Certificate of deposit	$ 503,043	$ 1,001,244

Assets limited as to use include:

	2016	2015
Internally designated		
Mutual funds		
Domestic Equity	$ 11,467,432	$ 16,863,577
International Equity	2,722,066	3,870,514
Domestic Fixed Income	7,403,000	10,786,459
	$ 21,592,498	$ 31,520,550
Held by trustees		
Cash	$ 14,642	$ 12,656
Mutual funds		
Domestic Fixed Income	233,589	234,309
	$ 248,231	$ 246,965

Total investment return is comprised of the following:

	2016	2015
Interest and dividend income	$ 947,665	$ 1,163,762
Realized gains on sales of investments	1,509,125	763,548
Unrealized gains and (losses) on investments	(3,120,168)	672,357
	$ (663,378)	$ 2,599,667

Note 5: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. 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

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in 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

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

Recurring Measurements

The following table presents the fair value measurements of assets 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 April 30, 2016 and 2015:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
April 30, 2016				
Domestic Equity Mutual Funds	$ 11,467,432	$ 11,467,432	$ -	$ -
International Equity Mutual Funds	$ 2,722,066	$ 2,722,066	$ -	$ -
Domestic Fixed Income Mutual Funds	$ 7,636,589	$ 7,636,589	$ -	$ -
April 30, 2015				
Domestic Equity Mutual Funds	$ 16,863,577	$ 16,863,577	$ -	$ -
International Equity Mutual Funds	$ 3,870,514	$ 3,870,514	$ -	$ -
Domestic Fixed Income Mutual Funds	$ 11,020,768	$ 11,020,768	$ -	$ -

Following is a description of the valuation methodologies and inputs used for assets 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 pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended April 30, 2016.

Investments – Assets Limited as to Use

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters. Such investments are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy. There are no investments held at April 30, 2016 and 2015, that are considered Level 2 or 3.

Note 6: Risk Management and Professional Liability Claims

The Hospital has joined together with other providers of health care services to form the Illinois Provider Trust and the Illinois Compensation Trust, two risk pools currently operating as common risk management and insurance programs for their members. The Hospital pays annual premiums to the pools for its general liability torts, medical malpractice and employee injuries insurance.

coverage. The pools' governing agreements specify that the pools will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

The Hospital purchases medical malpractice insurance as described above on a claims made, fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate cost of the incidents. Based upon the Hospital's experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 7: Long-term Debt

	2016	2015
Note payable, bank (A)	$ 1,454,946	$ 2,130,972
2010 Revenue Refunding Bonds (B)	8,570,000	11,405,000
Loan agreement (C)	1,517,650	-
Capital lease obligation (D)	999,039	-
	12,541,635	13,535,972
Less current maturities	3,905,177	3,511,025
	$ 8,636,458	$ 10,024,947

(A) Due April 2018; payable $63,752 monthly, including interest at 4.88 percent; collateralized by equipment.

(B) The 2010 Revenue Refunding Bonds (the "2010 Bonds") consist of the City of Pekin, Tazewell County, Illinois Revenue Refunding Bonds in the original amount of $23,530,000 dated March 1, 2010, which bear interest at a rate of 3.7 percent.

The City of Pekin issued the 2010 Bonds on behalf of Progressive. The 2010 Bonds are secured by the net revenues and accounts receivable of the Hospital and PCL.

The Supplemental Agreement to the Bond Trust Indenture requires Progressive to comply with certain restrictive covenants including minimum insurance coverage, maintaining a fixed charge coverage ratio of at least 1.15 to 1.00, maintaining at least 85 days cash on hand and restrictions on incurrence of additional debt.

During 2016, Progressive did not meet the fixed charge coverage ratio required by the Supplemental Agreement to the Bond Trust Indenture. The noncompliance with this ratio was waived by the respective bond holders subsequent to year-end.

(C) A non-revolving multiple advance land acquisition and construction loan that allows for borrowings up to $12,000,000 starting in October 2015 and ending in October 2020 with a fixed interest rate of 3.75 percent. Monthly payments of accrued interest only will be made for the first 18 months of the loan, and beginning with the May 2017 payment, interest and principal will be repaid monthly. The City of Pekin issued the loan and it is collateralized by the real estate construction mortgage.

(D) Lease agreement entered into in April 2016 for magnetic resonance imaging equipment; at imputed interest rate of 0.33 percent; due through March 2020; collateralized by equipment. Leased equipment of approximately $1,019,000 is included in construction in progress within property and equipment at April 30, 2016, as the leased equipment had yet to be placed in service as of year-end.

Aggregate annual maturities of long-term debt and payments on capital lease obligations at April 30, 2016, are:

	Long-term Debt (Excluding Capital Lease Obligations)	Capital Lease Obligations
2017	$ 3,664,763	$ 276,000
2018	3,052,833	276,000
2019	805,000	276,000
2020	825,000	253,000
2021	870,000	-
Thereafter	2,325,000	-
	$ 11,542,596	1,081,000
Less amount representing interest		81,961
Present value of future minimum lease payments		999,039
Less current maturities		240,414
Noncurrent portion		$ 758,625

Note 8: Temporarily Restricted Net Assets

Temporarily restricted net assets of $393,442 and $352,207 as of April 30, 2016 and 2015, respectively, are primarily restricted for the renovation of the Hospital's obstetrical services and ambulatory surgery.

During 2016 and 2015, net assets were released from donor restrictions by purchasing property and equipment, satisfying the restricted purposes of the amounts of $224,154 and $121,558, respectively.

Note 9: Functional Expenses

Progressive provides health care services primarily to residents within its geographic area. Expenses related to providing these services are as follows:

	2016	2015
Health care services	$ 64,146,104	$ 56,081,450
General and administrative	28,254,177	24,953,641
	$ 92,400,281	$ 81,035,091

Note 10: Employee Benefit Plans

Progressive has a 401(k) plan covering substantially all employees. The Plan allows for a discretionary match of up to 50 percent of the amount employees elect to contribute up to 6 percent of covered wages. Expenses for the 401(k) plan were approximately $4,000 and $14,000 for 2016 and 2015, respectively.

In addition, Progressive has a defined contribution plan covering substantially all Hospital employees. The board of trustees annually determines the amount, if any, of profit sharing contributions to the plan. Expenses for the plan were approximately $704,000 and $650,000 for 2016 and 2015, respectively.

Progressive also has a noncontributory defined benefit pension plan covering all employees who met all eligibility requirements. Progressive curtailed the Plan as of April 30, 2008. This Plan has been replaced with the defined contribution plan discussed above, which covers employees who meet certain eligibility requirements. Progressive has not determined when the defined benefit plan will be terminated.

Progressive's funding policy for the defined benefit plan is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as Progressive may determine to be appropriate from time to time. Progressive does not expect to contribute to the Plan for 2016.

Progressive Health Systems
Notes to Consolidated Financial Statements
April 30, 2016 and 2015

Progressive uses an April 30 measurement date for the plan in 2016 and 2015. Information about the Plan's funded status is as follows:

	2016	2015
Benefit obligation	$ 33,424,877	$ 33,428,471
Fair value of plan assets	23,350,367	24,348,980
Funded status	$ (10,074,510)	$ (9,079,491)

Liability recognized in the consolidated balance sheets:

	2016	2015
Noncurrent liability	$ 10,074,510	$ 9,079,491

Other significant balances and costs are:

	2016	2015
Benefits paid	$ 1,109,954	$ 1,062,221
Benefit costs (gains)	$ (25,177)	$ (119,706)

Significant assumptions include:

	2016	2015
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	4.17%	4.27%
Rate of compensation increase	N/A	N/A
Weighted-average assumptions used to determine benefit costs:		
Discount rate	4.27%	4.64%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	N/A	N/A

Progressive 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.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of April 30, 2016:

2017	$	1,210,000
2018	$	1,290,000
2019	$	1,380,000
2020	$	1,490,000
2021	$	1,590,000
2022-2026	$	8,890,000

Plan assets are held by a bank-administered trust fund, which invests the Plan assets in accordance with the provisions of the Plan agreement. 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. The Plan may invest in certain derivative securities with the prior approval of Progressive.

Asset allocation is primarily based on a strategy to provide stable earnings while still permitting the plans to recognize potentially higher returns through a limited investment in equity securities. The target asset allocation percentages for 2016 and 2015 are as follows:

Domestic equity securities	Not to exceed 80%
International equity securities	Not to exceed 20%
Domestic fixed income	Not to exceed 40%

Plan assets are re-balanced quarterly. At April 30, 2016 and 2015, Plan assets were invested in equity securities and fixed income investments as permitted by the Plan agreement.

Pension Plan Assets

Following is a description of the valuation methodologies and inputs used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters. Such investments are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy. There are no investments held at April 30, 2016 and 2015, that are considered Level 2 or 3.

The fair values of Progressive's pension plan assets at April 30, 2016 and 2015, by asset category are as follows:

		Fair Value Measurements Using		
Asset Class	**Total Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
April 30, 2016				
Domestic Equity Mutual Funds	$ 11,028,169	$ 11,028,169	$ -	$ -
International Equity Mutual Funds	2,682,182	2,682,182	-	-
Domestic Fixed Income Mutual Funds	9,640,016	9,640,016	-	-
Total	$ 23,350,367	$ 23,350,367	$ -	$ -
April 30, 2015				
Domestic Equity Mutual Funds	$ 12,167,733	$ 12,167,733	$ -	$ -
International Equity Mutual Funds	2,997,435	2,997,435	-	-
Domestic Fixed Income Mutual Funds	9,183,812	9,183,812	-	-
Total	$ 24,348,980	$ 24,348,980	$ -	$ -

Note 11: Significant Estimates

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities. Those matters include the following:

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in Notes 1 and 2.

Professional Liability Claims

Estimates related to the accrual for professional liability claims are described in Notes 1 and 6.

Employee Health Claims

Estimates related to the accrual for employee health claims are described in Note 1.

Litigation

In the normal course of business, Progressive is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by commercial insurance; for example, allegations regarding employment practices or performance of contracts. Progressive evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Investments

Progressive invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated balance sheets.

Current Economic Conditions

The current protracted economic decline continues to present health care organizations with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair value of investments and other assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing. The consolidated financial statements have been prepared using values and information currently available to Progressive.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the consolidated financial statements could change rapidly, resulting in material future adjustments in investment values, including defined benefit pension plan investments, and allowances for accounts and contributions receivable that could negatively impact Progressive's ability to meet debt covenants or maintain sufficient liquidity.

Note 12: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the consolidated financial statements were available to be issued.

Letter of Intent

On August 22, 2016, Progressive entered into a letter of intent with UnityPoint Health – Peoria with respect to a possible merger upon reaching a definitive agreement. If an agreement is signed, it will be subject to federal and state regulatory approval. The letter of intent launches a due diligence effort which is expected to be completed by the end of calendar 2016.

Supplementary Information

ATTACHMENT 6

Progressive Health Systems

Consolidated Balance Sheet – with Consolidating Information

April 30, 2016

	Pekin Memorial Hospital	Pain Management LLC	Eliminations
Assets			
Current Assets			
Cash and cash equivalents	$ 1,027,080	$ 78,445	$ -
Short-term investments	-	-	-
Patient accounts receivable, net of allowance; $5,441,000	12,012,878	159,904	-
Supplies	1,039,846	6,909	-
Due from Medicare	-	-	-
Due from related party	52,422	83,716	(136,138)
Prepaid expenses and other	2,069,528	-	-
Total current assets	16,201,754	328,974	(136,138)
Assets Limited As To Use			
Internally designated	13,547,664	-	-
Held by trustees	248,231	-	-
	13,795,895	-	-
Property and Equipment, At Cost			
Land and land improvements	3,276,797	-	-
Buildings and leasehold improvements	31,947,952	-	-
Equipment	52,490,575	-	-
Construction in progress	2,378,511	-	-
	90,093,835	-	-
Less accumulated depreciation	65,363,664	-	-
	24,730,171	-	-
Other Assets	46,952	-	-
Interest in the net assets of the Foundation	393,442	-	-
	440,394	-	-
Total assets	$ 55,168,214	$ 328,974	$ (136,138)

ATTACHMENT 6

See Independent Auditor's Report

(Consolidated) Pekin Memorial Hospital	Park Court Limited	(Combined) The Obligated Group	ProHealth, Inc.	Pekin Hospital Foundation	Eliminations	Consolidated
$ 1,105,525	$ 29,278	$ 1,134,803	$ 52,593	$ 395,649	$ -	$ 1,583,045
-	-	-	-	503,043	-	503,043
12,172,782	-	12,172,782	1,920,381	-	-	14,093,163
1,046,755	-	1,046,755	651,774	-	-	1,698,529
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,069,528	5,280	2,074,808	341,978	-	-	2,416,786
16,394,590	34,558	16,429,148	2,966,726	898,692	-	20,294,566
13,547,664	-	13,547,664	-	8,044,834	-	21,592,498
248,231	-	248,231	-	-	-	248,231
13,795,895	-	13,795,895	-	8,044,834	-	21,840,729
3,276,797	1,843,197	5,119,994	-	-	-	5,119,994
31,947,952	6,856,148	38,804,100	50,056	-	-	38,854,156
52,490,575	1,207,835	53,698,410	3,314,463	32,696	-	57,045,569
2,378,511	1,591,472	3,969,983	17,248	-	-	3,987,231
90,093,835	11,498,652	101,592,487	3,381,767	32,696	-	105,006,950
65,363,664	4,680,889	70,044,553	2,717,194	32,696	-	72,794,443
24,730,171	6,817,763	31,547,934	664,573	-	-	32,212,507
46,952	-	46,952	-	-	-	46,952
393,442	-	393,442	-	-	(393,442)	-
440,394	-	440,394	-	-	(393,442)	46,952
$ 55,361,050	$ 6,852,321	$ 62,213,371	$ 3,631,299	$ 8,943,526	$ (393,442)	$ 74,394,754

Progressive Health Systems

Consolidated Balance Sheet – with Consolidating Information (Continued)

April 30, 2016

	Pekin Memorial Hospital	Pain Management LLC	Eliminations
Liabilities and Net Assets			
Current Liabilities			
Current maturities of long-term debt	$ 3,905,177	$ -	$ -
Accounts payable	3,967,382	5,427	-
Other accrued expenses and deferred payments	2,796,855	-	-
Due to related party	83,716	52,422	(136,138)
Estimated amounts due to third-party payers	3,573,500	-	-
Total current liabilities	14,326,630	57,849	(136,138)
Minimum Pension Liability	10,074,510	-	-
Long-term Debt	7,118,808	-	-
Total liabilities	31,519,948	57,849	(136,138)
Net Assets			
Unrestricted			
Progressive Health Systems	23,254,824	138,273	-
Noncontrolling interest	-	132,852	-
Total unrestricted net assets	23,254,824	271,125	-
Temporarily restricted	393,442	-	-
Total net assets	23,648,266	271,125	-
Total liabilities and net assets	$ 55,168,214	$ 328,974	$ (136,138)

ATTACHMENT 6

See Independent Auditor's Report

(Consolidated) Pekin Memorial Hospital	Park Court Limited	(Combined) The Obligated Group	ProHealth, Inc.	Pekin Hospital Foundation	Eliminations	Consolidated
$ 3,905,177	$ -	$ 3,905,177	$ -	$ -	$ -	$ 3,905,177
3,972,809	1,382,875	5,355,684	361,245	-	-	5,716,929
2,796,855	143,032	2,939,887	649,338	-	-	3,589,225
-	-	-	-	-	-	-
3,573,500	-	3,573,500	-	-	-	3,573,500
14,248,341	1,525,907	15,774,248	1,010,583	-	-	16,784,831
10,074,510	-	10,074,510	-	-	-	10,074,510
7,118,808	1,517,650	8,636,458	-	-	-	8,636,458
31,441,659	3,043,557	34,485,216	1,010,583	-	-	35,495,799
23,393,097	3,808,764	27,201,861	2,620,716	8,550,084	-	38,372,661
132,852	-	132,852	-	-	-	132,852
23,525,949	3,808,764	27,334,713	2,620,716	8,550,084	-	38,505,513
393,442	-	393,442	-	393,442	(393,442)	393,442
23,919,391	3,808,764	27,728,155	2,620,716	8,943,526	(393,442)	38,898,955
$ 55,361,050	$ 6,852,321	$ 62,213,371	$ 3,631,299	$ 8,943,526	$ (393,442)	$ 74,394,754

Progressive Health Systems

Consolidated Schedules of Operations – with Consolidating Information

Year Ended April 30, 2016

	Pekin Memorial Hospital	Pain Management LLC	(Consolidated) Pekin Memorial Hospital
Unrestricted Revenues, Gains and Other Support			
Patient service revenue (net of contractual discounts and allowances)	$ 69,810,817	$ 809,872	$ 70,620,689
Provision for uncollectible accounts	(4,805,121)	-	(4,805,121)
Net patient service revenue less provision for uncollectible accounts	65,005,696	809,872	65,815,568
Other	1,179,388	-	1,179,388
Total unrestricted revenues, gains and other support	66,185,084	809,872	66,994,956
Expenses			
Salaries and wages	25,577,663	246,836	25,824,499
Employee benefits	6,861,440	64,177	6,925,617
Purchased services and professional fees	12,497,165	-	12,497,165
Supplies and other	21,486,055	294,634	21,780,689
Depreciation and amortization	3,732,535	-	3,732,535
Loss on impairment of goodwill	2,698,898	-	2,698,898
Interest	450,280	-	450,280
Total expenses	73,304,036	605,647	73,909,683
Operating Income (Loss)	(7,118,952)	204,225	(6,914,727)
Investment Return	(577,686)	-	(577,686)
Excess (Deficiency) of Revenues Over Expenses	(7,696,638)	204,225	(7,492,413)
Net assets released from restrictions used for the purchase of property and equipment	-	-	-
Change in minimum pension liability	(1,020,196)	-	(1,020,196)
Transfers from (to) affiliates	(5,528,999)	-	(5,528,999)
Change in Unrestricted Net Assets	$ (14,245,833)	$ 204,225	$ (14,041,608)

ATTACHMENT 6

See Independent Auditor's Report

Park Court Limited	(Combined) The Obligated Group	ProHealth, Inc.	Pekin Hospital Foundation	Eliminations	Consolidated
$ -	$ 70,620,689	$ 12,215,761	$ -	$ -	$ 82,836,450
-	(4,805,121)	(372,766)	-	-	(5,177,887)
-	65,815,568	11,842,995	-	-	77,658,563
268,059	1,447,447	595,220	158,625	-	2,201,292
268,059	67,263,015	12,438,215	158,625	-	79,859,855
-	25,824,499	3,572,585	43,486	-	29,440,570
-	6,925,617	1,312,830	-	-	8,238,447
13,426	12,510,591	8,783,132	-	-	21,293,723
243,911	22,024,600	3,795,339	146,046	-	25,965,985
301,348	4,033,883	278,495	-	-	4,312,378
-	2,698,898	-	-	-	2,698,898
-	450,280	-	-	-	450,280
558,685	74,468,368	17,742,381	189,532	-	92,400,281
(290,626)	(7,205,353)	(5,304,166)	(30,907)	-	(12,540,426)
-	(577,686)	-	(85,692)	-	(663,378)
(290,626)	(7,783,039)	(5,304,166)	(116,599)	-	(13,203,804)
-	-	-	224,154	-	224,154
-	(1,020,196)	-	-	-	(1,020,196)
228,924	(5,300,075)	5,482,661	(182,586)	-	-
$ (61,702)	$ (14,103,310)	$ 178,495	$ (75,031)	$ -	$ (13,999,846)

Attachment 7

77 Ill. Adm. Code § 1130.520 Requirements for Exemptions Involving the Change of Ownership of a Health Care Facility

1. **Affirmations**

Pursuant to 77 Ill. Adm. Code § 1130.520, the Applicants affirm the following:

a. The transaction documents will contain a provision that execution is subject to the Review Board's issuance of an exemption;

b. No adverse action has been taken against any of the Applicants by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois against any health care facility owned or operated, directly or indirectly, by any of the Applicants within the past three years;

c. The Applicants intend to maintain ownership and control of the facility for a minimum of two (2) years;

d. Progressive Health Systems is the permit holder of project number 16-017 for construction of the Griffin Medical Office Building (the "Griffin MOB"), approved by the Review Board in the permit letter dated June 22, 2016. The Griffin MOB will be an approximately 60,000 square foot medical office building located at the corner of Griffin Avenue and Veteran's Drive in Pekin, Illinois (approximately 3 miles from Pekin Hospital). Services to be provided in the Griffin MOB will be limited to non-hospital related outpatients. The project completion date is April 2, 2018. Progressive Health Systems will not transfer or assign the permit pursuant to the transaction;

e. Pekin Memorial Hospital will not adopt a more restrictive charity care policy than the policy that was in effect one year prior to the transaction, and the compliant charity care policy will remain in effect for a two (2)-year period following the change of ownership transaction; and

f. The Applicants acknowledge that failure to complete the project in accordance with the applicable provisions of 77 Ill. Adm. Code § 1130.500(d) no later than 24 months from the date of exemption approval (or by a later date established by the Review Board upon a finding that the project has proceeded with due diligence) and failure to comply with the material change requirements of 77 Ill. Adm. Code § 1130.520 will invalidate the exemption.

2. **Statement of Anticipated Benefits of the Proposed Change in Ownership to the Community**

Pekin Hospital and MHSC offer an array of healthcare services to the Pekin community and surrounding geographic areas. The combined system will offer a greater range of services with increased care coordination throughout the continuum of care. The

Affiliation will enhance the sustainability of both organizations to the benefit of the Pekin community through the clinical and economic value that will result from the Affiliation (this is discussed in greater detail below). The Affiliation will cause Pekin Hospital and the Pekin Affiliates to be fiscally stable and have access to capital as members of UnityPoint's obligated group.

The system will draw on combined resources to recruit and retain physicians and medical professionals to serve the community. Through collaboration, the combined system will enhance its clinical programs and clinical quality to increase local access to comprehensive, high quality health care services.

3. **Anticipated or Potential Cost Savings that will Result for the Community and the Facility as a Result of the Change in Ownership**

The transaction will result in measurable benefits to both consumers and payers. By combining the strengths of both organizations, cost savings are expected to result from quality improvement, care coordination, population health management, shared best practices, and economies of scale. Other potential sources of savings include favorable interest rates, group purchasing, and elimination of unnecessary duplication. Additionally, UnityPoint provides a wide array of administrative and support services that will be available to Pekin Hospital. The synergy that exists between PHS and MHSC will lower the overall cost of care that will translate into hard dollar savings for consumers and payers.

4. **Description of the Facility's Quality Improvement Program Mechanism that will be Utilized to Assure Quality Control**

One of the principle benefits of belonging to a larger organization is knowledge transfer. Resources at MHSC and the broader UnityPoint system will help drive clinical quality at PHS. Likewise, MHSC will seek to replicate best practices that are in place at PHS.

MHSC has developed the expertise and infrastructure to drive quality improvement. Quality initiatives are led by the MHSC Chief Medical/Quality Officer, and are supported by a quality improvement department, trained process engineers and a strong analytics team. Multiple employees have received training in both LEAN and Six Sigma quality improvement processes. Clinical quality metrics are published monthly and are monitored by the Board of Directors, executive staff and the management team. The investment made in continuous quality improvement has allowed MHSC to achieve excellent results in areas such as patient safety, diabetes management, and decubitus prevention among others.

UnityPoint has long recognized the importance of continuous quality improvement and has set a system-wide goal of top decile performance. To achieve this goal, UnityPoint has developed and deployed the "Transforming Health Experience Care Model" (T.H.E. Care Model). T.H.E. Care Model achieves standardization across fourteen clinical competencies such as advanced care, clinical care pathways, utilization management and a common care plan.

5. **Description of the Applicant's Organizational Structure, Including a Listing of Controlling or Subsidiary Persons**

   Organization charts at Attachment 3 of this application describe organizational structure with relevant controlling and subsidiary persons.

6. **Description of the Selection Process that the Acquiring Entity will Use to Select the Facility's Governing Body**

   The PHS Board of Trustees will be comprised of eleven (11) members. MHSC or UnityPoint will appoint two (2) of the eleven (11) members of the PHS Board of Trustees, and the MHSC CEO will be an *ex officio* voting trustee. The remaining eight (8) members will be independent community members, all of whom will be nominated and elected by the PHS Board of Trustees, subject to confirmation by MHSC. The independent community member trustees will serve staggered three (3) year terms, subject to a three (3) term limit.

   The trustees appointed to the PHS Board of Trustees will also be the trustees for Pekin Hospital.

7. **Statement that the Applicants Have Prepared a Written Response Addressing the Review Criteria Contained in 77 Ill. Adm. Code § 1110.240 and that the Response is Available for Public Review on the Premises of the Health Care Facility**

   The Applicants have or will prepare a written response addressing the review criteria contained in 77 Ill. Adm. Code § 1110.240 that will be available for public review on the premises of Pekin Hospital.

8. **Description or Summary of any Proposed Changes to the Scope of Services or Levels of Care Currently Provided at the Facility that are Anticipated to Occur within Twenty Four (24) Months After the Acquisition**

   There are no proposed changes to the scope of services or levels of care currently available at Pekin Hospital that are anticipated to occur within twenty-four (24) months of closing. MHSC is committed to maintaining Pekin Hospital as a full service acute care facility and will seek to more fully develop the programs and services that are currently available to meet the needs of Pekin's patient population.