



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

Consolidated Financial Statements and Consolidating Schedules

December 31, 2020 and 2019

(With Independent Auditors' Report Thereon)

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

Table of Contents

	Page
Independent Auditors' Report	1
Consolidated Financial Statements:	
Balance Sheets	3
Statements of Operations and Changes in Net Assets	4
Statements of Cash Flows	6
Notes to Consolidated Financial Statements	8
2020 Supplementary Financial Statement Information	
1. UnityPoint Health Consolidating Balance Sheet and Statement of Operations	57
2. UnityPoint Health – Des Moines and Subsidiaries Consolidating Balance Sheet and Statement of Operations (Des Moines)	59
3. Methodist Health Services Corporation and Subsidiaries Consolidating Balance Sheet and Statement of Operations (Peoria)	61
4. Trinity Regional Health System and Subsidiaries Consolidating Balance Sheet and Statement of Operations (Rock Island)	63
5. Meriter Health Services, Inc. and Subsidiaries Consolidating Balance Sheet and Statement of Operations (Madison)	65
6. St. Luke's Healthcare and Subsidiaries Consolidating Balance Sheet and Statement of Operations (Cedar Rapids)	67
7. Allen Health Systems, Inc. and Subsidiaries Consolidating Balance Sheet and Statement of Operations (Waterloo)	69
8. St. Luke's Health System, Inc. and Subsidiaries Consolidating Balance Sheet and Statement of Operations (Sioux City)	71
9. Trinity Health Systems, Inc. and Subsidiaries Consolidating Balance Sheet and Statement of Operations (Fort Dodge)	73
10. Finley Tri-States Health Group, Inc. and Subsidiaries Consolidating Balance Sheet and Statement of Operations (Dubuque)	75
11. Keokuk Area Hospital, Inc. and Subsidiaries Consolidating Balance Sheet and Statement of Operations (Keokuk)	77
12. Affiliated Colleges Consolidating Balance Sheet and Statement of Operations	79



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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Iowa Health System and its subsidiaries d/b/a UnityPoint Health (the System), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Iowa Health System and its subsidiaries d/b/a UnityPoint Health as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2020 accompanying supplementary financial statement information in schedules 1 through 12 are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Minneapolis, Minnesota
April 14, 2021

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

Consolidated Balance Sheets

December 31, 2020 and 2019

(In thousands)

Assets	2020	2019
Current assets:		
Cash and cash equivalents	\$ 634,781	278,444
Short-term investments	173,825	25,926
Assets limited as to use – required for current liabilities	24,882	20,167
Patient accounts receivable	514,616	565,461
Other receivables	202,377	129,421
Inventories	97,147	84,406
Prepaid expenses	58,501	57,360
Total current assets	1,706,129	1,161,185
Assets limited as to use, noncurrent:		
Held by trustee under bond indenture agreements	388	485
Internally designated for capital improvements	1,405,046	1,311,258
Internally designated for insurance reserve	21,834	22,988
Total assets limited as to use, noncurrent	1,427,268	1,334,731
Property, plant and equipment, net	1,844,659	1,875,363
Operating lease right-of-use assets	204,343	220,215
Other long-term investments	1,593,860	1,102,503
Investments in joint ventures and other investments	142,910	121,916
Contributions receivable and other assets held in trust	118,623	114,617
Other	83,665	86,151
Total assets	\$ 7,121,457	6,016,681
Liabilities and Net Assets		
Current liabilities:		
Current maturities of long-term debt	\$ 151,244	129,121
Current portion of operating lease liabilities	32,282	31,450
Accounts payable	233,481	236,412
Accrued payroll	306,736	217,910
Accrued interest	11,614	9,704
Estimated settlements due to third-party payors	85,374	57,252
Other current liabilities	243,043	81,039
Total current liabilities	1,063,774	762,888
Long-term debt, net	1,134,788	895,871
Long-term operating lease liabilities	176,739	188,765
Other long-term liabilities	687,653	396,016
Total liabilities	3,062,954	2,243,540
Net assets:		
Without donor restrictions:		
Attributable to UnityPoint Health	3,781,923	3,515,956
Attributable to noncontrolling interests	32,999	31,952
Total without donor restrictions	3,814,922	3,547,908
With donor restrictions:		
Attributable to UnityPoint Health	242,852	224,446
Attributable to noncontrolling interests	729	787
Total with donor restrictions	243,581	225,233
Total net assets	4,058,503	3,773,141
Total liabilities and net assets	\$ 7,121,457	6,016,681

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2020 and 2019

(In thousands)

	2020	2019
Operating revenues:		
Patient service revenue	\$ 3,932,963	4,184,332
Other operating revenue	667,620	389,961
Net assets released from restrictions used for operations	11,468	14,173
Total operating revenues	4,612,051	4,588,466
Operating expenses:		
Salaries and wages	1,645,140	1,624,925
Provider compensation and services	710,057	696,151
Employee benefits	412,685	418,627
Supplies	756,651	755,353
Other expenses	750,913	762,670
Depreciation and amortization	188,468	195,119
Interest	34,296	35,107
Provision for uncollectible accounts	460	64
Total operating expenses	4,498,670	4,488,016
Operating income	113,381	100,450
Nonoperating gains (losses):		
Investment income	188,710	313,065
Contributions received in affiliations, net of disaffiliation	—	(2,317)
Other, net	(7,045)	(25,226)
Total nonoperating gains, net	181,665	285,522
Revenue over expenses before loss on bond refinancing transactions	295,046	385,972
Loss on bond refinancing transactions	(16,671)	—
Excess of revenues over expenses	278,375	385,972
Less noncontrolling interest	(2,620)	(4,974)
Excess of revenues over expenses attributable to UnityPoint Health	275,755	380,998

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

Consolidated Statements of Operations and Changes in Net Assets (continued)

Years ended December 31, 2020 and 2019

(In thousands)

	2020	2019
Net assets without donor restrictions:		
Excess of revenues over expenses	\$ 275,755	380,998
Amortization of previously hedged interest rate swaps fair value	1,360	1,360
Net assets released from restrictions used for capital expenditures	8,547	13,100
Change in defined benefit pension plan gains (losses) and prior costs and credits	(18,293)	3,192
Contributions of or for acquisition of property and equipment	206	1,399
Other, net	(1,608)	(9,547)
Increase in net assets without donor restrictions, UnityPoint Health	265,967	390,502
Net assets without donor restrictions, noncontrolling interest:		
Excess of revenues over expenses	2,620	4,974
Distributions of capital	(3,363)	(5,973)
Contributions of capital	1,732	336
Net assets released from restrictions used for capital expenditures	58	58
Other	—	705
Increase in net assets without donor restrictions, noncontrolling interests	1,047	100
Net assets with donor restrictions:		
Contributions	24,840	35,710
Contribution received in affiliations, net of disaffiliation	—	1,648
Investment income	5,497	5,129
Government grants	26	41
Net assets released from restrictions used for operations	(11,468)	(14,173)
Net assets released from restrictions used for capital expenditures	(8,547)	(13,100)
Change in net unrealized gains on investments	5,005	7,823
Change in beneficial interest in net assets of affiliates	2,878	9,601
Other, net	175	4,726
Increase in net assets with donor restrictions, UnityPoint Health	18,406	37,405
Net assets with donor restrictions, noncontrolling interest:		
Net assets released from restrictions used for capital expenditures	(58)	(58)
Decrease in net assets with donor restrictions, noncontrolling interests	(58)	(58)
Increase in net assets	285,362	427,949
Net assets, beginning of year	3,773,141	3,345,192
Net assets, end of year	\$ 4,058,503	3,773,141

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

Years ended December 31, 2020 and 2019

(In thousands)

	2020	2019
Operating activities:		
Increase in net assets	\$ 285,362	427,949
Items not requiring (providing) operating cash:		
Net gain on investments	(162,572)	(279,861)
Net unrealized losses on swaps	11,016	11,234
Restricted contributions, investment income government grants received, net assets released for operations	(18,895)	(26,707)
Contributions of or for acquisition of property and equipment	(206)	(1,399)
Depreciation and amortization	188,468	195,119
Change in defined pension plans' liability	18,293	(3,192)
Contribution received in affiliations, net of disaffiliation	—	669
Amortization of bond premium and debt issuance costs, net	(2,653)	(2,549)
Loss on disposition of assets	1,359	927
Loss on bond refinancing transactions	16,671	—
Equity in earnings of joint ventures	(28,913)	(24,082)
Change in beneficial interest in net assets of affiliates	(2,878)	(9,601)
Provision for uncollectible accounts	460	64
Changes in:		
Receivables	(22,571)	(38,557)
Inventories, prepaid expenses and other assets	6,120	(19,323)
Accounts payable, accrued liabilities and other liabilities	498,794	52,786
Due to third-party payors	28,122	(35,305)
Net cash provided by operating activities	815,977	248,172
Investing activities:		
Capital expenditures	(157,534)	(239,012)
Proceeds from sale of assets	2,562	277
Cash acquired in affiliations, net of disaffiliation	—	3,335
Increase in loans receivable	(4,470)	(3,606)
Increase in short-term investments	(147,899)	(3,283)
Purchases of other long-term investments and assets limited to use	(1,049,143)	(354,687)
Proceeds from sales of other long-term investments and assets limited to use	609,570	339,768
Investments in joint ventures	(7,791)	(3,257)
Distributions received from joint ventures	30,631	64,692
Net cash used in investing activities	(724,074)	(195,773)
Financing activities:		
Proceeds from issuance of long-term debt	447,443	2,590
Payments of debt	(98,935)	(46,895)
Payments on early extinguishment of debt	(103,175)	(8,762)
Proceeds from restricted contributions, investment income grants received and net assets released for operations	18,895	26,707
Proceeds from contributions for acquisition of property and equipment	206	1,399
Net cash provided by (used in) financing activities	264,434	(24,961)
Increase in cash and cash equivalents	356,337	27,438
Cash and cash equivalents, beginning of year	278,444	251,006
Cash and cash equivalents, end of year	\$ 634,781	278,444

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

Consolidated Statements of Cash Flows (continued)

Years ended December 31, 2020 and 2019

(In thousands)

	2020	2019
Supplemental cash flows information:		
Interest paid (net of amount capitalized)	\$ 32,386	34,155
Capital lease obligations incurred for property and equipment	1,689	3,952
Property and equipment purchases in accounts payable	9,144	10,271
Affiliations:		
Assets acquired, less cash	—	7,705
Liabilities assumed	—	2,859
Disaffiliations:		
Assets removed, less cash	—	(42,235)
Liabilities released	—	(33,385)

See accompanying notes to consolidated financial statements.

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

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

(a) Organization

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

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

(b) Basis of Presentation

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

- Central Iowa Health System and Subsidiaries (d/b/a UnityPoint Health – Des Moines) (Des Moines)
- Methodist Health Services Corporation and Subsidiaries (Peoria)
- Trinity Regional Health System and Subsidiaries (Rock Island)
- Meriter Health Services, Inc. and Subsidiaries (Madison)
- St. Luke’s Healthcare and Subsidiaries (Cedar Rapids)
- Allen Health Systems, Inc. and Subsidiaries (Waterloo)
- St. Luke’s Health System, Inc. and Subsidiaries (Sioux City)
- Trinity Health Systems, Inc. and Subsidiaries (Fort Dodge)
- Finley Tri-States Health Group, Inc. and Subsidiaries (Dubuque)
- Memorial Hospital Association (Carthage; unaffiliated as of September 30, 2019)
- Keokuk Health Systems and Subsidiaries, Inc. (Keokuk)
- Iowa Physicians Clinic Medical Foundation (d/b/a UnityPoint Clinic)
- UnityPoint at Home

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

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

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

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

These transactions were accounted for as acquisitions in accordance with Accounting Standards Codification (ASC) Topic 958-805, *Business Combinations - Not-for-Profit Entities*, and assets and liabilities were recorded at fair value.

(c) Noncontrolling Interests

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

(d) Use of Estimates

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

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

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

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

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

(f) *Assets Limited as to Use*

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

(g) *Inventories*

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

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

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

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

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

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

Refer to notes 5 and 12 for additional disclosures regarding balance sheet line items and fair value of those investments carried under ASC Topic 825.

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

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

(i) Property, Plant and Equipment

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

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

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

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

	2020	2019
Land	\$ 197,007	197,311
Land improvements	74,509	73,656
Buildings, improvements and fixed equipment	2,605,653	2,518,714
Moveable equipment	1,754,355	1,667,627
	4,631,524	4,457,308
Less accumulated depreciation and amortization	2,858,114	2,695,488
	1,773,410	1,761,820
Construction/information systems installation in progress	71,249	113,543
Net property, plant and equipment	\$ 1,844,659	1,875,363

Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of construction in progress, net of interest earned on investments acquired with the proceeds of the borrowing. During 2020 and 2019, the System capitalized \$37 and \$1 of interest expense, respectively.

As of December 31, 2020 and 2019, the System has committed \$107,222 and \$209,079, respectively, for costs related to various construction projects. The System plans to fund the majority of these projects through internal funds, with supplemental debt financing for certain projects.

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

(j) Asset Retirement Obligation

The System recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred if a reasonable estimate of the fair value of the obligation can be made. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statements of operations and changes in net assets. Liabilities for such obligations of \$21,585 and \$20,707 are recorded in other long-term liabilities as of December 31, 2020 and 2019, respectively. The year-over-year increase of \$878 is primarily due to the accretion of the liability.

(k) Long-Lived Asset Impairment

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

No asset impairment was recognized during the years ended December 31, 2020 and 2019.

(l) Other Assets

Other assets include certain intangible assets that are stated at cost less accumulated amortization. In addition, other assets include goodwill. The System follows ASU 2017-04, which simplifies the goodwill impairment test. Goodwill is an asset representing the future economic benefits arising from other assets acquired as part of business combinations that are not individually identified and separately recognized. The System has \$36,177 and \$36,708 of goodwill at December 31, 2020 and 2019, respectively. If necessary, based on qualitative factors, the System will perform an impairment test of its goodwill and intangible assets using a discounted cash flow method, and any identified impairment loss is recognized as expense. The analysis performed during 2020 and 2019 showed the carrying amount exceeded fair value for one and two of the System's subsidiaries, respectively, and \$531 and \$575 of impairment was recognized in depreciation and amortization expense in the accompanying consolidated statements of operations and changes in net assets in 2020 and 2019, respectively.

Other intangible assets at December 31, 2020 and 2019 were \$3,102 and \$3,786, respectively, which are subject to amortization.

(m) Net Assets

Net assets are classified into two mutually exclusive classes: without donor restrictions and with donor restrictions. The two classes are based on the presence or absence of donor-imposed restrictions. The release of net assets from donor restrictions is recorded in the period in which the restrictions are met. Contributions with donor-imposed restrictions that are met in the same reporting period are reported as without donor restriction.

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

Donor-imposed restrictions are generally restricted for capital expenditures, passage of time, or other donor-specified restrictions.

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

(n) Excess of Revenues over Expenses

Excess of revenues over expenses transactions affecting net assets without donor restrictions are reflected in the consolidated statements of operations and changes in net assets. Consistent with industry practice, changes in defined benefit plans and contributions of long-lived assets (including assets acquired with donor-restricted cash contributions) are excluded from determination of the excess of revenues over expenses. Transactions with donor restrictions are recorded as additions or deductions to net assets with donor restrictions and are reflected in the consolidated statements of operations and changes in net assets.

(o) Patient Service Revenue and Accounts Receivable

Patient service revenue is reported at the amount that reflects the consideration to which the System expects to be entitled in exchange for providing patient care. These amounts, representing transaction price, are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the System bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the System. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The System believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the System's hospitals receiving inpatient acute care and outpatient services. The System measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and the System does not believe it is required to provide additional goods or services. Because all of its performance obligations relate to contracts with a duration of less than one year, the System has elected to apply the optional exemption provided in ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

The System determines the transaction price, which involves significant estimates and judgment, based on standard charges for goods and services provided, reduced by explicit and implicit price concessions, including contractual adjustments provided to third-party payors, discounts provided to uninsured and underinsured patients in accordance with policy, and/or implicit price concessions based on the historical collection experience of patient accounts. The System determines the transaction price associated with services provided to patients who have third-party payor coverage based on reimbursement terms per contractual agreements, discount policies, and historical experience. For uninsured patients who do not qualify for charity care, the System determines the transaction price associated with services on the basis of charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on historical collection experience for applicable patient portfolios. Patients who meet the System’s criteria for free care “charity” are provided care without charge and related amounts are not reported as revenue. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care using the most-likely outcome method. These settlements are estimated based on the terms of the payment agreements with the payor, correspondence from the payor, and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as new information becomes available or as years are settled or are no longer subject to such audits, reviews, and investigations.

The System uses a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing revenue on an individual contract basis. The portfolios consist of major payor classes for inpatient revenue and major payor classes and types of services provided for outpatient revenue. Based on the historical collection trends and other analyses, the System believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

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

	<u>2020</u>	<u>2019</u>
Medicare	35 %	35 %
Medicaid	16	15
Wellmark/Blue Cross	21	21
Commercial and other	27	28
Self-pay	<u>1</u>	<u>1</u>
	<u>100 %</u>	<u>100 %</u>

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

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

	2020	2019
Medicare	32 %	28 %
Medicaid	11	15
Wellmark/Blue Cross	21	19
Commercial and other	34	34
Self-pay	2	4
	100 %	100 %

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

	2020	2019
Hospital	\$ 2,866,816	3,236,678
Physician services	757,547	653,889
Home health and hospice	230,668	230,126
Other	77,932	63,639
	\$ 3,932,963	4,184,332

Other operating revenue primarily includes income from joint ventures, reference lab, retail pharmacy and shared savings revenue from value-based contracts with third party payors. Revenue from services recorded as other operating revenue is primarily recognized at the time service is rendered. Other operating revenue for years ended December 31, 2020 and 2019 was \$667,620 and \$389,961, respectively.

(p) Charity Care

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

(q) Contributions and Beneficial Interest in Net Assets

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

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

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

Interests in charitable trusts and perpetual trusts are carried at the present value of expected future cash flows, which approximates fair value. The System's interest in the net assets (the Interest) of certain foundations that raise and hold assets on behalf of the System is accounted for in a manner similar to the equity method. The Interest is recorded at its beneficial interest in the underlying assets, and changes in the Interest are included in the change in net assets. Transfers of assets between these foundations and the System are recognized as increases or decreases in the Interest.

(r) *Estimated Malpractice Costs, Health Insurance, and Workers' Compensation*

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

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

(s) *Interest Rate Swap Agreements*

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

As described in note 7, the changes in fair value for all swap agreements are recorded as a component of nonoperating gains (losses) in excess of revenue over expense as they do not qualify for hedge accounting.

The Swaps are recognized in the consolidated balance sheets at fair value. The net cash payments or receipts under the Swaps are recorded as an increase or decrease to other nonoperating income (loss).

(t) *Income Taxes*

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

The System files Form 990 for substantially all of its operating entities in the U.S. federal jurisdiction and is no longer subject to examination by tax authorities for the years before 2017. The System has no material uncertain tax positions.

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

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

(u) Retirement Plans

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

(v) Lease Commitments

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

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

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

(w) Reclassifications

Certain 2019 amounts have been reclassified in order to conform to the 2020 presentation.

(2) Charity Care

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

The availability of charity care is widely communicated to all patients, and patients are notified prior to receiving services if their treatment does not fall within the guidelines of the policy. Amounts charged for care that is provided to individuals eligible for charity may not be more than the amounts generally billed to

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

individuals who have insurance covering such care. Amounts billed are based on either the best, or an average of the three best, negotiated commercial rates or Medicare rates.

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

Cost of charity care is calculated by applying hospital specific cost-to-charge ratios to the total amount of charity care deductions from gross revenue. The cost-to-charge ratio is calculated by taking the hospital total expenses and gross charges and applying adjustments to remove the cost of nonpatient care activity, Medicaid provider taxes paid, identifiable community benefit expenses, as well as gross patient charges that are generated for identifiable community benefit services. The amount of charity care provided at cost was \$22,139 and \$25,377 for the years ended December 31, 2020 and 2019, respectively. The expansion of Medicaid coverage, under the provisions of the PPACA, for a large population of previously uninsured patients has had a significant impact on the amount of self-pay charges and resulting charity care provided.

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

(3) Third-Party Reimbursement

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

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

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

(a) Medicaid State Plans

The System has operations within states that have enacted a Medicaid State Plan. Under each of these plans, a tax assessment is levied on certain hospital providers in order to provide funding for

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

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 2020 and 2019 was \$59,398 and \$55,348, respectively, and is included in operating expenses in the consolidated statements of operations and changes in net assets. Additional Medicaid reimbursement in the same periods was \$133,626 and \$104,933, respectively, and is included in patient service revenue in the consolidated statements of operations and changes in net assets, resulting in a net increase in operating income of \$74,228 and \$49,585 for 2020 and 2019, respectively.

(4) Functional Expenses

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

	2020					
	Hospital Services	Physician Services	Home Health and Hospice	Other	G&A	Total
Salaries and wages	\$ 730,680	156,028	49,698	94,045	614,689	1,645,140
Physician compensation and services	59,277	587,510	575	12,375	50,320	710,057
Employee benefits	175,377	47,387	11,537	25,319	153,065	412,685
Supplies	538,783	54,527	11,780	114,485	37,076	756,651
Other expenses	205,670	50,756	8,583	67,383	418,521	750,913
Depreciation and amortization	52,636	8,492	169	5,778	121,393	188,468
Interest	—	229	—	44	34,023	34,296
Provision for uncollectible accounts	—	—	—	17	443	460
	<u>\$ 1,762,423</u>	<u>904,929</u>	<u>82,342</u>	<u>319,446</u>	<u>1,429,530</u>	<u>4,498,670</u>
	2019					
	Hospital Services	Physician Services	Home Health and Hospice	Other	G&A	Total
Salaries and wages	\$ 742,445	159,548	52,348	91,217	579,367	1,624,925
Physician compensation and services	59,248	582,872	407	12,678	40,946	696,151
Employee benefits	180,321	47,912	12,586	26,305	151,503	418,627
Supplies	558,291	57,143	10,845	100,753	28,321	755,353
Other expenses	173,613	54,992	8,361	65,858	459,846	762,670
Depreciation and amortization	53,678	7,777	196	5,470	127,998	195,119
Interest	—	339	—	114	34,654	35,107
Provision for uncollectible accounts	—	—	—	9	55	64
	<u>\$ 1,767,596</u>	<u>910,583</u>	<u>84,743</u>	<u>302,404</u>	<u>1,422,690</u>	<u>4,488,016</u>

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

The consolidated financial statements report certain expense categories that are attributable to more than one healthcare service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function are allocated based on revenue.

(5) Investments

(a) Investment Summary

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

	<u>2020</u>	<u>2019</u>
Cash equivalents	\$ —	489
U.S. Treasury obligations	70,950	750
U.S. government agency obligations	445	720
Asset-backed securities:		
Other	29,540	5,108
Mortgage-backed securities:		
Government	1,139	1,156
Nongovernment	933	1,347
Certificates of deposit	1,050	—
Corporate bonds	60,500	6,592
Municipal bonds	2,117	466
Mutual funds:		
International	162	191
Index	934	892
Equity	825	1,081
Fixed income	453	469
Other	<u>4,777</u>	<u>6,665</u>
Total short-term investments	<u>\$ 173,825</u>	<u>25,926</u>

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

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

	2020	2019
Held by trustees under bond indenture agreements:		
Cash equivalents	\$ 388	485
Internally designated:		
Cash equivalents	2,388	2,580
U.S. Treasury obligations	3,636	2,146
Asset-backed securities:		
Other	30	—
Corporate bonds	499	191
Equity securities:		
Domestic	17,763	16,299
International	799	858
Mutual funds:		
Domestic	4,219	4,469
International	251,827	358,788
Emerging markets	726	637
Index	504	—
Equity	230,500	279,341
Fixed income	567,289	344,054
Other	1,160	—
Alternative funds	103,015	101,853
Hedge funds	123,075	109,037
Private equity funds	65,984	57,019
Fund of funds	78,348	77,141
	<u>1,451,762</u>	<u>1,354,413</u>
Total assets limited as to use	1,452,150	1,354,898
Less amount required to meet current obligations	<u>24,882</u>	<u>20,167</u>
Noncurrent portion of assets limited as to use	<u>\$ 1,427,268</u>	<u>1,334,731</u>

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

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

	<u>2020</u>	<u>2019</u>
Debt service accounts	\$ 388	485

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

	<u>2020</u>	<u>2019</u>
Capital improvements	\$ 1,405,046	1,311,257
Self-insured reserves	46,716	43,156
	<u>\$ 1,451,762</u>	<u>1,354,413</u>

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

	<u>2020</u>	<u>2019</u>
Cash equivalents	\$ 3,451	2,588
U.S. Treasury obligations	—	3,619
U.S. government agency obligations	57,206	708
Asset-backed securities:		
Other	14,317	6,099
Mortgage-backed securities:		
Government	5,019	2,989
Nongovernment	6,031	1,279
Corporate bonds	326,601	8,131
Municipal bonds	20,944	585
Equity securities:		
Domestic	1,341	1,054
Equity securities – PIF:		
Domestic	—	200
Mutual funds:		
Domestic	14,401	13,061
International	182,347	261,753
Emerging markets	10,060	8
Index	8,921	7,019

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

	2020	2019
Equity	\$ 176,368	215,453
Fixed income	467,205	253,722
Other	171	50,837
Alternative funds	77,424	75,284
Hedge funds	92,502	80,595
Private equity funds	49,592	42,145
Fund of funds	58,885	57,018
Insurance policies	18,249	16,915
Interest rate swaps (note 7)	2,825	1,441
Total other long-term investments	\$ 1,593,860	1,102,503

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:

	2020	2019
Investment return:		
Interest and dividends	\$ 37,193	47,016
Realized gains on sales of investments	66,294	29,496
Unrealized gains on investments	57,379	205,508
Equity in earnings of joint ventures	28,913	24,082
Change in fair value of investments accounted for under the fair value option of ASC Topic 825	38,899	44,857
	\$ 228,678	350,959
Investment return classification:		
Net assets without donor restrictions:		
Other operating revenue	\$ 29,466	24,942
Nonoperating gains – investment income	188,710	313,065
Net assets with donor restrictions	10,502	12,952
	\$ 228,678	350,959

(b) Alternative Investments

At December 31, 2020 and 2019, 20% and 24%, 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

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

the fund managers to execute on long-term strategies, many of the vehicles contain specific lock-up periods, restricted redemption timing, as well as advanced notice of redemption requests.

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

	December 31, 2020			
	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Diversified property alternative fund	\$ 137,233	—	Quarterly	95 days
Structured credit alternative fund	112,320	—	Quarterly	65 days
Diversified private equity alternative fund III	50,741	16,775	No specific lock-up provision ****	N/A
Diversified private equity alternative fund IV	35,819	45,305	No specific lock-up provision ****	N/A
Diversified private equity alternative fund V	1,727	40,364	No specific lock-up provision ****	N/A
Hedge fund segregated portfolio	215,577	—	Based on holdings***	N/A
Energy debt alternative fund	68,119	—	Semi-annual, 3 year lock-up*	95 days
Healthcare private equity fund I	10,962	168	10 year lock-up**	N/A
Healthcare private equity fund II	7,519	1,449	10 year lock-up**	N/A
Healthcare private equity fund III	424	9,576	10 year lock-up**	N/A
Health Velocity	8,384	2,450	No specific lock-up provision ****	N/A
	<u>\$ 648,825</u>	<u>116,087</u>		
	December 31, 2019			
	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Diversified property alternative fund	\$ 134,159	—	Quarterly	95 days
Structured credit alternative fund	105,194	—	Quarterly	65 days
Diversified private equity alternative fund III	54,306	22,450	No specific lock-up provision ****	N/A
Diversified private equity alternative fund IV	21,384	54,185	No specific lock-up provision ****	N/A
Diversified private equity alternative fund V	—	42,000	No specific lock-up provision ****	N/A
Hedge fund segregated portfolio	189,632	—	Based on holdings***	N/A
Energy debt alternative fund	71,943	—	Semi-annual, 3 year lock-up*	95 days
Healthcare private equity fund I	11,488	168	10 year lock-up**	N/A
Healthcare private equity fund II	7,446	2,159	10 year lock-up**	N/A
Healthcare private equity fund III	—	10,000	10 year lock-up**	N/A
Health Velocity	4,540	5,300	No specific lock-up provision ****	N/A
	<u>\$ 600,092</u>	<u>136,262</u>		

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

- * Subject to 3-year lockup based on initial subscriptions in the investment, which was originally set to expire in 2019 (50% available after lock-up period ends and 25% available for each of the following semiannual reporting periods). In 2018, the System recommitted to this fund, which extended the lock-up period. 50% is available at the next redemption window in June 2022, 25% in December 2022, and the remainder in June 2023.
- ** Subject to 10-year lockup based on initial subscriptions in the investment, which will expire in 2021, 2025 and 2030 for Fund I, II and III respectively.
- *** The liquidity of the segregated portfolio and the availability for redemptions will be determined based on the liquidity and redemption terms set forth in the underlying funds. As a result, the System's ability to obtain liquidity or redeem participating shares will be limited.
- **** Private equity funds are nonredeemable so there is no tender or withdrawal process. The limited partners agree to stay in the investment until the fund closes, at which time all remaining assets are distributed back to the limited partners.

As of December 31, 2020, the alternative investment vehicles consist of two alternative funds, one fund of funds, one hedge fund and seven private equity funds. The investment strategy of the diversified property fund of funds is to invest in income producing real estate properties utilizing a low level of leverage. The structured credit alternative fund is a fixed-income fund with an objective of generating high total returns using a strategy of investing in domestic credit markets, primarily through collateralized debt obligations and other structured credit instruments, such as loan participations and derivative instruments. The investment strategy of the energy debt alternative fund is to generate high absolute returns by taking advantage of the energy and related industries, market dislocation, and commodity price volatility, primarily by investing in debt securities, which are purchased or acquired at a significant discount to fair value and/or offer higher coupon rates. The hedge fund segregated portfolio has an investment object to produce returns comparable to those of the equity markets over a full market cycle while targeting substantially less volatility than equities by investing in a diversified portfolio of hedge funds. The three diversified private equity alternative funds have an objective of investing in a diversified set of private equity funds. The healthcare private equity funds have a strategy of investing in early stage companies and entrepreneurs within the healthcare industry. There is no public market for shares in these alternative investment vehicles. Health Velocity invests in private healthcare industry companies, similar to the healthcare private equity funds. The value of the investments in the funds is determined based on the fair values of the underlying investments, as determined by the net asset value per share.

In situations when investments do not have readily determinable fair values, the fund managers provide the net asset value (NAV) per share, or its equivalent, to the System. The NAV provided by the fund managers is supported by quoted market prices, operating results, balance sheet stability, growth, and other business and market sector fundamentals of the private investment funds. The System follows ASU 2009-12, which provided a practical expedient for certain investments to use net asset value per share to measure fair value. Accordingly, the System uses the NAV as a practical expedient for fair value for each of its alternative investments.

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

(c) Investments in Joint Ventures

At December 31, 2020 and 2019, investments in joint ventures amounted to \$91,746 and \$85,673, 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 48 privately held healthcare organizations in which the System's ownership interest ranges from 20% to 50%. The collective financial position of the joint ventures as of and for the years ended December 31 were:

	2020 <u>(unaudited)</u>	2019 <u>(unaudited)</u>
Total assets	\$ 335,045	320,171
Total equity	181,327	162,385
Net revenues	420,733	405,877
Net income	73,899	62,998

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

	2020 <u></u>	2019 <u></u>
Earnings on investments in joint ventures	\$ 28,913	24,082
New investments in joint ventures	7,791	3,257
Distributions received from joint ventures	30,631	64,692

The System both purchases services and sells services and supplies to several joint ventures. In 2020 and 2019, services purchased from joint ventures totaled \$27,352 and \$19,093, respectively. Services and supplies sold to joint ventures in 2020 and 2019 were \$1,989 and \$1,866, respectively. The System has loaned \$4,500 to a joint venture as of December 31, 2020 and 2019. This loan is interest bearing and carries a rate of interest commensurate with prevailing market rates.

(d) Investments at Cost

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

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

cost of each investment. As of December 31, 2020 and 2019, the System has contributed \$21,999 and \$6,500 to these investments, respectively.

(6) Long-Term Debt

Long-term debt at December 31, 2020 and 2019 is summarized as follows:

	<u>Payable through</u>	<u>Issuance type (1)</u>	<u>Interest rate (2)</u>	<u>2020</u>	<u>2019</u>
Hospital facility revenue bonds:					
Series 2020	2050	Fixed	3.67 %	\$ 319,635	—
Series 2018A	2035	VRDB	1.12	76,970	78,300
Series 2018B	2048	Fixed	5.00	70,770	72,980
Series 2018C	2041	VRDB	0.57	54,340	56,950
Series 2018D	2041	VRDB	0.54	54,335	56,945
Series 2018E	2041	VRDB	0.40	54,375	56,995
Series 2018F	2041	VRDB	0.45	54,355	56,970
Series 2017A	2027	Fixed	3.15	18,349	18,765
Series 2016D	2046	Fixed	4.00%–5.00%	38,440	40,420
Series 2016E	2046	Fixed	4.00%–5.00%	158,155	161,410
Series 2014A (WHEFA)	2029	Fixed	5.00	61,150	65,725
Series 2014C	2035	Fixed	4.47%–5.00%	69,145	69,145
Series 2013A	2044	Fixed	5.25	—	103,175
Series 2013B	2039	VRDB	0.43	72,575	72,960
Series 2012A	2024	Fixed	2.16	6,200	7,750
Series 2012C	2037	Fixed	2.43	16,495	16,860
Series 2011A	2021	Fixed	3.29	6,660	13,115
Series 2011	2031	Fixed	4.40	314	360
Series 2005	2031	Fixed	1.45%–4.00%	2,430	2,590
Series 1992A	2022	Fixed	6.00	2,050	2,990
				<u>1,136,743</u>	<u>954,405</u>
Total hospital facility revenue bonds					
Finance lease obligations net book value 2020 – \$13,039; 2019 – \$15,228	2026	Fixed	0%–9.05%	15,471	17,832
Commercial paper	Ongoing	Variable	Various	—	16,857
Other notes and mortgages	2022	Fixed	1.00%–8.00%	107,861	7,292
				<u>1,260,075</u>	<u>996,386</u>
Current maturities				(151,244)	(129,121)
Unamortized bond issuance costs				(7,478)	(6,468)
Unamortized bond premium				33,435	35,074
				<u>\$ 1,134,788</u>	<u>895,871</u>
Long-term portion					

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

(2) Variable rates shown as of December 31, 2020 and 2019, respectively, and do not include letter of credit and remarketing fees.

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

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

The Series 2020, 2018B, 2018C, 2018D, 2018E, 2018F, 2016D, 2016E, 2014A, 2014C, 2013A, 2013B, and 1992A bonds (collectively, the Bonds) and the Series 2018A, 2017A, 2012A, 2012C, and 2011A direct note obligations (collectively, the Notes) are general obligations of the System and its affiliates. The System is required to meet certain operating and financial ratios contained in the master bond trust indenture, bond insurance agreements, and bank letter of credit agreements (related to the variable rate demand bonds).

The Bonds and Notes are subject to the provisions of amended and restated master trust indentures, which generally require monthly or quarterly deposits for principal and interest payments be made and certain funds be maintained by the trustee for interest payment and bond retirement purposes. The Bonds and the Notes are secured by the System's revenue.

The variable interest rates on substantially all of the bonds are adjusted daily or weekly by remarketing agents. The bonds may be tendered by the bond holders each interest rate period. The System maintains letters of credit that can be drawn on should the Series 2013B, 2018C, 2018D, 2018E, or 2018F variable rate demand bonds not be remarketed. The letter of credit for the Series 2018D and 2018F bonds expires in 2021, and thus the related debt is shown as current debt in the System's consolidated financial statements. The remaining letters of credit have varying expiration dates and are renewable, subject to approval and at the option of the providers, through the term of the bonds. Outstanding amounts under the letters of credit are due at the earlier of expiration of the agreement or over a period of three years, commencing after an initial outstanding period of 366 days or more.

On December 1, 2014, the System established a \$200,000 taxable commercial paper program. The System did not have any commercial paper outstanding as of December 31, 2020 and had \$16,857 outstanding as of December 31, 2019. The System's commercial paper program is sold in tranches, with varying maturities of 1 to 270 days so that no more than \$25,000 will mature in any 5-business-day period.

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

The System maintains four separate revolving line-of-credit facilities, three facilities that provide for revolving credit in an aggregate principal amount of up to \$50,000 each and one facility that provides for revolving credit in an aggregate principle amount of \$100,000. The interest rates applicable to loans under the credit agreements are based on LIBOR plus certain margins, as defined in the agreements. Additionally, the facilities carry a commitment fee, which is charged on the average daily undrawn portion of the facilities. Two of these credit facilities mature in 2021 and two mature in 2022. These agreements contain various financial covenants that mirror those in the System's master bond trust indenture.

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

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

	Accelerated maturities with letter of credit expirations	Scheduled maturities based on loan agreements
2021	\$ 151,244	151,244
2022	34,512	34,512
2023	238,338	134,568
2024	32,058	34,018
2025	97,880	34,950
Thereafter	<u>706,043</u>	<u>870,783</u>
	<u>\$ 1,260,075</u>	<u>1,260,075</u>

(7) Interest Rate Swaps

The System uses interest rate swap agreements as a risk management strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations.

The system has no swaps that are currently designated as hedging instruments, and all changes in fair values are recorded as a component of nonoperating gains (losses) in excess of revenue over expenses. Effective January 1, 2018, one swap that was previously designated as hedged was deemed to no longer be effective. As a result, the cumulative change in fair value of the hedge previously deemed effective of \$(15,036) is being amortized into income over the remaining life of the swap agreement. As of December 31, 2020 and 2019, \$(12,396) and \$(13,276), respectively, of net unrealized losses remains in net assets to be amortized, and \$880 was amortized into other loss in both 2020 and 2019.

In prior years, other swap agreements previously designated as hedges by the System were deemed to be ineffective. The ineffective portion of these changes in fair value, previously deemed effective, is being amortized into other income (loss) over the remaining life of the swap. As of December 31, 2020 and 2019, \$(150) and \$(211), respectively, of net unrealized losses remain in net assets to be amortized and \$61 was amortized into other loss in both 2020 and 2019.

In previous years, the System reduced the notional amount of certain swap agreements by \$58,395 by paying \$8,450 as of the date of the transactions to the counterparty. This fair value remains a component of unrestricted net assets and is being amortized into interest expense over the remaining life of the swap. As of December 31, 2020 and 2019, \$5,907 and \$6,326, respectively, remains in unrestricted net assets to be amortized and \$419 was amortized into interest expense in 2020 and 2019.

The System has provisions within certain interest rate swap agreements that require it to post collateral should the negative fair value of the agreements exceed certain thresholds that are dependent on the System's credit rating. During 2020, the System was required to post collateral under these agreements

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

and as of December 31, 2020, there was \$990 outstanding which is included in prepaid expense in the consolidated financial statements.

The respective fair values of interest rate swaps in an asset-and-liability position for the System were as follows as of December 31, 2020 and 2019:

Trade date	Maturity date	Notional amount	System pays	System receives	Fair value	
					2020	2019
2006	2030	60,000	100% of SIFMA	68.0% of 10Y LIBOR + 14.3 bps	\$ 2,825	1,440
2005	2035	93,450	3.5 %	62.4% of 3m LIBOR + 29 bps	(18,655)	(15,149)
2006	2037	122,950	3.8	61.9% of 1m LIBOR + 31 bps	(40,521)	(33,041)
2006	2023	27,700	3.5	61.9% of 1m LIBOR + 31 bps	(2,145)	(2,213)
2005	2035	46,725	3.3	62.4% of 1m LIBOR + 29 bps	(8,754)	(6,955)
2008	2026	12,325	3.5	63.0% of 1m LIBOR + 30 bps	(1,300)	(1,219)
2008	2024	6,200	3.5	63.0% of 1m LIBOR + 30 bps	(463)	(490)
2005	2032	21,350	3.5	67.0% of 1m LIBOR	(5,321)	(4,331)
					\$ (74,334)	(61,958)

The aggregate fair value of the unhedged swap agreements is recorded as long-term investments of \$2,825 and \$1,440 and long-term liabilities of \$(77,159) and \$(63,398) as of December 31, 2020 and 2019, respectively. The change in fair value of \$(12,376) and \$(12,594) is included as a component of other income (loss) for the years ended December 31, 2020 and 2019, respectively. The net of what the System pays and receives is settled monthly or quarterly on each swap agreement and is reported as other income (loss).

The table below presents certain information regarding the System's interest rate swap agreements:

	<u>2020</u>	<u>2019</u>
Other long-term investments:		
Fair value of interest rate swap agreement	\$ 2,825	1,440
Other long-term liabilities:		
Fair value of interest rate swap agreements	(77,159)	(63,398)
Net assets without donor restrictions:		
Change in unrestricted net assets amortizing into other, net	941	941
Operating expenses:		
Nonoperating other, net:		
Loss recognized in income from changes in fair value of interest rate swaps	(12,376)	(12,594)
Loss recognized in income from amortization of unrecognized losses in unrestricted net assets	(941)	(941)

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

(8) Liquidity

As part of the System's cash management policy, cash and investments feature a high degree of safety and liquidity to support general expenditures and debt service within one year in the normal course of operations.

The following table represents financial assets available for general expenditures within one year at December 31:

	<u>2020</u>	<u>2019</u>
Financial assets at December 31:		
Cash and cash equivalents	\$ 634,781	278,444
Short-term investments	173,825	25,926
Assets limited as to use – required for current liabilities	24,882	20,167
Patient accounts receivable, net	514,616	565,461
Assets limited as to use, noncurrent:		
Held by trustee under bond indenture agreements	388	485
Internally designated	1,426,880	1,334,246
Other long-term investments	1,593,860	1,102,503
Contribution receivable and other assets held in trust	118,623	114,617
Total financial assets	<u>4,487,855</u>	<u>3,441,849</u>
Less amounts not available to be used within one year:		
Funds held by trustee under bond indenture agreements	388	485
Assets internally designated for self-insured reserves	46,716	43,156
Assets internally designated for capital improvements	98,615	98,386
Other long-term investments	74,118	72,721
Assets attributable to noncontrolling interest	32,999	31,952
Beneficial interests in foundations	67,938	64,785
Charitable trusts	17,714	17,710
Perpetual trusts	26,020	24,076
Donor restricted assets	243,581	225,233
Financial assets not available to be used within one year	<u>608,089</u>	<u>578,504</u>
Financial assets available to meet general expenditures	<u>\$ 3,879,766</u>	<u>2,863,345</u>

The System has certain board-designated and donor-restricted assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the table above representing financial assets to meet general expenditures within one year. The System has other assets limited to use under bond indenture agreement, for self-insurance reserves, and for capital expenditures. These assets are limited to use, which are more fully described in

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

notes 5 and 12, and are not available for general expenditure within the next year. The assets internally designated for capital improvements could be made available, if necessary.

As part of the System's pooled cash management plan, cash in excess of daily requirements is invested in short-term investments and money market funds.

The System maintains a \$200,000 commercial paper program, as discussed in more detail in note 6. As of December 31, 2020 and 2019, \$200,000 and \$183,000 remained available on the System's commercial paper program, respectively.

The System maintains three separate revolving line of credit facilities that provide for revolving credit in aggregate principal amount of up to \$50,000 each and one credit facility that provides for revolving credit in aggregate principal amount of \$100,000, as discussed in more detail in note 6. As of December 31, 2020 and 2019, no amounts were drawn on these revolving line of credit facilities. As of December 31, 2020, the System was in compliance with bond covenants. Long-term debt is discussed in more detail in note 6.

(9) Retirement Benefit Plans

(a) Defined-Contribution Retirement Plans

The System has several defined-contribution benefit plans, which are available to substantially all employees meeting age and length of service requirements. Participating employers annually determine the amount, if any, of the System's contributions to the plans. Total benefit expenses under the defined-contribution plans were approximately \$80,077 and \$74,384 for 2020 and 2019, respectively. The System also has deferred compensation plans for certain employees. Total expenses under the deferred compensation plans were \$3,468 and \$2,625 for 2020 and 2019, respectively. In relation to the post retirement benefits, the System had liabilities of \$6,537 and \$6,727 included in accrued payroll and \$114,880 and \$125,304 in other long-term liabilities as of December 31, 2020 and 2019, respectively.

(b) Defined-Benefit Plans

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

The noncontributory defined-benefit plan for Methodist Health Services, Inc. (Methodist Peoria) has been frozen to new participants since 2007. As of December 31, 2012, Methodist Peoria froze its defined-benefit pension plan with regard to accrual of additional benefits by participants in the plan. The noncontributory defined-benefit pension plan for Proctor Health Care (Proctor Peoria) has been frozen with regard to the accrual of additional benefits and new participants since 2008. The unrecognized pension benefit costs in unrestricted net assets were eliminated prior to affiliation for both the Methodist Peoria and Proctor Peoria plans as part of the accounting for the affiliation with the System. Progressive Health Systems, Inc. (Pekin Peoria) has a defined-contribution plan that covers

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

nearly all hospital employees. The board of trustees determines the amount, if any, of contributions to the plan annually. In addition, Pekin Peoria has a noncontributory defined-benefit plan covering all employees who met eligibility requirements. This plan has been curtailed since 2008 and was replaced by the defined-contribution plan. Effective December 31, 2018, the defined-benefit plans for Methodist Peoria and Proctor Peoria were merged into the Pekin Peoria plan and are now referred to as the UnityPoint Health Central Illinois pension plan.

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

The System expects to contribute \$21,307 to the plans in 2020. The System uses a December 31 measurement date for the plans.

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

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

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

	December 31, 2020			
	Central Illinois	Madison	Cedar Rapids	Waterloo
Assets and liabilities recognized in the consolidated balance sheets:				
Noncurrent liabilities	\$ (97,395)	10,991	1,259	(3,031)
	\$ (97,395)	10,991	1,259	(3,031)
Amounts recognized in unrestricted net assets but not yet recognized as components of net periodic benefit cost:				
Net loss	\$ 86,588	3,845	50,951	3,925
Net prior service credit	—	1,029	—	12
	\$ 86,588	4,874	50,951	3,937
Amounts expected to be recognized within one year:				
Net loss	\$ 1,918	—	5,744	242
Net prior service credit	—	190	—	9
	\$ 1,918	190	5,744	251
Other changes in plan assets recognized in changes in net assets:				
Net (gain) loss	\$ 28,216	(20,130)	13,753	1,642
Amortization of:				
Net loss	(1,009)	—	(3,880)	(100)
Prior service credit	—	(190)	—	(9)
Total recognized in changes in net assets	\$ 27,207	(20,320)	9,873	1,533

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

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

The service cost component of \$729 is presented with other employee compensation costs in employee benefits within operating income in the consolidated statement of operations and changes in net assets for the year ended December 31, 2020. All other components of net benefit cost, which total \$(8,035), are reported separately in nonoperating as other, net for the year ended December 31, 2020 in the accompanying consolidated financial statements.

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

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

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

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

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

	December 31, 2019				
	Methodist Peoria	Central Illinois	Madison	Cedar Rapids	Waterloo
Weighted average assumptions used to determine benefit obligations for the year ended December 31, 2019:					
Discount rate	4.67 %	3.71 %	3.53 %	3.68 %	3.68 %
Rate of compensation increase	N/A	N/A	N/A	N/A	N/A
Weighted average assumptions used to determine benefit costs for the year ended December 31, 2019:					
Discount rate	N/A	4.70 %	4.55 %	4.69 %	4.62 %
Expected return on plan assets	N/A	8.20 %	6.52 %	7.10 %	8.20 %
Rate of compensation increase	N/A	N/A	N/A	N/A	N/A
Components of net periodic benefit cost:					
Service cost	\$ —	—	—	—	632
Interest cost	—	14,764	9,823	5,674	583
Expected return on plan assets	—	(18,692)	(9,468)	(8,680)	(919)
Amortization of prior service credit	—	—	190	—	12
Amortization of net loss	—	1,102	666	4,310	141
Recognized net actuarial loss	—	—	—	—	—
Effect of settlement	—	—	—	—	—
Curtailment gain from freezing benefits	—	10,022	—	—	—
Net periodic benefit cost (benefit)	\$ —	7,196	1,211	1,304	449

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.

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

Target asset allocation percentages for 2020 and 2019 were as follows:

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

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

Plan assets are rebalanced quarterly. At December 31, 2020 and 2019, plan asset allocations are as follows:

	2020				2019			
	Central Illinois	Madison	Cedar Rapids	Waterloo	Central Illinois	Madison	Cedar Rapids	Waterloo
Cash equivalents	— %	2 %	— %	— %	— %	2 %	— %	— %
U.S. Treasury obligations	3	—	12	9	6	—	13	10
Equity securities:								
Domestic	—	8	—	—	—	8	—	—
Mutual funds:								
Domestic	33	—	8	27	32	—	8	27
International	24	—	14	13	22	—	13	12
Equity	—	21	—	—	—	21	—	—
Fixed income	25	8	66	40	21	10	66	38
Other	—	5	—	—	—	5	—	—
Alternative investments	5	17	—	5	5	16	—	6
Hedge funds	5	39	—	—	6	38	—	—
Fund of funds	5	—	—	6	8	—	—	7
	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %

(c) Defined Benefit Plan Assets

The valuation methodologies and inputs used for pension plan assets measured at fair value on a recurring basis, as well as the general classification of pension plan assets pursuant to the valuation hierarchy, are described below. There have been no significant changes in the valuation techniques during the year ended December 31, 2020 or 2019.

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

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

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

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, 2020 and 2019:

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

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

	Fair value	Fair value measurements using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
2019:				
Cash equivalents	\$ 4,575	4,575	—	—
U.S. Treasury obligations	33,906	—	33,906	—
Equity securities:				
Domestic	17,627	17,627	—	—
International	986	986	—	—
Mutual funds:				
Domestic	87,535	87,535	—	—
International	71,693	71,693	—	—
Equity	46,932	46,932	—	—
Fixed income	168,809	168,809	—	—
Other	11,117	11,117	—	—
Alternative funds*	49,322	—	—	—
Hedge funds*	97,916	—	—	—
Fund of funds*	18,992	—	—	—
Accrued income	417	—	—	—
	<u>\$ 609,827</u>	<u>409,274</u>	<u>33,906</u>	<u>—</u>

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

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31, 2020:

2021	\$ 38,317
2022	40,159
2023	40,249
2024	40,721
2025	41,215
2026–2030	201,574

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

(10) Risk Management

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

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

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

The System has accrued as other liabilities \$161,366 and \$132,976 for self-insured losses at December 31, 2020 and 2019, respectively. These liabilities are presented on a gross basis, and the expected offsetting insurance recoveries are reported as a receivable. The accrued liabilities are based on management's evaluation of the merits of various claims, historical experience, and consultation with external insurance consultants and actuaries, and these liabilities include estimates for incurred but not reported claims. There can be no assurance that the accrued liabilities will be sufficient for the ultimate amounts that will be paid for claims and settlements. Also, in the ordinary course of business, the System is involved in other litigation and claims, none of which management believes will ultimately result in losses that will adversely affect the System's consolidated net assets or results of operations to a material degree.

Cash and investments have been internally designated to be held for payments of claims, if any, which may result from the self-insured or uninsured portion of liability insurance and workers' compensation claims. At December 31, 2020 and 2019, cash and investments designated for this purpose amounted to \$46,716 and \$42,899, respectively.

(11) Lease Commitments

Certain equipment and property are being leased, with remaining terms ranging from less than one year to 30 years. Certain leases contain renewal options. The renewal options are included in the lease term only for those situations in which they are reasonably certain to be renewed. The components of lease expense for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Lease cost:		
Finance lease cost:		
Amortization of right-to-use assets	\$ 470	463
Interest on lease liabilities	1,153	1,252

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

	<u>2020</u>	<u>2019</u>
Operating lease cost	\$ 43,069	43,435
Short-term lease cost	27,058	27,081
Sublease income	<u>(851)</u>	<u>(724)</u>
Total lease cost, net of income	<u>\$ 70,899</u>	<u>71,507</u>
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows related to operating leases	\$ 43,069	39,663
Operating cash outflows related to finance leases	855	5,079
Financing cash outflows related to finance leases	3,842	3,673
Right-of-use assets obtained in exchange for new operating lease liabilities	9,838	245,991
Weighted average remaining lease term – finance leases	4.3 years	5.1 years
Weighted average remaining lease term – operating leases	8.5 years	8.5 years
Weighted average discount rate – finance leases	2.9 %	2.1 %
Weighted average discount rate – operating leases	3.8 %	5.0 %

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

	<u>Operating lease</u>	<u>Finance lease</u>
2021	\$ 40,068	4,505
2022	36,717	4,499
2023	32,318	3,427
2024	28,034	2,142
2025	23,484	1,521
Thereafter	<u>84,580</u>	<u>1,026</u>
Total	245,201	17,120
Less present value discount	<u>36,180</u>	<u>1,649</u>
Total lease liability	<u>\$ 209,021</u>	<u>15,471</u>

(12) Disclosures about Fair Value of Assets and Liabilities

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

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

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

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

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

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

The valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy, are described below. There have been no significant changes in the valuation techniques during the years ended December 31, 2020 or 2019.

(b) Investments

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

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

(c) Interest Rate Swap Agreements

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

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

(d) Beneficial Interest in Perpetual Trusts

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

(e) Fair Value Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2020 and 2019:

	Fair value	2020		
		Fair value measurements using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments:				
Cash equivalents	\$ 6,227	6,227	—	—
U.S. Treasury obligations	74,586	—	74,586	—
U.S. government agency obligations	57,651	—	57,651	—
Municipal bonds	23,061	—	23,061	—
Asset-backed securities:				
Other	43,887	—	43,887	—
Mortgage-backed securities:				
Government	6,158	—	6,158	—
Nongovernment	6,964	—	6,964	—
Certificates of deposit	1,050	1,050	—	—
Corporate bonds	387,600	—	387,600	—
Equity securities:				
Domestic	19,104	19,104	—	—
International	799	799	—	—

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

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

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

	2019			
	Fair value	Fair value measurements using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments:				
Cash equivalents	\$ 6,142	6,142	—	—
U.S. Treasury obligations	6,515	—	6,515	—
U.S. government agency obligations	1,428	—	1,428	—
Municipal bonds	1,051	—	1,051	—
Asset-backed securities:				
Other	11,207	—	11,207	—
Mortgage-backed securities:				
Government	4,145	—	4,145	—
Nongovernment	2,626	—	2,626	—
Corporate bonds	14,914	—	14,914	—
Equity securities:				
Domestic	17,353	17,353	—	—
International	858	858	—	—
Equity securities – PIF:				
Domestic	200	200	—	—
Mutual funds:				
Domestic	17,530	17,530	—	—
International	620,732	620,732	—	—
Emerging markets	645	645	—	—
Index	7,911	7,911	—	—
Equity	495,875	495,875	—	—
Fixed income	598,245	598,245	—	—
Other	57,502	57,502	—	—

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

	2019			
	Fair value measurements using			
Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Alternative investments*	\$ 177,137	—	—	—
Hedge funds*	189,632	—	—	—
Private equity funds*	99,164	—	—	—
Fund of funds*	134,159	—	—	—
Interest rate swap agreements	1,441	—	1,441	—
Other items at cost**	16,915	—	16,915	—
Total short-term investments, assets limited as to use and other long-term investments	<u>\$ 2,483,327</u>	<u>1,822,993</u>	<u>60,242</u>	<u>—</u>
Beneficial interests in perpetual trusts included in contributions receivable	\$ 24,076	—	16,718	7,358
Beneficial interests in charitable trusts included in contributions receivable	17,710	17,710	—	—
Interest rate swap agreements included in other long-term liabilities	(63,399)	—	(63,399)	—

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

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

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

(f) Level 3 Reconciliation

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

		Beneficial interest in perpetual trusts
Balance, December 31, 2018	\$	7,154
Change in beneficial interest in perpetual trusts		204
Balance, December 31, 2019		7,358
Change in beneficial interest in perpetual trusts		1,619
Balance, December 31, 2020	\$	8,977

(g) Goodwill

Goodwill is evaluated for impairment when qualitative events indicate goodwill might be impaired. If the System performs an impairment test, any impairment loss is recognized as expense when it is determined that the carrying amount of the goodwill exceeds its implied fair value. The key inputs used to assess for potential impairment are a qualitative analysis of the applicable reporting unit and a quantitative discounted cash flow analysis.

(h) Unobservable (Level 3) Inputs

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

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

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

	Fair value	2019	
		Valuation technique	Adjustment to NAV
Recurring:			
Beneficial interests in perpetual trusts	\$ 7,358	Present value of future distributions expected to be received over term of agreement	N/A
Nonrecurring:			
Goodwill	\$ 36,708	Discounted cash flows	N/A

(13) Net Assets with Donor Restrictions

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

	2020	2019
Purchase of equipment	\$ 24,159	25,517
Indigent care/operations	85,493	67,473
Health education	13,006	16,247
For use in future periods	32,996	34,356
Investments to be held in perpetuity	87,927	81,640
Total with donor restrictions	<u>\$ 243,581</u>	<u>225,233</u>

The portion of restricted net assets that have restrictions on the usage of income include restrictions for the support of operations, capital and equipment, education, patient assistance and research. Included in investments to be held in perpetuity is \$44,860 of donor endowed corpus, with the remainder of \$43,067 is primarily consisting of accumulated earnings on donor endowed corpus and perpetual trusts.

Net assets released from restrictions were \$20,015 and \$27,273 in 2020 and 2019 respectively. Net assets were released from restriction by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors including support of operations, capital and equipment, education, patient and employee assistance, and research.

(14) Related-Party Transactions

The System purchases a variety of services and products, including leases, from companies affiliated with members of the Boards of Directors of the System and/or its subsidiaries. Services and products purchased from these affiliated companies during 2020 and 2019 totaled \$56,401 and \$56,830, 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.

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

The System has recorded contribution receivables for amounts held by nonconsolidated foundations on behalf of the System of \$67,938 and \$64,785 as of December 31, 2020 and 2019, respectively. Contributions received from nonconsolidated foundations and other related parties were \$1,537 and \$3,342 in 2020 and 2019, respectively.

(15) Commitments and Contingencies

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

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

Guarantees

The System has guaranteed \$33,477 and \$35,675, which is outstanding at December 31, 2020 and 2019, respectively, relating to long-term debt for the construction of a family practice residency program education facility, a managed facility's building project, and debt related to joint ventures. For 2020 and 2019, the System made no payments on these guarantees.

(16) Endowment

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

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

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

The composition of net assets by type of endowment fund at December 31, 2020 and 2019 was:

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total</u>
December 31, 2020:			
Donor-restricted endowment funds	\$ —	65,370	65,370
Board-designated endowment funds	<u>143,719</u>	<u>—</u>	<u>143,719</u>
Total endowment funds	<u>\$ 143,719</u>	<u>65,370</u>	<u>209,089</u>
December 31, 2019:			
Donor-restricted endowment funds	\$ —	57,098	57,098
Board-designated endowment funds	<u>133,576</u>	<u>—</u>	<u>133,576</u>
Total endowment funds	<u>\$ 133,576</u>	<u>57,098</u>	<u>190,674</u>

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

Changes in endowment net assets for the years ended December 31, 2020 and 2019 were:

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total</u>
Endowment net assets, December 31, 2018	\$ 117,255	50,058	167,313
Investment return:			
Investment income	12,283	1,152	13,435
Net appreciation	4,453	5,921	10,374
Total investment return	16,736	7,073	23,809
Contributions	—	1,779	1,779
Appropriation of endowment assets for expenditure	(415)	(1,812)	(2,227)
Endowment net assets, December 31, 2019	133,576	57,098	190,674
Investment return:			
Investment income	1,205	819	2,024
Net appreciation	11,968	5,485	17,453
Total investment return	13,173	6,304	19,477
Contributions	—	3,118	3,118
Appropriation of endowment assets for expenditure	(3,030)	(1,150)	(4,180)
Endowment net assets, December 31, 2020	\$ <u>143,719</u>	<u>65,370</u>	<u>209,089</u>

As of December 31, 2020 and 2019, the corpus of the aforementioned donor-restricted endowment funds was \$44,860 and \$41,319, respectively. In addition, the net amount of earnings in excess of expenditures as of December 31, 2020 and 2019 was \$20,510 and \$15,779, respectively.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the System is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with GAAP, deficiencies of this nature are reported in without donor restriction net assets and amount to \$0 and \$16 at December 31, 2020 and 2019, respectively.

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

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

To satisfy its long-term rate of return objectives, the System relies on a total return strategy in which investment returns are achieved through net investment income, including dividends, interest, and recognized appreciation, as well as unrealized capital appreciation. The System targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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

(17) Coronavirus 2019

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

The System's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. Precautionary steps to enhance operational and financial flexibility, and react to the risks the COVID-19 pandemic presents to the business, included the following:

- Implemented certain cost reduction initiatives.
- Reduced certain planned projects and capital expenditures.
- On May 13, 2020, the System issued \$319,635 of taxable bonds, Series 2020, which included refinancing the 2013A bonds and new money to finance general corporate purposes. During 2020, the System also entered into various liquidity vehicles, as outlined in note 6, in response to the pandemic.
- Assessed the various federal and state stimulus options available to the System, as noted below.

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

In March 2020, the Coronavirus Aid, Relief and Economic Security Act (CARES Act) was signed into law, providing temporary and limited relief to hospitals and healthcare providers during the COVID-19 outbreak. Appropriations were made for hospitals and healthcare providers to cover expenses and lost revenue associated with the treatment of COVID-19 patients, expanding the Medicare Advanced and Accelerated Payment Program, providing employee retention tax credits to employers affected by COVID-19, eliminating the 2% reduction in Medicare payments from sequestration for the remainder of 2020, creating an add-on payment for inpatient hospitals treating COVID-19 patients, and delaying a reduction in Medicaid funding for Medicare Disproportionate Share hospitals.

As of December 31, 2020, the System received \$85,002 in Provider Relief Fund General Distributions, \$103,302 in Provider Relief Fund Targeted Distributions, \$7,780 in State of Iowa and Wisconsin Hospital Funding, \$1,402 in State of Iowa Mental Health Funding, and \$44 in Higher Education Emergency Relief Funds under the CARES Act. These funds are not subject to repayment, provided the System is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for healthcare-related expenses or lost revenue attributable to COVID-19. Such payments are accounted for as government grants and are recognized on a systematic and rational basis as income once there is reasonable assurance that the applicable terms and conditions required to retain the funds will be met and the funds are received. Based on analysis of the compliance and reporting requirements of the CARES Act and the impact of the pandemic on operating results through the end of 2020, the System has recorded \$195,391 of these funds as other operating revenue in the consolidated statements of operations and changes in net assets.

In addition, the System received approximately \$372,099 of payments under the Medicare Advanced Payment Program (APP), which allows eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. Repayment begins one year from the date the AAP was issued, with repayment planned to begin in April 2021. Once repayment begins, Medicare payments will be recouped at a rate of 25% for 11 months. After the 11-month period, Medicare payments will be recouped at a rate of 50% for six additional months. As of December 31, 2020, \$153,659 of APP payments received are included in other current liabilities and \$218,440 in other long-term liabilities in the consolidated balance sheets.

As of December 31, 2020, the System has also deferred employment tax deposits and payments of \$75,060, as allowed by the IRS as part of the CARES Act. The program allows the System to defer deposits of the employer's share of social security tax due and payments of the tax imposed on wages paid during the period from March 27, 2020 to December 31, 2020. As of December 31, 2020, the tax deposits and payments deferred of \$37,530 are included in accrued payroll and \$37,530 in other long-term liabilities in the consolidated balance sheets.

The COVID-19 pandemic has affected commerce and financial markets globally. Although COVID-19 initially produced market conditions that adversely affected the fair value of the System's investments, the fair value substantially recovered by December 31, 2020. It is possible that COVID-19 will impact the fair value of the System's investments in the future.

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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(Dollars in thousands)

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

(18) Subsequent Events

Subsequent events have been evaluated through April 14, 2021, which is the date the consolidated financial statements were issued.

On March 1, 2021, Keokuk Health Systems and Subsidiaries, Inc. (Keokuk) unaffiliated from the System. As a result, the assets, liabilities and net assets pertaining to Keokuk will be removed from the consolidated financial statements of the System going forward.

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

Consolidating Balance Sheet Information

December 31, 2020

(In thousands)

Assets	UPHDM	MHSC	TRHS	MHS	SLHC	AHS	SLHS	THS	TRI-ST	KEO	UPC	UPAH	UPH	Eliminations	Consolidated
Current assets:															
Cash and cash equivalents	\$ 86,039	32,002	30,194	45,421	50,251	51,399	34,281	24,332	10,638	3,234	—	20,058	246,932	—	634,781
Short-term investments	21,986	5,540	7,611	11,723	9,117	14,497	7,945	6,717	2,698	—	—	5,513	80,478	—	173,825
Assets limited as to use – required for current liabilities	8,584	—	6,182	—	3,188	3,981	2,018	—	929	—	—	—	—	—	24,882
Patient accounts receivable	119,187	69,837	55,780	44,337	54,889	43,854	24,834	14,408	1,299	37,878	31,168	—	1	—	514,616
Other receivables	16,538	12,098	4,720	14,770	6,331	2,933	1,109	2,242	1,130	—	4,495	285	135,726	—	202,377
Inventories	18,781	14,339	12,220	5,074	8,922	8,812	4,728	3,779	2,338	591	5,308	8,950	3,305	—	97,147
Prepaid expenses	3,131	3,856	2,637	4,042	2,414	1,112	768	248	526	35	2,494	311	36,927	—	58,501
Due from affiliates	38,734	55,887	22,600	47	26,620	16,039	3,427	5,063	3,423	250	63,167	2,709	177,832	(415,798)	—
Total current assets	312,980	193,559	141,944	125,414	161,732	142,627	79,110	57,718	37,897	5,409	113,342	68,994	681,201	(415,798)	1,706,129
Assets limited as to use, noncurrent:															
Held by trustee under bond indenture agreements	—	—	—	—	—	—	—	—	—	—	—	—	388	—	388
Internally designated for capital improvements	807,003	10,052	207,757	—	167,851	—	54,268	54,349	103,600	166	—	—	—	—	1,405,046
Internally designated for insurance reserve	5,102	6,231	6,365	—	2,089	(97)	1,749	395	—	—	—	—	—	—	21,634
Total assets limited as to use, noncurrent	812,105	16,283	214,122	—	169,940	(97)	56,017	54,744	103,600	166	—	—	388	—	1,427,268
Property, plant and equipment, net	336,968	331,034	198,994	282,759	185,152	156,093	73,131	64,955	80,296	3,319	41,856	5,869	84,233	—	1,844,659
Operating lease right of use assets	18,810	8,961	14,760	10,021	16,001	11,101	—	1,174	6,222	—	90,620	6,692	19,981	—	204,343
Other long-term investments	140,226	265,813	39,187	488,482	103,551	204,953	22,149	54,597	8,104	—	51,114	26,243	189,441	—	1,593,860
Investments in joint ventures and other investments	78,855	18,797	18,095	37,020	22,598	8,920	25,539	10,080	2,541	—	153	2,509	50,719	(132,916)	142,910
Contributions receivable and other assets held in trust	10,701	31,229	851	72	47,176	5,171	5,897	3,500	1,402	—	25	1,402	—	—	118,623
Other	638	16,156	37,449	81	788	1,154	516	239	263	2	2,666	47	23,666	—	83,665
Due from affiliates	—	—	—	—	—	—	—	—	—	—	20,983	—	701,753	(722,736)	—
Total assets	\$ 1,711,283	881,832	665,402	943,849	706,938	529,922	262,359	247,007	251,522	8,896	320,759	111,756	1,751,382	(1,271,450)	7,121,457
Liabilities and Net Assets															
Current liabilities:															
Current maturities of long-term debt	\$ 459	6,831	495	300	20	3,071	248	—	—	43	873	—	138,904	—	151,244
Current portion of operating lease liabilities	2,623	2,049	2,482	1,643	3,446	1,189	—	230	746	—	12,511	1,051	4,312	—	32,282
Accounts payable	32,944	25,804	20,487	30,242	15,666	13,675	10,237	4,315	3,530	4,668	8,549	7,565	55,799	—	233,481
Accrued payroll	31,903	16,012	14,873	23,040	18,237	11,994	6,899	6,268	796	27,924	6,719	136,428	—	—	306,736
Accrued interest	1	45	—	—	—	3	—	—	—	—	—	—	11,565	—	11,614
Estimated settlements due to third-party payers	5,315	35,408	18,840	1,988	3,626	3,371	2,628	2,358	551	119	—	543	10,627	—	85,374
Medical claims payable	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Due to affiliates	27,843	22,087	16,319	7,557	12,047	39,786	27,295	4,561	2,339	10,293	17,659	9,169	226,879	(423,834)	—
Other current liabilities	45,465	42,424	26,488	16,400	24,223	18,930	11,605	10,187	6,093	995	24,135	11,094	4,540	464	243,043
Total current liabilities	146,553	150,660	99,984	81,170	77,265	92,019	58,912	27,919	18,902	16,914	91,651	36,141	589,054	(423,370)	1,063,774
Long-term debt, net	1,773	1,704	2,359	57	436	780	37	—	57	5,222	—	—	1,122,363	—	1,134,788
Long-term operating lease liabilities	16,257	7,118	12,531	8,379	12,587	10,037	—	944	5,505	—	79,892	5,690	17,799	—	176,739
Other long-term liabilities	89,440	176,699	50,079	24,044	36,255	45,014	22,560	25,703	9,760	1,384	79,565	4,636	122,514	—	687,653
Due to affiliates	75,127	150,505	119,739	162,180	63,330	80,490	23,382	8,000	15,292	17,096	—	—	—	(715,141)	—
Total liabilities	329,150	486,686	284,692	275,830	189,873	228,340	104,891	62,566	49,459	35,451	256,330	46,467	1,851,730	(1,138,511)	3,062,954
Net Assets (Deficit)															
Without donor restrictions:															
Attributable to UnityPoint Health	1,320,292	339,826	339,530	660,643	464,828	278,120	146,058	174,447	189,448	(26,589)	64,285	62,121	(100,396)	(130,690)	3,781,923
Attributable to noncontrolling interest	—	—	28,333	—	(246)	967	3,945	—	—	—	—	—	—	—	32,999
Total without donor restrictions	1,320,292	339,826	367,863	660,643	464,582	279,087	150,003	174,447	189,448	(26,589)	64,285	62,121	(100,396)	(130,690)	3,814,922
With donor restrictions:															
Attributable to UnityPoint Health	61,841	55,320	12,847	7,376	51,754	22,495	7,465	9,994	12,615	34	144	3,168	48	(2,249)	242,852
Attributable to noncontrolling interest	—	—	—	—	729	—	—	—	—	—	—	—	—	—	729
Total with donor restrictions	61,841	55,320	12,847	7,376	52,483	22,495	7,465	9,994	12,615	34	144	3,168	48	(2,249)	243,581
Total net assets (deficit)	1,382,133	395,146	380,710	668,019	517,065	301,582	157,468	184,441	202,063	(26,555)	64,429	65,289	(100,348)	(132,939)	4,058,503
Total liabilities and net assets	\$ 1,711,283	881,832	665,402	943,849	706,938	529,922	262,359	247,007	251,522	8,896	320,759	111,756	1,751,382	(1,271,450)	7,121,457

Definitions

UPHDM – UnityPoint Health – Des Moines and Subsidiaries (Des Moines)
 MHSC – Methodist Health Services Corp. and Subsidiaries (Peoria)
 TRHS – Trinity Regional Health System and Subsidiaries (Rock Island)
 MHS – Menter Health Services, Inc. and Subsidiaries (Madison)
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 SLHS – St. Luke’s Health System, Inc. (Sioux City)

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

See accompanying independent auditors’ report.

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

Consolidating Statement of Operations Information

Year ended December 31, 2020

(In thousands)

	UPHDM	MHSC	TRHS	MHS	SLHC	AHS	SLHS	THS	TRI-ST	KEO	UPC	UPAH	UPH Corp	Eliminations	Consolidated
Operating revenues:															
Patient service revenue	\$ 1,049,320	565,216	532,109	452,739	474,006	388,459	201,614	149,180	108,591	10,422	368,167	212,394	1,444	(580,698)	3,932,963
Other operating revenue	167,245	108,973	66,805	41,516	80,996	56,691	45,431	33,051	12,269	2,272	105,454	5,698	448,470	(507,251)	667,620
Net assets released from restrictions used for operations	6,029	1,503	797	455	961	1,189	—	8	518	7	22	466	—	(487)	11,468
Total operating revenue	1,222,594	675,692	599,711	494,710	555,963	446,339	247,045	182,239	121,378	12,701	473,643	218,558	449,914	(1,088,436)	4,612,051
Operating expenses:															
Salaries and wages	383,667	204,308	184,005	182,406	184,720	130,211	76,379	51,978	45,473	7,095	128,398	80,953	152,121	(166,574)	1,645,140
Physician compensation and services	216,261	117,370	95,704	41,796	80,059	76,653	32,103	35,571	10,854	2,512	281,054	201	1,381	(281,462)	710,057
Employee benefits	91,488	49,803	45,044	55,139	47,549	32,776	18,653	12,770	10,752	1,573	33,889	19,466	38,862	(45,079)	412,685
Supplies	219,748	99,052	106,140	79,762	82,851	85,951	39,407	24,061	16,752	2,642	42,247	80,743	672	(123,377)	756,651
Other expenses	237,605	179,821	143,201	86,700	124,342	93,601	60,488	36,851	33,804	3,372	116,327	29,546	170,874	(565,619)	750,913
Depreciation and amortization	30,781	24,810	18,122	21,978	16,996	16,981	5,784	5,116	5,520	781	5,604	1,238	41,361	(6,604)	188,468
Interest	4,069	5,868	6,376	6,891	2,978	3,858	1,475	518	777	940	314	—	33,504	(33,272)	34,296
Provision for uncollectible accounts	7	65	331	—	125	1	42	(6)	(44)	(20)	7	—	(48)	—	460
Total operating expenses	1,183,626	681,097	598,923	474,672	539,620	440,032	234,331	166,859	123,888	18,895	607,840	212,147	438,727	(1,221,987)	4,498,670
Operating income (loss)	38,968	(5,405)	788	20,038	16,343	6,307	12,714	15,380	(2,510)	(6,194)	(134,197)	6,411	11,187	133,551	113,381
Nonoperating gains (losses):															
Investment income (expense)	65,222	16,576	17,309	36,679	18,324	11,672	4,819	6,390	9,609	8	1,218	933	(44)	(5)	188,710
Other, net	56	4,715	(9)	11,055	1,237	443	—	—	(1)	—	—	—	(24,544)	3	(7,045)
Total nonoperating gains (losses), net	65,278	21,291	17,300	47,734	19,561	12,115	4,819	6,390	9,608	8	1,218	933	(24,588)	(2)	181,665
Revenue over (under) expenses before gain (loss) on bond refinancing transactions	104,246	15,886	18,088	67,772	35,904	18,422	17,533	21,770	7,098	(6,186)	(132,979)	7,344	(13,401)	133,549	295,046
Loss on bond refinancing transactions	—	—	—	—	(19)	—	—	—	—	—	—	—	(16,652)	—	(16,671)
Excess (deficit) of revenues over expenses	104,246	15,886	18,088	67,772	35,885	18,422	17,533	21,770	7,098	(6,186)	(132,979)	7,344	(30,053)	133,549	278,375
Less: Net income (loss) attributable to noncontrolling interest	—	—	(223)	—	38	765	(3,200)	—	—	—	—	—	—	—	(2,620)
Excess (deficit) of revenues over expenses attributable to UnityPoint Health	\$ 104,246	15,886	17,865	67,772	35,923	19,187	14,333	21,770	7,098	(6,186)	(132,979)	7,344	(30,053)	133,549	275,755

Definitions

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

See accompanying independent auditors' report.

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

UnityPoint Health – Des Moines and Subsidiaries (Des Moines)

Consolidating Balance Sheet Information

December 31, 2020

(In thousands)

Assets	UPHDM	CIHC	UPHF	CIHP	EB	GRMC	UPC	UPAH	Eliminations	Consolidated
Current assets:										
Cash and cash equivalents	\$ —	74,349	1,491	12	3,436	6,751	—	—	—	86,039
Short-term investments	—	20,916	148	—	—	922	—	—	—	21,986
Assets limited as to use – required for current liabilities	—	8,584	—	—	—	—	—	—	—	8,584
Patient accounts receivable	—	111,985	—	—	743	6,459	—	—	—	119,187
Other receivables	—	16,078	16	51	147	246	—	—	—	16,538
Inventories	—	17,376	42	—	—	1,363	—	—	—	18,781
Prepaid expenses	—	2,793	22	18	93	205	—	—	—	3,131
Due from affiliates	—	46,215	91	30,199	—	699	—	—	(38,470)	38,734
Total current assets	—	298,296	1,810	30,280	4,419	16,645	—	—	(38,470)	312,980
Assets limited as to use, noncurrent:										
Internally designated for capital improvements	—	690,427	116,038	—	538	—	—	—	—	807,003
Internally designated for insurance reserve	—	5,102	—	—	—	—	—	—	—	5,102
Total assets limited as to use, noncurrent	—	695,529	116,038	—	538	—	—	—	—	812,105
Property, plant and equipment, net	—	304,397	6	18,780	1,059	12,726	—	—	—	336,968
Operating lease right of use assets	—	14,317	62	4,317	105	9	—	—	—	18,810
Other long-term investments	—	62,597	69,585	—	—	8,044	—	—	—	140,226
Investments in joint ventures and other investments	—	58,371	10	—	—	—	30,397	35,897	(45,820)	78,855
Contributions receivable and other assets held in trust	—	—	10,180	—	26	495	—	—	—	10,701
Other	—	612	(1)	—	—	26	—	—	1	638
Due from affiliates	—	6,954	—	—	—	—	—	—	(6,954)	—
Total assets	\$ —	1,441,073	197,690	53,377	6,147	37,945	30,397	35,897	(91,243)	1,711,283
Liabilities and Net Assets										
Current liabilities:										
Current maturities of long-term debt	\$ —	320	—	—	—	139	—	—	—	459
Current portion of operating lease liabilities	—	2,429	37	65	85	7	—	—	—	2,623
Accounts payable	—	30,147	129	8	233	2,427	—	—	—	32,944
Accrued payroll	—	29,347	329	14	758	1,455	—	—	—	31,903
Accrued interest	—	1	—	—	—	—	—	—	—	1
Estimated settlements due to third-party payers	—	5,347	—	—	—	(32)	—	—	—	5,315
Due to affiliates	—	55,077	2,316	181	—	8,739	—	—	(38,470)	27,843
Other current liabilities	—	42,124	88	772	453	2,028	—	—	—	45,465
Total current liabilities	—	164,792	2,899	1,040	1,529	14,763	—	—	(38,470)	146,553
Long-term debt, net	—	1,413	—	—	—	360	—	—	—	1,773
Long-term operating lease liabilities	—	11,957	26	4,252	—	2	—	—	—	16,237
Other long-term liabilities	—	84,396	470	—	20	4,574	—	—	—	89,460
Due to affiliates	—	75,128	3,186	1,127	—	2,640	—	—	(6,954)	75,127
Total liabilities	—	337,686	6,581	6,419	1,549	22,339	—	—	(45,424)	329,150
Net Assets (Deficit)										
Total without donor restrictions	—	1,057,169	136,120	46,958	4,598	10,174	30,271	35,002	—	1,320,292
Total with donor restrictions	—	46,218	54,969	—	—	5,432	126	895	(45,819)	61,841
Total net assets (deficit)	—	1,103,387	191,109	46,958	4,598	15,806	30,397	35,897	(45,819)	1,382,133
Total liabilities and net assets	\$ —	1,441,073	197,690	53,377	6,147	37,945	30,397	35,897	(91,243)	1,711,283

Definitions

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

EB – Eyerly Ball Mental Health Services
 GRMC – Grinnell Regional Medical Center
 UPC – UnityPoint Clinic, UPHDM portion
 UPAH – UnityPoint at Home, UPHDM portion

See accompanying independent auditors' report.

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

UnityPoint Health – Des Moines and Subsidiaries (Des Moines)

Consolidating Statement of Operations Information

Year ended December 31, 2020

(In thousands)

	<u>UPHDM</u>	<u>CIHC</u>	<u>UPHF</u>	<u>CIHP</u>	<u>EB</u>	<u>GRMC</u>	<u>UPC</u>	<u>UPAH</u>	<u>Eliminations</u>	<u>Consolidated</u>
Operating revenues:										
Patient service revenue	\$ —	759,548	—	—	13,282	46,744	151,215	78,531	—	1,049,320
Other operating revenue	—	134,500	763	5,061	2,594	2,798	29,747	2,459	(10,677)	167,245
Net assets released from restrictions used for operations	—	5,238	410	—	—	170	1	210	—	6,029
Total operating revenue	<u>—</u>	<u>899,286</u>	<u>1,173</u>	<u>5,061</u>	<u>15,876</u>	<u>49,712</u>	<u>180,963</u>	<u>81,200</u>	<u>(10,677)</u>	<u>1,222,594</u>
Operating expenses:										
Salaries and wages	—	290,726	2,049	81	8,865	17,584	38,268	26,094	—	383,667
Physician compensation and services	—	103,389	—	—	156	7,918	109,732	70	(5,004)	216,261
Employee benefits	—	66,769	397	23	2,213	5,341	10,609	6,153	(17)	91,488
Supplies	—	160,532	340	5	214	10,034	20,039	28,585	(1)	219,748
Other expenses	—	157,621	1,020	1,999	2,510	10,694	52,405	16,916	(5,560)	237,605
Depreciation and amortization	—	24,967	1	591	261	1,713	2,739	509	—	30,781
Interest	—	3,748	—	—	7	123	286	—	(95)	4,069
Provision for uncollectible accounts	—	1	—	—	—	6	—	—	—	7
Total operating expenses	<u>—</u>	<u>807,753</u>	<u>3,807</u>	<u>2,699</u>	<u>14,226</u>	<u>53,413</u>	<u>234,078</u>	<u>78,327</u>	<u>(10,677)</u>	<u>1,183,626</u>
Operating income (loss)	<u>—</u>	<u>91,533</u>	<u>(2,634)</u>	<u>2,362</u>	<u>1,650</u>	<u>(3,701)</u>	<u>(53,115)</u>	<u>2,873</u>	<u>—</u>	<u>38,968</u>
Nonoperating gains (losses):										
Investment income	—	51,686	13,460	—	39	37	—	—	—	65,222
Other, net	—	—	(10)	—	—	66	—	—	—	56
Total nonoperating gains, net	<u>—</u>	<u>51,686</u>	<u>13,450</u>	<u>—</u>	<u>39</u>	<u>103</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>65,278</u>
Excess (deficit) of revenues over expenses attributable to UnityPoint Health	<u>\$ —</u>	<u>143,219</u>	<u>10,816</u>	<u>2,362</u>	<u>1,689</u>	<u>(3,598)</u>	<u>(53,115)</u>	<u>2,873</u>	<u>—</u>	<u>104,246</u>

Definitions

UPHDM – UnityPoint Health – Des Moines
CIHC – Central Iowa Hospital Corporation
UPHF – UnityPoint Health Foundation
CIHP – Central Iowa Health Properties Corporation
EB – Eyerly Ball Mental Health Services
GRMC – Grinnell Regional Medical Center
UPC – UnityPoint Clinic, UPHDM portion
UPAH – UnityPoint at Home, UPHDM portion

See accompanying independent auditors' report.

IOWA HEALTH SYSTEM AND SUBSIDIARIES
db/a UnityPoint Health
 Methodist Health Services Corporation and Subsidiaries (Peoria)
 Consolidating Balance Sheet Information
 December 31, 2020
 (In thousands)

Assets	MHSC	MMCI	MS	MMCF	PHC	PH	Belcrest	Hult	PHS	HP	PPHS	PMH	PPH	PCL	UP	HSC	TMHC	PVV	UPE	UPC	UPAH	Eliminations	Consolidated		
Current assets:																									
Cash and cash equivalents	\$ 935	7,733	(2)	223	—	10,107	293	467	282	—	—	6,463	29	42	—	3,266	2,120	44	—	—	—	—	—	32,002	
Short-term investments	155	83	—	—	—	2,723	86	—	77	—	—	1,767	7	1	—	641	—	—	—	—	—	—	—	5,540	
Patient accounts receivable	244	46,342	—	—	—	16,408	116	—	188	—	—	5,061	86	—	—	1,352	40	—	—	—	—	—	—	69,837	
Other receivables	238	5,506	(18)	5	—	1,902	—	150	—	—	—	2,435	1	—	—	1,683	195	1	—	—	—	—	—	12,098	
Inventories	—	10,033	—	—	—	2,945	—	—	—	—	—	1,361	—	—	—	—	—	—	—	—	—	—	—	14,339	
Prepaid expenses	168	1,810	197	1	—	813	—	—	5	—	—	443	—	4	—	352	42	21	—	—	—	—	—	3,856	
Due from affiliates	3,699	68,265	25,215	—	—	26,819	4,464	2	1,109	2	—	7,337	450	1,808	—	—	—	—	—	—	—	—	(83,283)	55,887	
Total current assets	5,439	139,772	25,392	229	—	61,717	4,959	619	1,661	2	—	24,867	573	1,855	—	7,294	2,397	66	—	—	—	—	(83,283)	193,559	
Assets limited as to use, noncurrent:																									
Internally designated for capital improvements	—	6,974	—	2,954	—	—	—	—	—	—	—	—	—	—	—	—	—	124	—	—	—	—	—	—	10,052
Internally designated for insurance reserve	—	5,963	—	—	—	—	—	—	—	—	—	268	—	—	—	—	—	—	—	—	—	—	—	—	6,231
Total assets limited as to use, noncurrent	—	12,937	—	2,954	—	—	—	—	—	—	—	268	—	—	—	—	—	124	—	—	—	—	—	—	16,283
Property, plant and equipment, net	2,267	148,006	87,436	—	—	42,420	24	959	77	—	—	26,478	378	18,155	—	2,109	1,654	1,071	—	—	—	—	—	—	331,034
Operating lease right of use assets	—	925	7,909	—	—	—	—	—	127	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	9,961
Other long-term investments	401	215,372	—	34,821	—	7,026	223	1,154	199	—	—	4,561	19	3	—	2,034	—	—	—	—	—	—	—	—	265,813
Investments in joint ventures and other investments	18,429	47,826	—	202	—	1,247	—	—	—	—	—	—	—	—	—	—	—	—	—	—	6,883	499	(56,389)	18,797	
Contributions receivable and other assets held in trust	—	6,313	—	745	—	6,844	—	69	—	—	—	—	—	—	17,258	—	—	—	—	—	—	—	—	—	31,229
Other	1,301	5,336	1	—	—	4,807	—	—	1	—	—	4,700	9	1	—	—	—	—	—	—	—	—	—	—	16,156
Total assets	\$ 27,837	576,587	120,738	38,951	—	124,061	5,206	2,801	2,065	2	—	60,874	979	20,014	17,258	11,437	4,051	1,261	—	6,883	499	(139,672)	—	881,832	
Liabilities and Net Assets																									
Current liabilities:																									
Current maturities of long-term debt	\$ 171	6,860	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	6,831
Current portion of operating lease liabilities	—	167	1,815	—	—	—	—	—	67	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,049
Accounts payable	54	14,698	332	85	—	7,972	(5)	5	73	—	—	2,078	299	11	—	166	31	5	—	—	—	—	—	—	25,804
Accrued payroll	9	12,192	—	63	—	1,830	2	49	3	—	—	963	24	—	—	696	180	1	—	—	—	—	—	—	16,012
Accrued interest	—	45	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	45
Estimated settlements due to third-party payers	—	16,864	—	—	—	13,636	—	—	—	—	—	4,892	15	—	—	—	—	1	—	—	—	—	—	—	35,408
Due to affiliates	1,902	32,400	21,187	525	—	4,219	19,373	164	4,357	91	—	1,906	14,787	4,182	—	233	54	—	—	—	—	—	(83,293)	22,087	
Other current liabilities	13	27,370	1,234	6	—	7,645	83	24	40	—	—	4,691	(1)	140	—	1,165	1	3	—	—	—	—	10	—	42,424
Total current liabilities	2,149	110,396	24,568	679	—	35,302	19,453	242	4,540	91	—	14,530	15,124	4,333	—	2,260	267	9	—	—	—	—	(83,283)	150,660	
Long-term Debt, Net	726	(47)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,025	—	—	—	—	—	—	—	1,704
Long-term operating lease liabilities	—	758	6,299	—	—	—	—	—	61	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	7,118
Other long-term liabilities	—	154,098	—	16	—	13,614	—	—	—	—	—	8,970	—	—	—	1	—	—	—	—	—	—	—	—	176,699
Due to affiliates	—	109,450	—	—	—	8,980	—	—	—	—	—	14,158	—	17,917	—	—	—	—	—	—	—	—	—	—	150,505
Total liabilities	2,875	374,655	30,867	695	—	57,896	19,453	242	4,601	91	—	37,658	15,124	22,250	—	2,261	1,292	9	—	—	—	—	(83,283)	486,686	
Net assets (deficit):																									
Total without donor restrictions	24,962	172,904	89,871	15,749	—	59,321	(14,247)	2,490	(2,536)	(89)	—	23,216	(14,145)	(2,236)	—	9,063	2,759	(762)	—	6,889	499	(33,882)	—	—	339,826
Total with donor restrictions	—	29,028	—	22,507	—	6,844	—	69	—	—	—	—	—	—	17,258	113	—	2,014	—	(6)	—	(22,507)	—	—	55,320
Total net assets (deficit)	24,962	201,932	89,871	38,256	—	66,165	(14,247)	2,559	(2,536)	(89)	—	23,216	(14,145)	(2,236)	17,258	9,176	2,759	1,252	—	6,883	499	(56,389)	—	—	395,146
Total liabilities and net assets	\$ 27,837	576,587	120,738	38,951	—	124,061	5,206	2,801	2,065	2	—	60,874	979	20,014	17,258	11,437	4,051	1,261	—	6,883	499	(139,672)	—	881,832	

Definitions

MHSC – Methodist Health Services Corporation	PMH – Pekin Memorial Hospital
MMCI – Methodist Medical Center of Illinois	PPH – Pekin ProHealth, Inc.
MS – Methodist Services, Inc.	PCL – Peoria Court Limited
MMCF – Methodist Medical Center Foundation	UP – UnityPlace
PHC – Proctor Health Care, Inc.	HSC – Human Service Center
PH – Proctor Hospital	TMHC – Tazwood Mental Health Center
Belcrest – Belcrest Services, Ltd.	PVV – Prairie View Villas
Hult – Hult Center for Healthy Living	UPE – UnityPlace Eliminations
PHS – Proctor Health Systems	UPC – UnityPoint Clinic, MHSC portion
HP – HealthPlus, Inc.	UPAH – UnityPoint at Home, MHSC portion
PPHS – Progressive Health Systems	

See accompanying independent auditors' report.

IOWA HEALTH SYSTEM AND SUBSIDIARIES
dt/b/a UnityPoint Health
 Methodist Health Services Corporation and Subsidiaries (Peoria)
 Consolidating Statement of Operations Information
 Year ended December 31, 2020
 (In thousands)

	MHSC	MMCI	MS	MMCF	PHC	PH	Belcrest	Hult	PHS	HP	PPHS	PMH	PPH	PCL	UP	HSC	TMHC	PVV	UPE	UPC	UPAH	Eliminations	Consolidated
Operating revenues:																							
Patient service revenue	\$ 405	347,968	—	—	—	109,147	107	—	2,477	—	—	46,687	2,191	—	—	6,419	2,108	—	—	38,452	9,255	—	565,216
Other operating revenue	3,490	76,667	12,741	70	—	8,015	86	835	658	—	—	1,757	95	1,534	—	8,671	1,830	113	—	11,317	147	(19,053)	108,973
Net assets released from restrictions used for operations	—	539	—	402	—	407	—	154	—	—	—	1	—	—	—	—	—	—	—	—	—	—	1,503
Total operating revenue	3,895	425,174	12,741	472	—	117,569	193	989	3,135	—	—	48,445	2,286	1,534	—	15,090	3,938	113	—	49,769	9,402	(19,053)	675,692
Operating expenses:																							
Salaries and wages	1,037	130,415	—	365	—	28,741	75	571	446	—	—	15,218	392	—	—	9,254	2,063	20	—	14,755	956	—	204,308
Physician compensation and services	375	78,416	—	—	—	2,074	—	—	3,949	—	—	1,567	3,612	—	—	109	260	—	—	27,373	—	(365)	117,370
Employee benefits	203	31,171	—	66	—	7,289	23	148	130	—	—	3,712	111	—	—	1,787	426	3	—	4,472	262	—	49,803
Supplies	37	54,767	50	1	—	24,806	112	24	48	—	—	6,852	54	—	—	976	35	—	—	4,271	7,020	(1)	99,052
Other expenses	1,199	105,644	7,877	640	—	43,438	111	204	152	20	—	18,017	160	164	—	3,029	591	61	—	16,175	1,026	(18,687)	179,821
Depreciation and amortization	227	13,373	3,107	—	—	3,968	10	75	14	—	—	2,551	91	530	—	298	100	59	—	375	32	—	24,810
Interest	43	4,002	—	—	—	565	—	—	—	—	—	629	—	591	—	—	38	—	—	—	—	—	5,868
Provision for uncollectible accounts	—	61	—	—	—	4	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	65
Total operating expenses	3,121	417,849	11,034	1,072	—	110,885	331	1,022	4,739	20	—	48,546	4,420	1,285	—	15,453	3,513	143	—	67,421	9,296	(19,053)	681,097
Operating income (loss)	774	7,325	1,707	(600)	—	6,684	(138)	(33)	(1,604)	(20)	—	(101)	(2,134)	249	—	(363)	425	(30)	—	(17,652)	106	—	(5,405)
Nonoperating gains (losses):																							
Investment income (expense)	61	14,435	—	1,551	—	43	1	115	(4)	—	—	44	(1)	—	—	323	8	—	—	—	—	—	16,576
Other, net	—	4,715	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	4,715
Total nonoperating gains (losses), net	61	19,150	—	1,551	—	43	1	115	(4)	—	—	44	(1)	—	—	323	8	—	—	—	—	—	21,291
Excess (deficit) of revenues over expenses attributable to UnityPoint Health	\$ 835	26,475	1,707	951	—	6,727	(137)	82	(1,608)	(20)	—	(57)	(2,135)	249	—	(40)	433	(30)	—	(17,652)	106	—	15,886

Definitions

- MHSC – Methodist Health Services Corporation
- MMCI – Methodist Medical Center of Illinois
- MS – Methodist Services, Inc.
- MMCF – Methodist Medical Center Foundation
- PHC – Proctor Health Care, Inc.
- PH – Proctor Hospital
- Belcrest – Belcrest Services, Ltd.
- Hult – Hult Center for Healthy Living
- PHS – Proctor Health Systems
- HP – HealthPlus, Inc.
- PPHS – Progressive Health Systems
- PMH – Pekin Memorial Hospital
- PPH – Pekin ProHealth, Inc.
- PCL – Park Court Limited
- UP – UnityPlace
- HSC – Human Service Center
- TMHC – Tazwood Mental Health Center
- PVV – Prairie View Villas
- UPE – UnityPlace Eliminations
- UPC – UnityPoint Clinic, MHSC portion
- UPAH – UnityPoint at Home, MHSC portion

See accompanying independent auditors' report.

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UnityPoint Health
 Trinity Regional Health System and Subsidiaries (Rock Island)
 Consolidating Balance Sheet Information
 December 31, 2020
 (In thousands)

Assets	TRHS	TMC	THF	THE	TM	UPC	UPAH	Eliminations	Consolidated
Current assets:									
Cash and cash equivalents	\$ —	22,238	749	46	7,161	—	—	—	30,194
Short-term investments	—	5,446	176	9	1,980	—	—	—	7,611
Assets limited as to use – required for current liabilities	—	6,182	—	—	—	—	—	—	6,182
Patient accounts receivable	—	47,447	—	—	8,333	—	—	—	55,780
Other receivables	9	3,748	—	527	436	—	—	—	4,720
Inventories	—	11,134	—	162	924	—	—	—	12,220
Prepaid expenses	20	2,490	2	—	125	—	—	—	2,637
Due from affiliates	4,126	22,643	77	2	1,820	—	—	(6,068)	22,600
Total current assets	4,155	121,328	1,004	746	20,779	—	—	(6,068)	141,944
Assets limited as to use, noncurrent:									
Internally designated for capital improvements	26,827	169,699	—	—	11,231	—	—	—	207,757
Internally designated for insurance reserve	—	6,365	—	—	—	—	—	—	6,365
Total assets limited as to use, noncurrent	26,827	176,064	—	—	11,231	—	—	—	214,122
Property, plant and equipment, net	—	174,809	—	81	24,104	—	—	—	198,994
Operating lease right of use assets	151	14,609	—	—	—	—	—	—	14,760
Other long-term investments	—	19,842	11,387	24	7,934	—	—	—	39,187
Investments in joint ventures and other investments	1,432	17,335	—	—	—	9,881	2,182	(12,735)	18,095
Contributions receivable and other assets held in trust	—	—	850	—	1	—	—	—	851
Other	(1)	37,437	—	—	13	—	—	—	37,449
Due from affiliates	—	10,484	—	—	—	—	—	(10,484)	—
Total assets	\$ 32,564	571,908	13,241	851	64,062	9,881	2,182	(29,287)	665,402
Liabilities and Net Assets									
Current liabilities:									
Current maturities of long-term debt	\$ —	330	—	—	165	—	—	—	495
Current portion of operating lease liabilities	70	2,412	—	—	—	—	—	—	2,482
Accounts payable	409	18,504	4	101	1,469	—	—	—	20,487
Accrued payroll	4,982	8,567	21	47	1,256	—	—	—	14,873
Estimated settlements due to third-party payers	—	18,275	—	—	565	—	—	—	18,840
Due to affiliates	634	18,492	189	227	2,845	—	—	(6,068)	16,319
Other current liabilities	1,297	22,808	10	(5)	2,378	—	—	—	26,488
Total current liabilities	7,392	89,388	224	370	8,678	—	—	(6,068)	99,984
Long-term debt, net	—	94	—	—	2,265	—	—	—	2,359
Long-term operating lease liabilities	81	12,450	—	—	—	—	—	—	12,531
Other long-term liabilities	1,452	44,643	42	3	3,939	—	—	—	50,079
Due to affiliates	—	111,599	—	—	18,624	—	—	(10,484)	119,739
Total liabilities	8,925	258,174	266	373	33,506	—	—	(16,552)	284,692
Net Assets (Deficit)									
Without donor restrictions:									
Attributable to UnityPoint Health	23,639	273,843	1,430	478	29,615	9,881	2,136	(1,492)	339,530
Attributable to noncontrolling interest	—	28,333	—	—	—	—	—	—	28,333
Total without donor restrictions	23,639	302,176	1,430	478	29,615	9,881	2,136	(1,492)	367,863
With donor restrictions									
Attributable to UnityPoint Health	—	11,558	11,545	—	941	—	46	(11,243)	12,847
Attributable to noncontrolling interest	—	—	—	—	—	—	—	—	—
Total with donor restrictions	—	11,558	11,545	—	941	—	46	(11,243)	12,847
Total net assets (deficit)	23,639	313,734	12,975	478	30,556	9,881	2,182	(12,735)	380,710
Total liabilities and net assets	\$ 32,564	571,908	13,241	851	64,062	9,881	2,182	(29,287)	665,402
Definitions									
TRHS – Trinity Regional Health System	TM – Trinity Muscatine								
TMC – Trinity Medical Center	UPC – UnityPoint Clinic, TRHS portion								
THF – Trinity Health Foundation	UPAH – UnityPoint at Home, TRHS portion								
THE – Trinity Health Enterprises, Inc.									

See accompanying independent auditors' report.

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

Trinity Regional Health System and Subsidiaries (Rock Island)

Consolidating Statement of Operations Information

Year ended December 31, 2020

(In thousands)

	TRHS	TMC	THF	THE	TM	UPC	UPAH	Eliminations	Consolidated
Operating revenues:									
Net patient service revenue	\$ —	392,006	—	—	47,280	55,425	37,398	—	532,109
Other operating revenue	(69)	47,367	13	2,330	8,779	13,730	403	(5,748)	66,805
Net assets released from restrictions used for operations	69	559	119	—	41	8	1	—	797
Total operating revenue	—	439,932	132	2,330	56,100	69,163	37,802	(5,748)	599,711
Operating expenses:									
Salaries and wages	20,060	119,075	526	444	14,789	15,460	13,651	—	184,005
Physician compensation and services	13	34,900	—	—	11,490	50,200	16	(915)	95,704
Employee benefits	4,338	28,655	114	92	4,253	4,545	3,288	(241)	45,044
Supplies	170	79,094	2	1,974	5,278	6,073	13,556	(7)	106,140
Other expenses	(24,581)	127,393	284	175	13,286	23,058	8,143	(4,557)	143,201
Depreciation and amortization	—	15,478	—	7	1,684	829	124	—	18,122
Interest	—	5,711	—	—	665	28	—	(28)	6,376
Provision for uncollectible accounts	—	331	—	—	—	—	—	—	331
Total operating expenses	—	410,637	926	2,692	51,445	100,193	38,778	(5,748)	598,923
Operating income (loss)	—	29,295	(794)	(362)	4,655	(31,030)	(976)	—	788
Nonoperating gains (losses):									
Investment income	2,038	13,730	400	1	1,140	—	—	—	17,309
Other, net	—	(9)	—	—	—	—	—	—	(9)
Total nonoperating gains, net	2,038	13,721	400	1	1,140	—	—	—	17,300
Excess (deficit) of revenues over expenses	2,038	43,016	(394)	(361)	5,795	(31,030)	(976)	—	18,088
Less: Net loss attributable to noncontrolling interest	—	(223)	—	—	—	—	—	—	(223)
Excess (deficit) of revenues over expenses attributable to UnityPoint Health	\$ 2,038	42,793	(394)	(361)	5,795	(31,030)	(976)	—	17,865

Definitions

TRHS – Trinity Regional Health System
TMC – Trinity Medical Center
THF – Trinity Health Foundation
THE – Trinity Health Enterprises, Inc.
TM – Trinity Muscatine
UPC – UnityPoint Clinic, TRHS portion
UPAH – UnityPoint at Home, TRHS portion

See accompanying independent auditors' report.

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

Meriter Health System, Inc. and Subsidiaries (Madison)

Consolidating Balance Sheet Information

December 31, 2020

(In thousands)

Assets	MHS	MH	MF	MMS	UPAH	Eliminations	Consolidated
Current assets:							
Cash and cash equivalents	\$ 741	43,108	769	803	—	—	45,421
Short-term investments	—	11,723	—	—	—	—	11,723
Patient accounts receivable	—	43,771	—	566	—	—	44,337
Other receivables	—	12,014	427	2,052	—	—	14,493
Inventories	277	5,074	—	—	—	—	5,351
Prepaid expenses	—	3,751	—	291	—	—	4,042
Due from affiliates	(478)	261,929	524	11,593	—	(273,521)	47
Total current assets	540	381,370	1,720	15,305	—	(273,521)	125,414
Property, plant and equipment, net	—	282,052	—	1,217	—	(510)	282,759
Operating lease right of use assets	—	10,021	—	—	—	—	10,021
Other long-term investments	6,372	450,936	24,719	6,455	—	—	488,482
Investments in joint ventures and other investments	5,095	47,559	—	4,266	—	(19,900)	37,020
Contributions receivable and other assets held in trust	—	—	72	—	—	—	72
Other	—	3	—	78	—	—	81
Total assets	\$ 12,007	1,171,941	26,511	27,321	—	(293,931)	943,849
Liabilities and Net Assets							
Current liabilities:							
Current maturities of long-term debt	\$ —	300	—	—	—	—	300
Current portion of operating lease liabilities	—	1,643	—	—	—	—	1,643
Accounts payable	330	27,849	917	1,182	—	(36)	30,242
Accrued payroll	631	20,698	110	1,601	—	—	23,040
Estimated settlements due to third-party payers	—	1,988	—	—	—	—	1,988
Due to affiliates	(425)	270,597	521	10,385	—	(273,521)	7,557
Other current liabilities	—	16,255	—	138	—	7	16,400
Total current liabilities	536	339,330	1,548	13,306	—	(273,550)	81,170
Long-term debt, net	—	57	—	—	—	—	57
Long-term operating lease liabilities	—	8,379	—	—	—	—	8,379
Other long-term liabilities	1,299	20,366	(32)	2,411	—	—	24,044
Due to affiliates	—	162,180	—	—	—	—	162,180
Total liabilities	1,835	530,312	1,516	15,717	—	(273,550)	275,830
Net Assets (Deficit)							
Total without donor restrictions	10,172	636,371	13,664	11,604	—	(11,168)	660,643
Total with donor restrictions	—	5,258	11,331	—	—	(9,213)	7,376
Total net assets (deficit)	10,172	641,629	24,995	11,604	—	(20,381)	668,019
Total liabilities and net assets	\$ 12,007	1,171,941	26,511	27,321	—	(293,931)	943,849

Definitions

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

MMS – Meriter Management Services
UPAH – UnityPoint at Home, MHS portion

See accompanying independent auditors' report.

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

Meriter Health System, Inc. and Subsidiaries (Madison)

Consolidating Statement of Operations Information

Year ended December 31, 2020

(In thousands)

	<u>MHS</u>	<u>MH</u>	<u>MF</u>	<u>MMS</u>	<u>UPAH</u>	<u>Eliminations</u>	<u>Consolidated</u>
Operating revenues:							
Patient service revenue	\$ —	443,493	—	18,283	3,884	(12,921)	452,739
Other operating revenue	3,772	44,135	1,574	9,469	63	(17,497)	41,516
Net assets released from restrictions used for operations	—	259	196	—	—	—	455
Total operating revenue	<u>3,772</u>	<u>487,887</u>	<u>1,770</u>	<u>27,752</u>	<u>3,947</u>	<u>(30,418)</u>	<u>494,710</u>
Operating expenses:							
Salaries and wages	2,388	167,396	610	10,528	1,484	—	182,406
Physician compensation and services	—	41,796	—	—	—	—	41,796
Employee benefits	707	50,581	130	3,147	574	—	55,139
Supplies	1	73,303	13	5,212	1,233	—	79,762
Other expenses	729	103,878	1,159	10,035	2,243	(31,344)	86,700
Depreciation and amortization	—	21,633	—	316	29	—	21,978
Interest	—	6,891	—	—	—	—	6,891
Total operating expenses	<u>3,825</u>	<u>465,478</u>	<u>1,912</u>	<u>29,238</u>	<u>5,563</u>	<u>(31,344)</u>	<u>474,672</u>
Operating income (loss)	<u>(53)</u>	<u>22,409</u>	<u>(142)</u>	<u>(1,486)</u>	<u>(1,616)</u>	<u>926</u>	<u>20,038</u>
Nonoperating gains (losses):							
Investment income	346	34,345	1,652	336	—	—	36,679
Other, net	53	10,589	7	406	—	—	11,055
Total nonoperating gains, net	<u>399</u>	<u>44,934</u>	<u>1,659</u>	<u>742</u>	<u>—</u>	<u>—</u>	<u>47,734</u>
Excess (deficit) of revenues over expenses attributable to UnityPoint Health	<u>\$ 346</u>	<u>67,343</u>	<u>1,517</u>	<u>(744)</u>	<u>(1,616)</u>	<u>926</u>	<u>67,772</u>

Definitions

MHS – Meriter Health Services, Inc.
MH – Meriter Hospital, Inc.
MF – Meriter Foundation, Inc.
MMS – Meriter Management Services
UPAH – UnityPoint at Home, MHS portion

See accompanying independent auditors' report.

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

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

Consolidating Balance Sheet Information

December 31, 2020

(In thousands)

Assets	SLMH	CARE	JRMC	ABBE	UPC	UPAH	Eliminations	Consolidated
Current assets:								
Cash and cash equivalents	\$ 27,001	5,489	11,407	6,354	—	—	—	50,251
Short-term investments	7,627	—	1,369	121	—	—	—	9,117
Assets limited as to use – required for current liabilities	3,188	—	—	—	—	—	—	3,188
Patient accounts receivable	45,735	1,189	4,305	3,660	—	—	—	54,889
Other receivables	5,852	—	479	—	—	—	—	6,331
Inventories	8,436	—	486	—	—	—	—	8,922
Prepaid expenses	2,128	30	51	205	—	—	—	2,414
Due from affiliates	34,456	4,255	1,358	12	—	—	(13,461)	26,620
Total current assets	134,423	10,963	19,455	10,352	—	—	(13,461)	161,732
Assets limited as to use, noncurrent:								
Internally designated for capital improvements	167,851	—	—	—	—	—	—	167,851
Internally designated for insurance reserve	2,089	—	—	—	—	—	—	2,089
Total assets limited as to use, noncurrent	169,940	—	—	—	—	—	—	169,940
Property, plant and equipment, net	145,549	14,502	18,860	6,241	—	—	—	185,152
Operating lease right of use assets	15,344	—	329	328	—	—	—	16,001
Other long-term investments	72,600	—	18,360	12,591	—	—	—	103,551
Investments in joint ventures and other investments	13,947	—	—	—	13,003	3,134	(7,486)	22,598
Contributions receivable and other assets held in trust	44,771	—	1,728	677	—	—	—	47,176
Other	692	1	(3)	97	1	—	—	788
Due from affiliates	781	—	—	—	—	—	(781)	—
Total assets	\$ 598,047	25,466	58,729	30,286	13,004	3,134	(21,728)	706,938
Liabilities and Net Assets								
Current liabilities:								
Current maturities of long-term debt	\$ —	—	—	20	—	—	—	20
Current portion of operating lease liabilities	3,025	—	171	250	—	—	—	3,446
Accounts payable	12,908	317	1,408	1,033	—	—	—	15,666
Accrued payroll	14,544	326	1,644	1,723	—	—	—	18,237
Estimated settlements due to third-party payers	2,438	—	1,021	167	—	—	—	3,626
Due to affiliates	22,445	—	2,550	300	—	—	(13,248)	12,047
Other current liabilities	20,401	—	2,458	1,576	—	1	(213)	24,223
Total current liabilities	75,761	643	9,252	5,069	—	1	(13,461)	77,265
Long-term debt, net	1	—	—	435	—	—	—	436
Long-term operating lease liabilities	12,350	—	159	78	—	—	—	12,587
Other long-term liabilities	33,717	—	2,419	119	—	—	—	36,255
Due to affiliates	64,111	—	—	—	—	—	(781)	63,330
Total liabilities	185,940	643	11,830	5,701	—	1	(14,242)	189,873
Net Assets (Deficit)								
Without donor restrictions:								
Attributable to UnityPoint Health	363,361	24,823	45,176	24,244	12,979	1,731	(7,486)	464,828
Attributable to noncontrolling interest	(246)	—	—	—	—	—	—	(246)
Total without donor restrictions	363,115	24,823	45,176	24,244	12,979	1,731	(7,486)	464,582
With donor restrictions:								
Attributable to UnityPoint Health	48,263	—	1,723	341	25	1,402	—	51,754
Attributable to noncontrolling interest	729	—	—	—	—	—	—	729
Total with donor restrictions	48,992	—	1,723	341	25	1,402	—	52,483
Total net assets (deficit)	412,107	24,823	46,899	24,585	13,004	3,133	(7,486)	517,065
Total liabilities and net assets	\$ 598,047	25,466	58,729	30,286	13,004	3,134	(21,728)	706,938
Definitions								
SLMH – St. Luke's Methodist Hospital				ABBE – Abbe, Inc.				
CARE – STL Care Company				UPC – UnityPoint Clinic, SLHC portion				
JRMC – Jones Regional Medical Center				UPAH – UnityPoint at Home, SLHC portion				

See accompanying independent auditors' report.

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

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

Consolidating Statement of Operations Information

Year ended December 31, 2020

(In thousands)

	<u>SLMH</u>	<u>CARE</u>	<u>JRMC</u>	<u>ABBE</u>	<u>UPC</u>	<u>UPAH</u>	<u>Eliminations</u>	<u>Consolidated</u>
Operating revenues:								
Patient service revenue	\$ 331,957	10,092	35,470	24,188	50,797	21,502	—	474,006
Other operating revenue	60,219	1,547	9,196	7,372	15,985	343	(13,666)	80,996
Net assets released from restrictions used for operations	735	—	43	—	6	177	—	961
Total operating revenue	<u>392,911</u>	<u>11,639</u>	<u>44,709</u>	<u>31,560</u>	<u>66,788</u>	<u>22,022</u>	<u>(13,666)</u>	<u>555,963</u>
Operating expenses:								
Salaries and wages	130,207	5,235	12,376	16,747	14,649	5,681	(175)	184,720
Physician compensation and services	32,253	—	8,694	—	40,152	63	(1,103)	80,059
Employee benefits	31,751	885	3,537	5,974	4,043	1,359	—	47,549
Supplies	62,011	1,032	4,883	837	5,548	8,540	—	82,851
Other expenses	94,787	3,018	9,118	6,047	18,428	5,318	(12,374)	124,342
Depreciation and amortization	13,762	641	1,233	686	574	100	—	16,996
Interest	2,972	—	—	20	—	—	(14)	2,978
Provision for uncollectible accounts	18	—	—	107	—	—	—	125
Total operating expenses	<u>367,761</u>	<u>10,811</u>	<u>39,841</u>	<u>30,418</u>	<u>83,394</u>	<u>21,061</u>	<u>(13,666)</u>	<u>539,620</u>
Operating income (loss)	<u>25,150</u>	<u>828</u>	<u>4,868</u>	<u>1,142</u>	<u>(16,606)</u>	<u>961</u>	<u>—</u>	<u>16,343</u>
Nonoperating gains:								
Investment income	16,082	5	1,139	1,098	—	—	—	18,324
Other, net	1,237	—	—	—	—	—	—	1,237
Total nonoperating gains, net	<u>17,319</u>	<u>5</u>	<u>1,139</u>	<u>1,098</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>19,561</u>
Revenue over (under) expenses before gain (loss) on bond refinancing transactions	42,469	833	6,007	2,240	(16,606)	961	—	35,904
Loss on bond refinancing transactions	—	—	(19)	—	—	—	—	(19)
Excess (deficit) of revenues over expenses	42,469	833	5,988	2,240	(16,606)	961	—	35,885
Less: Net income attributable to noncontrolling interest	38	—	—	—	—	—	—	38
Excess (deficit) of revenues over expenses attributable to UnityPoint Health	<u>\$ 42,507</u>	<u>833</u>	<u>5,988</u>	<u>2,240</u>	<u>(16,606)</u>	<u>961</u>	<u>—</u>	<u>35,923</u>

Definitions

SLMH – St. Luke's Methodist Hospital
CARE – STL Care Company
JRMC – Jones Regional Medical Center
ABBE – Abbe, Inc.
UPC – UnityPoint Clinic, SLHC portion
UPAH – UnityPoint at Home, SLHC portion

See accompanying independent auditors' report.

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

Allen Health Systems, Inc. and Subsidiaries (Waterloo)

Consolidating Balance Sheet Information

December 31, 2020

(In thousands)

Assets	AHS	AMH	MFAH	AC	Marshalltown	BHGHC	UMPA	UPC	UPAH	Eliminations	Consolidated
Current assets:											
Cash and cash equivalents	\$ —	48,707	2,017	523	(303)	455	—	—	—	—	51,399
Short-term investments	—	13,964	407	—	—	126	—	—	—	—	14,497
Assets limited as to use – required for current liabilities	—	3,981	—	—	—	—	—	—	—	—	3,981
Patient accounts receivable	—	34,213	—	—	8,432	282	927	—	—	—	43,854
Other receivables	—	2,555	—	(130)	257	188	63	—	—	—	2,933
Inventories	—	7,190	—	—	1,622	—	—	—	—	—	8,812
Prepaid expenses	—	855	—	77	138	12	30	—	—	—	1,112
Due from affiliates	8,000	7,542	25	5	347	386	7	—	—	(273)	16,039
Total current assets	8,000	119,007	2,449	475	10,493	1,449	1,027	—	—	(273)	142,627
Assets limited as to use, noncurrent:											
Internally designated for insurance reserve	—	(97)	—	—	—	—	—	—	—	—	(97)
Total assets limited as to use, noncurrent	—	(97)	—	—	—	—	—	—	—	—	(97)
Property, plant and equipment, net	—	117,260	—	—	35,892	2,135	4,987	—	—	(4,181)	156,093
Operating lease right of use assets	—	10,382	—	—	692	27	—	—	—	—	11,101
Other long-term investments	—	188,331	15,436	—	—	1,186	—	—	—	—	204,953
Investments in joint ventures and other investments	39,571	8,895	618	14,716	1,378	—	—	(813)	7,727	(63,172)	8,920
Contributions receivable and other assets held in trust	—	—	4,249	—	922	—	—	—	—	—	5,171
Other	—	304	—	704	149	(2)	—	—	—	(1)	1,154
Total assets	\$ 47,571	444,082	22,752	15,895	49,526	4,795	6,014	(813)	7,727	(67,627)	529,922
Liabilities and Net Assets											
Current liabilities:											
Current maturities of long-term debt	\$ —	—	—	—	357	314	2,400	—	—	—	3,071
Current portion of operating lease liabilities	—	1,007	—	—	155	27	—	—	—	—	1,189
Accounts payable	—	9,538	7	50	3,061	44	975	—	—	—	13,675
Accrued payroll	—	9,052	61	416	2,008	319	138	—	—	—	11,994
Accrued interest	—	—	—	—	3	—	—	—	—	—	3
Estimated settlements due to third-party payers	—	2,312	—	—	1,059	—	—	—	—	—	3,371
Due to affiliates	1,089	29,157	15	305	9,053	440	—	—	—	(273)	39,786
Other current liabilities	—	15,274	5	75	3,575	—	1	—	—	—	18,930
Total current liabilities	1,089	66,340	88	846	19,271	1,144	3,514	—	—	(273)	92,019
Long-term debt, net	—	—	—	—	780	—	—	—	—	—	780
Long-term operating lease liabilities	—	9,396	—	—	641	—	—	—	—	—	10,037
Other long-term liabilities	—	37,536	18	730	6,240	490	—	—	—	—	45,014
Due to affiliates	28,698	51,792	—	—	—	—	—	—	—	—	80,490
Total liabilities	29,787	165,064	106	1,576	26,932	1,634	3,514	—	—	(273)	228,340
Net Assets (Deficit)											
Without donor restrictions:											
Attributable to UnityPoint Health	17,784	272,896	1,796	(358)	21,672	2,872	1,703	(813)	7,510	(46,942)	278,120
Attributable to noncontrolling interest	—	—	—	—	—	—	797	—	—	170	967
Total without donor restrictions	17,784	272,896	1,796	(358)	21,672	2,872	2,500	(813)	7,510	(46,772)	279,087
With donor restrictions											
Attributable to UnityPoint Health	—	6,122	20,850	14,677	922	289	—	—	217	(20,582)	22,495
Attributable to noncontrolling interest	—	—	—	—	—	—	—	—	—	—	—
Total with donor restrictions	—	6,122	20,850	14,677	922	289	—	—	217	(20,582)	22,495
Total net assets (deficit)	17,784	279,018	22,646	14,319	22,594	3,161	2,500	(813)	7,727	(67,354)	301,582
Total liabilities and net assets	\$ 47,571	444,082	22,752	15,895	49,526	4,795	6,014	(813)	7,727	(67,627)	529,922

Definitions

AHS – Allen Health System

AMH – Allen Memorial Hospital Corporation

MFAH – Memorial Foundation of Allen Hospital

AC – Allen College

Marshalltown – Marshalltown Hospital

BHGHC – Black Hawk-Grundy Mental Health Center

UMPA - United Medical Park ASC

UPC – UnityPoint Clinic, AHS portion

UPAH – UnityPoint at Home, AHS portion

See accompanying independent auditors' report.

IOWA HEALTH SYSTEM AND SUBSIDIARIES
d/b/a UnityPoint Health
Allen Health Systems, Inc. and Subsidiaries (Waterloo)
Consolidating Statement of Operations Information
Year ended December 31, 2020
(In thousands)

	<u>AHS</u>	<u>AMH</u>	<u>MFAH</u>	<u>AC</u>	<u>Marshalltown</u>	<u>BHGMHC</u>	<u>UMPA</u>	<u>UPC</u>	<u>UPAH</u>	<u>Eliminations</u>	<u>Consolidated</u>
Operating revenues:											
Net patient service revenue	\$ —	246,751	—	—	56,707	4,560	1,116	51,953	27,769	(397)	388,459
Other operating revenue	1,089	29,813	—	12,560	10,484	1,219	796	10,973	750	(10,993)	56,691
Net assets released from restrictions used for operations	—	395	(41)	591	18	184	—	6	36	—	1,189
Total operating revenue	<u>1,089</u>	<u>276,959</u>	<u>(41)</u>	<u>13,151</u>	<u>67,209</u>	<u>5,963</u>	<u>1,912</u>	<u>62,932</u>	<u>28,555</u>	<u>(11,390)</u>	<u>446,339</u>
Operating expenses:											
Salaries and wages	—	78,646	483	6,829	19,554	2,470	990	13,381	7,858	—	130,211
Physician compensation and services	—	24,776	—	40	12,385	1,994	—	38,404	29	(975)	76,653
Employee benefits	—	19,403	101	1,551	5,320	714	78	3,789	1,827	(7)	32,776
Supplies	—	63,270	2	89	6,608	33	1,194	4,658	10,103	(6)	85,951
Other expenses	—	60,040	165	2,961	12,533	440	1,574	19,264	5,937	(9,313)	93,601
Depreciation and amortization	—	12,135	—	—	3,860	62	509	747	108	(440)	16,981
Interest	1,089	2,717	—	—	1,109	15	17	—	—	(1,089)	3,858
Provision for uncollectible accounts	—	(2)	—	3	—	—	—	—	—	—	1
Total operating expenses	<u>1,089</u>	<u>260,985</u>	<u>751</u>	<u>11,473</u>	<u>61,369</u>	<u>5,728</u>	<u>4,362</u>	<u>80,243</u>	<u>25,862</u>	<u>(11,830)</u>	<u>440,032</u>
Operating income (loss)	<u>—</u>	<u>15,974</u>	<u>(792)</u>	<u>1,678</u>	<u>5,840</u>	<u>235</u>	<u>(2,450)</u>	<u>(17,311)</u>	<u>2,693</u>	<u>440</u>	<u>6,307</u>
Nonoperating gains (losses):											
Investment income	—	11,387	239	—	—	46	—	—	—	—	11,672
Other, net	—	446	(3)	—	—	—	—	—	—	—	443
Total nonoperating gains, net	<u>—</u>	<u>11,833</u>	<u>236</u>	<u>—</u>	<u>—</u>	<u>46</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,115</u>
Excess (deficit) of revenues over expenses	<u>—</u>	<u>27,807</u>	<u>(556)</u>	<u>1,678</u>	<u>5,840</u>	<u>281</u>	<u>(2,450)</u>	<u>(17,311)</u>	<u>2,693</u>	<u>440</u>	<u>18,422</u>
Less: Net income (loss) attributable to noncontrolling interest	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>935</u>	<u>—</u>	<u>—</u>	<u>(170)</u>	<u>765</u>
Excess (deficit) of revenues over expenses attributable to UnityPoint Health	<u>\$ —</u>	<u>27,807</u>	<u>(556)</u>	<u>1,678</u>	<u>5,840</u>	<u>281</u>	<u>(1,515)</u>	<u>(17,311)</u>	<u>2,693</u>	<u>270</u>	<u>19,187</u>

Definitions

AHS – Allen Health System
AMH – Allen Memorial Hospital Corporation
MFAH – Memorial Foundation of Allen Hospital
AC – Allen College
Marshalltown – Marshalltown Hospital
BHGMHC – Black Hawk-Grundy Mental Health Center
UMPA – United Medical Park ASC
UPC – UnityPoint Clinic, AHS portion
UPAH – UnityPoint at Home, AHS portion

See accompanying independent auditors' report.

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

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

Consolidating Balance Sheet Information

December 31, 2020

(In thousands)

Assets	SLHS	SLRMC	SLHR	PACE	UPC	UPAH	Eliminations	Consolidated
Current assets:								
Cash and cash equivalents	\$ 1,228	28,057	1,224	3,772	—	—	—	34,281
Short-term investments	340	6,668	224	713	—	—	—	7,945
Assets limited as to use – required for current liabilities	—	2,018	—	—	—	—	—	2,018
Patient accounts receivable	—	24,187	336	336	—	—	(25)	24,834
Other receivables	6	1,028	—	75	—	—	—	1,109
Inventories	—	4,714	14	—	—	—	—	4,728
Prepaid expenses	—	701	—	67	—	—	—	768
Due from affiliates	3,987	55,150	56	9	—	—	(55,775)	3,427
Total current assets	5,561	122,523	1,854	4,972	—	—	(55,800)	79,110
Assets limited as to use, noncurrent:								
Internally designated for capital improvements	—	54,268	—	—	—	—	—	54,268
Internally designated for insurance reserve	—	1,749	—	—	—	—	—	1,749
Total assets limited as to use, noncurrent	—	56,017	—	—	—	—	—	56,017
Property, plant and equipment, net	7,804	61,053	1,011	3,263	—	—	—	73,131
Other long-term investments	877	18,856	577	1,839	—	—	—	22,149
Investments in joint ventures and other investments	12,662	181	—	—	596	12,100	—	25,539
Contributions receivable and other assets held in trust	—	5,897	—	—	—	—	—	5,897
Other	1	516	—	(1)	—	—	—	516
Total assets	\$ 26,905	265,043	3,442	10,073	596	12,100	(55,800)	262,359
Liabilities and Net Assets								
Current liabilities:								
Current maturities of long-term debt	\$ —	248	—	—	—	—	—	248
Accounts payable	36	7,524	40	2,662	—	—	(25)	10,237
Accrued payroll	—	6,471	194	234	—	—	—	6,899
Estimated settlements due to third-party payers	—	2,245	—	383	—	—	—	2,628
Due to affiliates	1,192	28,746	52,104	1,028	—	—	(55,775)	27,295
Other current liabilities	392	11,066	147	—	—	—	—	11,605
Total current liabilities	1,620	56,300	52,485	4,307	—	—	(55,800)	58,912
Long-term debt, net	—	37	—	—	—	—	—	37
Other long-term liabilities	—	22,395	165	—	—	—	—	22,560
Due to affiliates	4,500	18,882	—	—	—	—	—	23,382
Total liabilities	6,120	97,614	52,650	4,307	—	—	(55,800)	104,891
Net Assets (Deficit)								
Without donor restrictions:								
Attributable to UnityPoint Health	19,867	156,937	(49,208)	5,766	596	12,100	—	146,058
Attributable to noncontrolling interest	—	3,945	—	—	—	—	—	3,945
Total without donor restrictions	19,867	160,882	(49,208)	5,766	596	12,100	—	150,003
With donor restrictions:								
Attributable to UnityPoint Health	918	6,547	—	—	—	—	—	7,465
Attributable to noncontrolling interest	—	—	—	—	—	—	—	—
Total with donor restrictions	918	6,547	—	—	—	—	—	7,465
Total net assets (deficit)	20,785	167,429	(49,208)	5,766	596	12,100	—	157,468
Total liabilities and net assets	\$ 26,905	265,043	3,442	10,073	596	12,100	(55,800)	262,359

Definitions

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

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

See accompanying independent auditors' report.

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

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

Consolidating Statement of Operations Information

Year ended December 31, 2020

(In thousands)

	<u>SLHS</u>	<u>SLRMC</u>	<u>SLHR</u>	<u>PACE</u>	<u>UPC</u>	<u>UPAH</u>	<u>Eliminations</u>	<u>Consolidated</u>
Operating revenues:								
Patient service revenue	\$ —	171,982	2,886	—	13,589	13,157	—	201,614
Other operating revenue	3,952	20,120	767	20,914	2,016	61	(2,399)	45,431
Total operating revenue	3,952	192,102	3,653	20,914	15,605	13,218	(2,399)	247,045
Operating expenses:								
Salaries and wages	—	65,581	1,382	3,528	2,888	3,000	—	76,379
Physician compensation and services	—	20,796	1,618	753	9,738	—	(802)	32,103
Employee benefits	—	15,760	344	954	820	775	—	18,653
Supplies	—	32,241	182	213	1,241	5,533	(3)	39,407
Other expenses	991	39,857	423	14,245	3,864	2,702	(1,594)	60,488
Depreciation and amortization	346	5,000	37	201	118	82	—	5,784
Interest	255	1,220	—	—	—	—	—	1,475
Provision for uncollectible accounts	—	42	—	—	—	—	—	42
Total operating expenses	1,592	180,497	3,986	19,894	18,669	12,092	(2,399)	234,331
Operating income (loss)	2,360	11,605	(333)	1,020	(3,064)	1,126	—	12,714
Nonoperating gains:								
Investment income	6	4,804	5	4	—	—	—	4,819
Total nonoperating gains, net	6	4,804	5	4	—	—	—	4,819
Excess (deficit) of revenues over expenses	2,366	16,409	(328)	1,024	(3,064)	1,126	—	17,533
Less: Net income (loss) attributable to noncontrolling interest	—	(3,200)	—	—	—	—	—	(3,200)
Excess (deficit) of revenues over expenses attributable to UnityPoint Health	\$ 2,366	13,209	(328)	1,024	(3,064)	1,126	—	14,333

Definitions

SLHS – St. Luke's Health System
SLRMC – St. Luke's Regional Medical Center
SLHR – St. Luke's Health Resources
PACE – Souixland PACE
UPC – UnityPoint Clinic, SLHS portion
UPAH – UnityPoint at Home, SLHS portion

See accompanying independent auditors' report.

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

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

Consolidating Balance Sheet Information

December 31, 2020

(In thousands)

Assets	THS	TRMC	THF	TPG	BMHC	UPC	UPAH	Eliminations	Consolidated
Current assets:									
Cash and cash equivalents	\$ 782	20,845	338	89	2,278	—	—	—	24,332
Short-term investments	502	5,617	40	—	558	—	—	—	6,717
Assets limited as to use – required for current liabilities	—	929	—	—	—	—	—	—	929
Patient accounts receivable	—	13,829	—	—	579	—	—	—	14,408
Other receivables	132	1,661	—	—	449	—	—	—	2,242
Inventories	—	3,779	—	—	—	—	—	—	3,779
Prepaid expenses	5	239	—	—	4	—	—	—	248
Due from affiliates	—	13,731	3	420	323	—	—	(9,414)	5,063
Total current assets	1,421	60,630	381	509	4,191	—	—	(9,414)	57,718
Assets limited as to use, noncurrent:									
Internally designated for capital improvements	—	54,349	—	—	—	—	—	—	54,349
Internally designated for insurance reserve	—	395	—	—	—	—	—	—	395
Total assets limited as to use, noncurrent	—	54,744	—	—	—	—	—	—	54,744
Property, plant and equipment, net	36	64,523	—	—	396	—	—	—	64,955
Operating lease right of use assets	—	1,166	—	—	8	—	—	—	1,174
Other long-term investments	856	14,880	23,147	14,274	1,440	—	—	—	54,597
Investments in joint ventures and other investments	30,731	26,074	—	—	20	4,482	5,592	(56,819)	10,080
Contributions receivable and other assets held in trust	—	—	3,500	—	—	—	—	—	3,500
Other	—	117	(1)	—	123	—	—	—	239
Total assets	\$ 33,044	222,134	27,027	14,783	6,178	4,482	5,592	(66,233)	247,007
Liabilities and Net Assets									
Current liabilities:									
Current portion of operating lease liabilities	\$ —	222	—	—	8	—	—	—	230
Accounts payable	—	4,167	—	5	143	—	—	—	4,315
Accrued payroll	685	5,221	30	—	332	—	—	—	6,268
Estimated settlements due to third-party payers	—	2,311	—	—	47	—	—	—	2,358
Due to affiliates	2,300	4,166	82	6,874	553	—	—	(9,414)	4,561
Other current liabilities	—	10,185	—	2	1	—	(1)	—	10,187
Total current liabilities	2,985	26,272	112	6,881	1,084	—	(1)	(9,414)	27,919
Long-term operating lease liabilities	—	944	—	—	—	—	—	—	944
Other long-term liabilities	298	11,079	—	14,292	34	—	—	—	25,703
Due to affiliates	—	8,000	—	—	—	—	—	—	8,000
Total liabilities	3,283	46,295	112	21,173	1,118	—	(1)	(9,414)	62,566
Net Assets (Deficit)									
Total without donor restrictions	29,761	167,218	19,390	(6,390)	5,040	4,482	4,985	(50,039)	174,447
With donor restrictions:									
Total with donor restrictions	—	8,621	7,525	—	20	—	608	(6,780)	9,994
Total net assets (deficit)	29,761	175,839	26,915	(6,390)	5,060	4,482	5,593	(56,819)	184,441
Total liabilities and net assets	\$ 33,044	222,134	27,027	14,783	6,178	4,482	5,592	(66,233)	247,007

Definitions

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

BMHC – Berryhill Mental Health Clinic
UPC – UnityPoint Clinic, THS portion
UPAH – UnityPoint at Home, THS portion

See accompanying independent auditors' report.

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

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

Consolidating Statement of Operations Information

Year ended December 31, 2020

(In thousands)

	<u>THS</u>	<u>TRMC</u>	<u>THF</u>	<u>TPG</u>	<u>BMHC</u>	<u>UPC</u>	<u>UPAH</u>	<u>Eliminations</u>	<u>Consolidated</u>
Operating revenues:									
Patient service revenue	\$ —	119,213	—	105	4,071	6,718	19,073	—	149,180
Other operating revenue	2,223	26,024	210	29	2,360	4,059	197	(2,051)	33,051
Net assets released from restrictions used for operations	—	96	(133)	—	2	1	42	—	8
Total operating revenue	<u>2,223</u>	<u>145,333</u>	<u>77</u>	<u>134</u>	<u>6,433</u>	<u>10,778</u>	<u>19,312</u>	<u>(2,051)</u>	<u>182,239</u>
Operating expenses:									
Salaries and wages	2,882	39,460	220	—	1,845	1,738	5,833	—	51,978
Physician compensation and services	—	28,457	—	—	2,428	4,833	24	(171)	35,571
Employee benefits	495	9,727	55	—	528	470	1,495	—	12,770
Supplies	—	17,823	1	—	36	460	5,762	(21)	24,061
Other expenses	(2)	29,134	162	36	379	3,987	5,014	(1,859)	36,851
Depreciation and amortization	11	4,796	—	—	73	92	144	—	5,116
Interest	—	518	—	—	—	—	—	—	518
Provision for uncollectible accounts	—	(6)	—	—	—	—	—	—	(6)
Total operating expenses	<u>3,386</u>	<u>129,909</u>	<u>438</u>	<u>36</u>	<u>5,289</u>	<u>11,580</u>	<u>18,272</u>	<u>(2,051)</u>	<u>166,859</u>
Operating income (loss)	<u>(1,163)</u>	<u>15,424</u>	<u>(361)</u>	<u>98</u>	<u>1,144</u>	<u>(802)</u>	<u>1,040</u>	<u>—</u>	<u>15,380</u>
Nonoperating gains (losses):									
Investment income (expense)	(1)	4,255	2,127	—	9	—	—	—	6,390
Total nonoperating gains (losses), net	<u>(1)</u>	<u>4,255</u>	<u>2,127</u>	<u>—</u>	<u>9</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,390</u>
Excess (deficit) of revenues over expenses attributable to UnityPoint Health	<u>\$ (1,164)</u>	<u>19,679</u>	<u>1,766</u>	<u>98</u>	<u>1,153</u>	<u>(802)</u>	<u>1,040</u>	<u>—</u>	<u>21,770</u>

Definitions

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

See accompanying independent auditors' report.

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

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

Consolidating Balance Sheet Information

December 31, 2020

(In thousands)

Assets	TRI-ST	Finley	VNA	UPAH	Eliminations	Consolidated
Current assets:						
Cash and cash equivalents	\$ —	10,188	450	—	—	10,638
Short-term investments	—	2,698	—	—	—	2,698
Patient accounts receivable	—	17,117	27	—	—	17,144
Other receivables	—	796	334	—	—	1,130
Inventories	—	2,338	—	—	—	2,338
Prepaid expenses	—	521	5	—	—	526
Due from affiliates	—	3,815	171	—	(563)	3,423
Total current assets	—	37,473	987	—	(563)	37,897
Assets limited as to use, noncurrent:						
Internally designated for capital improvements	—	103,600	—	—	—	103,600
Total assets limited as to use, noncurrent	—	103,600	—	—	—	103,600
Property, plant and equipment, net	—	79,976	320	—	—	80,296
Operating lease right of use assets	—	5,639	583	—	—	6,222
Other long-term investments	—	8,104	—	—	—	8,104
Investments in joint ventures and other investments	14	2,481	—	46	—	2,541
Contributions receivable and other assets held in trust	—	10,432	2,167	—	—	12,599
Other	—	264	(1)	—	—	263
Total assets	\$ 14	247,969	4,056	46	(563)	251,522
Liabilities and Net Assets						
Current liabilities:						
Current portion of operating lease liabilities	\$ —	714	32	—	—	746
Accounts payable	—	3,524	6	—	—	3,530
Accrued payroll	—	5,417	226	—	—	5,643
Estimated settlements due to third-party payers	—	521	30	—	—	551
Due to affiliates	—	2,256	646	—	(563)	2,339
Other current liabilities	—	6,081	12	—	—	6,093
Total current liabilities	—	18,513	952	—	(563)	18,902
Long-term operating lease liabilities	—	4,955	550	—	—	5,505
Other long-term liabilities	—	9,760	—	—	—	9,760
Due to affiliates	—	15,292	—	—	—	15,292
Total liabilities	—	48,520	1,502	—	(563)	49,459
Net Assets (Deficit)						
Without donor restrictions:						
Total without donor restrictions	14	189,012	376	46	—	189,448
Total with donor restrictions	—	10,437	2,178	—	—	12,615
Total net assets (deficit)	14	199,449	2,554	46	—	202,063
Total liabilities and net assets	\$ 14	247,969	4,056	46	(563)	251,522

Definitions

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

VNA – Visiting Nurse Association
 UPAH – UnityPoint at Home, TRI-ST portion

See accompanying independent auditors' report.

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

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

Consolidating Statement of Operations Information

Year ended December 31, 2020

(In thousands)

	<u>TRI-ST</u>	<u>Finley</u>	<u>VNA</u>	<u>UPAH</u>	<u>Eliminations</u>	<u>Consolidated</u>
Operating revenues:						
Patient service revenue	\$ —	108,158	52	381	—	108,591
Other operating revenue	—	9,451	2,818	—	—	12,269
Net assets released from restrictions used for operations	—	293	225	—	—	518
Total operating revenue	<u>—</u>	<u>117,902</u>	<u>3,095</u>	<u>381</u>	<u>—</u>	<u>121,378</u>
Operating expenses:						
Salaries and wages	—	43,375	2,074	24	—	45,473
Physician compensation and services	—	10,854	—	—	—	10,854
Employee benefits	—	10,187	559	6	—	10,752
Supplies	—	16,436	56	260	—	16,752
Other expenses	—	33,382	360	62	—	33,804
Depreciation and amortization	—	5,496	23	1	—	5,520
Interest	—	777	—	—	—	777
Provision for uncollectible accounts	—	(44)	—	—	—	(44)
Total operating expenses	<u>—</u>	<u>120,463</u>	<u>3,072</u>	<u>353</u>	<u>—</u>	<u>123,888</u>
Operating income (loss)	<u>—</u>	<u>(2,561)</u>	<u>23</u>	<u>28</u>	<u>—</u>	<u>(2,510)</u>
Nonoperating gains (losses):						
Investment income	—	9,609	—	—	—	9,609
Other, net	—	(1)	—	—	—	(1)
Total nonoperating gains, net	<u>—</u>	<u>9,608</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,608</u>
Excess of revenues over expenses attributable to UnityPoint Health	<u>\$ —</u>	<u>7,047</u>	<u>23</u>	<u>28</u>	<u>—</u>	<u>7,098</u>

Definitions

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

Finley – The Finley Hospital

VNA – Visiting Nurse Association

UPAH – UnityPoint at Home, TRI-ST portion

See accompanying independent auditors' report.

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

Keokuk Area Hospital, Inc. and Subsidiaries (Keokuk)

Consolidating Balance Sheet Information

December 31, 2020

(In Thousands)

Assets	KAH	TSMG	KAME	KAHF	Eliminations	Consolidated
Current assets:						
Cash and cash equivalents	\$ 2,419	432	234	149	—	3,234
Patient accounts receivable	1,143	—	156	—	—	1,299
Inventories	494	—	97	—	—	591
Prepaid expenses	31	—	4	—	—	35
Due from affiliates	4,529	—	131	—	(4,410)	250
Total current assets	<u>8,616</u>	<u>432</u>	<u>622</u>	<u>149</u>	<u>(4,410)</u>	<u>5,409</u>
Assets Limited As to Use, Noncurrent:						
Internally designated for capital improvements	166	—	—	—	—	166
Total assets limited as to use, noncurrent	<u>166</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>166</u>
Property, plant and equipment, net	2,241	392	686	—	—	3,319
Other	2	—	—	—	—	2
Total assets	<u>\$ 11,025</u>	<u>824</u>	<u>1,308</u>	<u>149</u>	<u>(4,410)</u>	<u>8,896</u>
Liabilities and Net Assets						
Current liabilities:						
Current maturities of long-term debt	\$ 43	—	—	—	—	43
Accounts payable	4,638	—	30	—	—	4,668
Accrued payroll	780	—	16	—	—	796
Estimated settlements due to third-party payers	119	—	—	—	—	119
Due to affiliates	10,294	3,837	572	—	(4,410)	10,293
Other current liabilities	879	—	116	—	—	995
Total current liabilities	<u>16,753</u>	<u>3,837</u>	<u>734</u>	<u>—</u>	<u>(4,410)</u>	<u>16,914</u>
Long-term debt, net	57	—	—	—	—	57
Other long-term liabilities	1,384	—	—	—	—	1,384
Due to affiliates	17,096	—	—	—	—	17,096
Total liabilities	<u>35,290</u>	<u>3,837</u>	<u>734</u>	<u>—</u>	<u>(4,410)</u>	<u>35,451</u>
Net Assets (Deficit)						
Without donor restrictions:						
Total without donor restrictions	(24,278)	(3,013)	574	128	—	(26,589)
Total with donor restrictions	<u>13</u>	<u>—</u>	<u>—</u>	<u>21</u>	<u>—</u>	<u>34</u>
Total net assets (deficit)	<u>(24,265)</u>	<u>(3,013)</u>	<u>574</u>	<u>149</u>	<u>—</u>	<u>(26,555)</u>
Total liabilities and net assets	<u>\$ 11,025</u>	<u>824</u>	<u>1,308</u>	<u>149</u>	<u>(4,410)</u>	<u>8,896</u>

Definitions

KAH – Keokuk Area Hospital
TSMG – Tri-State Medical Group, Inc.

KAME – Keokuk Area Medical Equipment and Supply Inc.
KAHF – Keokuk Area Hospital Foundation

See accompanying independent auditors' report.

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

Keokuk Area Hospital, Inc. and Subsidiaries (Keokuk)

Consolidating Statement of Operations Information

Year ended December 31, 2020

(In Thousands)

	<u>KAH</u>	<u>TSMG</u>	<u>KAME</u>	<u>KAHF</u>	<u>Eliminations</u>	<u>Consolidated</u>
Operating revenues:						
Patient service revenue	\$ 9,392	1	1,029	—	—	10,422
Other operating revenue	1,979	112	176	5	—	2,272
Net assets released from restrictions used for operations	7	—	—	—	—	7
Total operating revenue	<u>11,378</u>	<u>113</u>	<u>1,205</u>	<u>5</u>	<u>—</u>	<u>12,701</u>
Operating expenses:						
Salaries and wages	6,870	—	225	—	—	7,095
Physician compensation and services	2,512	—	—	—	—	2,512
Employee benefits	1,493	—	80	—	—	1,573
Supplies	2,212	—	430	—	—	2,642
Other expenses	3,134	1	237	—	—	3,372
Depreciation and amortization	687	23	71	—	—	781
Interest	938	—	2	—	—	940
Provision for uncollectible accounts	—	—	(20)	—	—	(20)
Total operating expenses	<u>17,846</u>	<u>24</u>	<u>1,025</u>	<u>—</u>	<u>—</u>	<u>18,895</u>
Operating income (loss)	<u>(6,468)</u>	<u>89</u>	<u>180</u>	<u>5</u>	<u>—</u>	<u>(6,194)</u>
Nonoperating gains:						
Investment income	8	—	—	—	—	8
Total nonoperating gains, net	<u>8</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>8</u>
Excess (deficit) of revenues over expenses attributable to UnityPoint Health	<u>\$ (6,460)</u>	<u>89</u>	<u>180</u>	<u>5</u>	<u>—</u>	<u>(6,186)</u>

Definitions

KAH – Keokuk Area Hospital

TSMG – Tri-State Medical Group, Inc.

KAME – Keokuk Area Medical Equipment and Supply Inc.

KAHF – Keokuk Area Hospital Foundation

See accompanying independent auditors' report.

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

Affiliated Colleges

Consolidating Balance Sheet Information

December 31, 2020

(In thousands)

Assets	MC	TCN	AC	SLC	Consolidated
Current assets:					
Cash and cash equivalents	\$ 2,501	3,809	523	339	7,172
Short-term investments	—	856	—	—	856
Student loan and other receivables	769	(4)	(130)	97	732
Inventories	62	—	—	—	62
Prepaid expenses	7	—	77	38	122
Due from affiliates	—	54	5	—	59
Total current assets	<u>3,339</u>	<u>4,715</u>	<u>475</u>	<u>474</u>	<u>9,003</u>
Property, plant and equipment, net	1,072	91	—	416	1,579
Other long-term investments	8,303	2,210	—	—	10,513
Interest in net assets of foundation	5,004	4,289	14,716	2,366	26,375
Other	—	—	704	512	1,216
Due from affiliates	—	—	—	—	—
Total assets	<u>\$ 17,718</u>	<u>11,305</u>	<u>15,895</u>	<u>3,768</u>	<u>48,686</u>
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	\$ 19	74	50	5	148
Accrued payroll	116	27	416	44	603
Due to affiliates	—	121	305	—	426
Other current liabilities	—	608	75	38	721
Total current liabilities	<u>135</u>	<u>830</u>	<u>846</u>	<u>87</u>	<u>1,898</u>
Other long-term liabilities	—	—	730	10	740
Total liabilities	<u>135</u>	<u>830</u>	<u>1,576</u>	<u>97</u>	<u>2,638</u>
Net Assets (Deficit)					
Total without donor restrictions	12,581	6,157	(358)	105	18,485
Total with donor restrictions	<u>5,002</u>	<u>4,318</u>	<u>14,677</u>	<u>3,566</u>	<u>27,563</u>
Total net assets (deficit)	<u>17,583</u>	<u>10,475</u>	<u>14,319</u>	<u>3,671</u>	<u>46,048</u>
Total liabilities and net assets	<u>\$ 17,718</u>	<u>11,305</u>	<u>15,895</u>	<u>3,768</u>	<u>48,686</u>

Definitions

MC – Methodist College (Peoria)

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

AC – Allen College (Waterloo)

SLC – St. Luke's College (Sioux City)

Note 1: Fixed assets utilized by AC belong to their parent hospital corporation, Allen Memorial Hospital Corporation (AMH), and thus are not reflected in the balance sheet of the College. AC receives the benefit of using certain space within AMH's facilities, but donated revenue and donated expense is not reflected within the income statement of AC.

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

See accompanying independent auditors' report.

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

Affiliated Colleges

Consolidating Statement of Operations Information

Year ended December 31, 2020

(In thousands)

	<u>MC</u>	<u>TCN</u>	<u>AC</u>	<u>SLC</u>	<u>Consolidated</u>
Operating revenue:					
Tuition and student revenue	\$ 12,707	4,629	12,104	3,131	32,571
Governmental pass-thru	—	—	—	—	—
Grant revenue	1,031	—	365	12	1,408
Other revenue	52	123	91	196	462
Net assets released from restrictions used for operations	5	174	591	—	770
Total operating revenue	<u>13,795</u>	<u>4,926</u>	<u>13,151</u>	<u>3,339</u>	<u>35,211</u>
Operating expenses:					
Salaries and wages	6,699	1,877	6,829	2,446	17,851
Physician compensation and services	—	—	40	—	40
Employee benefits	1,586	405	1,551	614	4,156
Supplies	126	64	89	136	415
Other expenses	4,201	1,043	2,961	1,171	9,376
Depreciation and amortization	281	20	—	29	330
Provision for uncollectible accounts	60	9	3	42	114
Total operating expenses	<u>12,953</u>	<u>3,418</u>	<u>11,473</u>	<u>4,438</u>	<u>32,282</u>
Operating income (loss)	<u>842</u>	<u>1,508</u>	<u>1,678</u>	<u>(1,099)</u>	<u>2,929</u>
Nonoperating gains:					
Investment income	—	15	—	—	15
Total nonoperating gains, net	<u>—</u>	<u>15</u>	<u>—</u>	<u>—</u>	<u>15</u>
Excess (deficit) of revenues over expenses attributable to UnityPoint Health	<u>\$ 842</u>	<u>1,523</u>	<u>1,678</u>	<u>(1,099)</u>	<u>2,944</u>

Definitions

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See accompanying independent auditors' report.