Parkview Health System, Inc.
and Subsidiaries
d/b/a Parkview Health

Consolidated Financial Report
and Supplementary Information
December 31, 2019

Contents

Independent Auditor's Report

The Board of Directors
Parkview Health System, Inc.

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Parkview Health System, Inc. and Subsidiaries d/b/a Parkview Health (the Corporation), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, 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 (collectively, the financial statements).

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

Auditor's Responsibility
Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parkview Health System, Inc. and Subsidiaries as of December 31, 2019 and 2018, and the results of its operations, changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying details of consolidated balance sheets and details of consolidated statements of operations and changes in net assets are presented for purposes of additional analysis rather than to present the financial position and results of operations and changes in net assets of the individual entities and are not a required part of the 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 financial statements. The details of consolidated balance sheets and details of consolidated statements of operations and changes in net assets have been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Cleveland, Ohio
March 26, 2020

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Consolidated Balance Sheets
December 31, 2019 and 2018
(In Thousands)

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	**$ 197,628**	$ 203,676
Short-term investments	**322**	315
Patient accounts receivable	**290,060**	245,700
Inventories	**36,022**	31,749
Prepaid expenses and other current assets	**39,810**	33,691
Estimated third-party payer settlements	**14,495**	6,653
Due from investment brokers	**49,793**	189,648
Total current assets	**628,130**	711,432
Investments:		
Board-designated investments	**1,292,257**	1,160,934
Funds held by trustees	**45,141**	87,430
Other investments	**938**	887
	1,338,336	1,249,251
Property and equipment:		
Cost	**2,220,967**	2,113,625
Less accumulated depreciation and amortization	**1,016,899**	957,321
	1,204,068	1,156,304
Other assets:		
Finance lease right-of-use assets, net	**7,215**	-
Operating lease right-of-use assets, net	**45,936**	-
Interest rate swaps	**4,547**	2,801
Investments in joint ventures	**2,683**	2,424
Goodwill and intangible assets, net	**101,635**	101,755
Other assets	**30,310**	32,031
	192,326	139,011
Total assets	**$ 3,362,860**	$ 3,255,998

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Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Consolidated Balance Sheets
December 31, 2019 and 2018
(In Thousands)

	2019	2018
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 146,355**	$ 128,571
Salaries, wages and related liabilities	**147,424**	118,673
Accrued interest	**3,147**	3,466
Estimated third-party payer settlements	**18,098**	12,627
Current portion finance lease liabilities	**3,665**	-
Current portion operating lease liabilities	**7,028**	-
Current portion of long-term debt	**22,240**	41,371
Due to investment brokers	**87,347**	330,030
Total current liabilities	**435,304**	634,738
Noncurrent liabilities:		
Long-term debt, less current portion	**704,360**	710,203
Finance lease liabilities, less current portion	**5,083**	-
Operating lease liabilities, less current portion	**39,176**	-
Interest rate swaps	**74,422**	57,048
Accrued pension obligations	**127,976**	91,607
Other	**24,122**	24,547
	975,139	883,405
Net assets:		
Parkview Health System, Inc.	**1,901,185**	1,686,148
Noncontrolling interest in subsidiaries	**38,294**	38,631
Total net assets without donor restrictions	**1,939,479**	1,724,779
Net assets with donor restrictions	**12,938**	13,076
Total net assets	**1,952,417**	1,737,855
Total liabilities and net assets	**$ 3,362,860**	$ 3,255,998

See notes to consolidated financial statements.

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2019 and 2018
(In Thousands)

	2019	2018
Revenues:		
Patient care service revenue	**$ 1,967,049**	$ 1,789,860
Other revenue	**76,688**	63,344
	2,043,737	1,853,204
Expenses:		
Salaries and benefits	**1,074,666**	939,809
Supplies	**333,781**	279,683
Purchased services	**163,664**	172,417
Utilities, repairs and maintenance	**71,625**	70,381
Depreciation and amortization	**113,030**	106,829
Hospital assessment fee	**49,955**	57,400
Interest and financing costs	**23,123**	22,617
Other, net	**87,716**	80,270
	1,917,560	1,729,406
Operating income	**126,177**	123,798
Nonoperating income (expense):		
Interest, dividends and realized gains on sales of investments, net	**35,492**	26,187
Unrealized gains (losses) on investments, net	**99,010**	(56,656)
Unrealized (losses) gains on interest rate swaps, net	**(15,948)**	11,281
Loss on early refunding of long-term debt	**(332)**	(196)
Net periodic benefit expense other than service cost	**(1,845)**	(5,443)
Contribution of net assets without donor restrictions of Park Center, Inc.	**-**	12,656
Contribution of net assets without donor restrictions of DeKalb Memorial Hospital, Inc.	**41,528**	-
Other, net	**1,301**	(176)
	159,206	(12,347)
Excess of revenues over expenses	**285,383**	111,451
Excess of revenues over expenses attributable to noncontrolling interest in subsidiaries	**35,383**	36,291
Excess of revenues over expenses attributable to Parkview Health System, Inc.	**$ 250,000**	$ 75,160

See notes to consolidated financial statements.

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Consolidated Statements of Operations and Changes in Net Assets (Continued)
Year Ended December 31, 2019
(In Thousands)

	Year Ended December 31, 2019		
	Total	Controlling Interest	Noncontrolling Interest
Net assets without donor restrictions:			
Excess of revenues over expenses	$ 285,383	$ 250,000	$ 35,383
Distributions to noncontrolling interests	(35,720)	-	(35,720)
Pension-related changes other than net periodic pension cost	(36,374)	(36,374)	-
Net assets released from restriction used for property and equipment, and other	1,411	1,411	-
Increase in net assets without donor restrictions	214,700	215,037	(337)
Net assets with donor restrictions:			
Contributions	2,118	2,118	-
Investment gain	403	403	-
Net assets released from restrictions	(2,659)	(2,659)	-
Decrease in net assets with donor restrictions	(138)	(138)	-
Increase in net assets	214,562	214,899	(337)
Net assets:			
Beginning of year	1,737,855	1,699,224	38,631
End of year	**$ 1,952,417**	**$ 1,914,123**	**$ 38,294**

See notes to consolidated financial statements.

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Consolidated Statements of Operations and Changes in Net Assets (Continued)
Year Ended December 31, 2018
(In Thousands)

	Year Ended December 31, 2018		
	Total	Controlling Interest	Noncontrolling Interest
Net assets without donor restrictions:			
Excess of revenues over expenses	$ 111,451	$ 75,160	$ 36,291
Distributions to noncontrolling interests	(33,165)	-	(33,165)
Pension-related changes other than net periodic pension cost	14,520	14,520	-
Net assets released from restriction used for property and equipment, and other	3,475	3,436	39
Increase in net assets without donor restrictions	96,281	93,116	3,165
Net assets with donor restrictions:			
Contributions	3,873	3,873	-
Investment loss	(42)	(42)	-
Net assets released from restrictions	(6,143)	(6,143)	-
Decrease in net assets with donor restrictions	(2,312)	(2,312)	-
Increase in net assets	93,969	90,804	3,165
Net assets:			
Beginning of year	1,643,886	1,608,420	35,466
End of year	$ 1,737,855	$ 1,699,224	$ 38,631

See notes to consolidated financial statements.

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018
(In Thousands)

		2019		2018
Cash flows from operating activities:				
Increase in net assets	$	214,562	$	93,969
Adjustments to reconcile increase in net assets to net cash provided by operating activities:				
Depreciation and amortization		113,030		106,829
Contributions restricted for capital		(2,118)		(3,873)
Undistributed loss from alternative investments		11,127		6,253
Unrealized losses (gains) on interest rate swaps, net		15,948		(11,281)
Amortization of deferred financing costs and net premium		(3,511)		(3,056)
Loss on early refinancing of long-term debt		332		196
Loss from disposal of property and equipment		210		600
Pension-related changes other than net periodic pension cost		36,374		(14,520)
Contribution of net assets without donor restrictions of Park Center, Inc.		-		(12,656)
Contribution of net assets without donor restrictions of DeKalb Memorial Hospital, Inc.		(41,528)		-
Amortization of operating lease right-of-use assets		8,797		-
Cash paid for operating leases		(9,075)		-
Changes in operating assets and liabilities:				
Patient accounts receivable		(35,566)		(26,772)
Inventories		(2,630)		(6,792)
Prepaid expenses and other current assets		(5,507)		(3,539)
Trading securities, net		(89,805)		(102,491)
(Due to) due from investment brokers, net		(102,828)		93,996
Accounts payable, accrued expenses and other current liabilities		26,968		23,355
Estimated third-party payer settlements		(2,489)		2,582
Accrued pension obligation		(4)		4
Other		33,308		30,725
Net cash provided by operating activities		165,595		173,529
Cash flows from investing activities:				
Property and equipment additions		(120,840)		(156,015)
Business acquisitions, net of cash acquired		(63)		(145)
Proceeds from sale of property and equipment		211		1,473
Cash and cash equivalents received from contribution of Park Center, Inc.		-		1,283
Cash and cash equivalents received from contribution of DeKalb Memorial Hospital, Inc.		838		-
Net cash used in investing activities		(119,854)		(153,404)
Cash flows from financing activities:				
Principal payments of long-term debt		(24,528)		(31,903)
Proceeds from issuance of long-term debt		54,513		170,929
Early refunding of long-term debt		(53,590)		(25,060)
Payments of finance lease obligations		(3,263)		(3,222)
Distributions to noncontrolling interests		(35,720)		(33,165)
Contributions restricted for capital		2,118		3,873
Other		292		(1,032)
Net cash (used in) provided by financing activities		(60,178)		80,420
(Decrease) increase in cash and cash equivalents and restricted cash		(14,437)		100,545
Cash and cash equivalents and restricted cash (See Note 2):				
Beginning of year		235,289		134,744
End of year	$	220,852	$	235,289
Supplemental disclosures of cash flow information:				
Cash paid for interest	$	24,660	$	19,983
Cash paid for income taxes	$	51	$	450
Supplemental disclosures of noncash investing and financing activities:				
Assets acquired through finance leases	$	3,161	$	2,161
Purchases of property and equipment financed with payables	$	19,613	$	15,133

In the acquisition of DeKalb Memorial Hospital, Inc., Parkview Health received non-cash assets in the amount of $59,791 and liabilities in the amount of $16,601 (See Note 2)

See notes to consolidated financial statements.

Note 1. Organization

Nature of operations: Parkview Health System, Inc., d/b/a Parkview Health (PH or the Corporation), is an integrated health care system which provides services in northeast Indiana and northwest Ohio. PH's mission is to provide quality health care services to all who entrust their care to PH and to improve the health of the community. Services provided by PH include acute, nonacute, and tertiary care services on an inpatient, outpatient, and emergency basis; managed care contracting, health care diagnostics, and treatment services for individuals and families; home health care; and behavioral health care. The principal operating activities of PH are conducted by wholly owned or controlled affiliates and subsidiaries.

PH is the sole corporate member of Parkview Hospital, Inc. (PVH). PVH comprises one acute care hospital; a behavioral health hospital; and a flagship tertiary care center, Parkview Regional Medical Center. In total, PVH offers 715 beds in Fort Wayne, Indiana. PH is the majority owner (60%) of the Orthopaedic Hospital at Parkview North LLC (ORTHO), which is a for-profit joint venture hospital with a large orthopedic physician group. ORTHO operates the Orthopaedic Hospital, a 37-bed orthopedic specialty hospital, and an ambulatory surgical center. In addition, PH is the sole corporate member of Huntington Memorial Hospital, Inc.; Whitley Memorial Hospital, Inc.; Community Hospital of Noble County, Inc.; Community Hospital of LaGrange County, Inc.; Parkview Wabash Hospital, Inc.; and DeKalb Memorial Hospital, Inc., each of which operates an acute care community hospital and related facilities in the northeast region of Indiana. These hospitals are referred to collectively as the Hospital Affiliates.

PH and PVH are the only members of Managed Care Services, LLC, which provides third-party administrative services to PH's employee health plan and acts as a preferred provider organization network of providers for self-funded employers. Managed Care Services, LLC also assumes risk on a Medicaid managed care program through MDwise. Capitation (loss) revenue relating to this program was $(1,070) in 2019 and $44,885 in 2018, and is recorded within operating revenues in the consolidated statements of operations and changes in net assets. For the year ended December 31, 2019, all capitation programs were terminated.

Parkview Physicians Group (PPG), a division of PH, is a multidisciplinary group of employed physicians. PPG was developed to enhance the delivery of quality health care services in northeast Indiana and northwest Ohio. Disciplines represented in PPG include primary care, OB/GYN, orthopedics, colon and rectal surgery, cardiovascular surgery, general surgery, hospitalists/intensivists, podiatry, psychiatry, urology, cardiology, pulmonology and critical care, gastroenterology, rheumatology, and oncology.

Note 1. Organization (Continued)

The legal entity names, marketing brand names, and acronyms for each significant entity within PH are as follows:

Legal Name	Marketing Brand (d/b/a) name	Acronym
Parkview Health System, Inc.	Parkview Health, including Parkview Physicians Group	PH and PPG
Parkview Hospital, Inc.	Parkview Regional Medical Center and Parkview Randallia Hospital	PVH
Orthopaedic Hospital at Parkview North, LLC	Parkview Ortho Hospital	ORTHO
Huntington Memorial Hospital, Inc.	Parkview Huntington Hospital	PHH
Whitley Memorial Hospital, Inc.	Parkview Whitley Hospital	PWH
Community Hospital of Noble County, Inc.	Parkview Noble Hospital	PNH
Community Hospital of LaGrange County, Inc.	Parkview LaGrange Hospital	PLH
Managed Care Services, LLC	Managed Care Services	MCS
Parkview Wabash Hospital, Inc.	Parkview Wabash Hospital	PWB
Parkview Foundation, Inc.	Parkview Hospital Foundation	PVHF
Whitley Memorial Hospital Foundation, Inc.	Parkview Whitley Hospital Foundation	PWHF
Community Hospital of Noble County Foundation, Inc.	Parkview Noble Foundation	PNHF
The Parkview Huntington Hospital Foundation, Inc.	Parkview Huntington Hospital Foundation	PHHF
Parkview Wabash Hospital Foundation, Inc.	Parkview Wabash Hospital Foundation	WBHF
Parkview Occupational Health Centers, Inc.	Parkview Occupational Health Centers	POH
Park Center, Inc.	Park Center, Inc.	PAR
DeKalb Memorial Hospital, Inc.	Parkview DeKalb Hospital	PDH
DeKalb Health Foundation, Inc.	Parkview DeKalb Hospital Foundation	DHFN

Transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as net patient care service revenue. Other transactions are included in other revenue. Other revenue includes rentals of medical office buildings, investment income from affiliated foundations, and equity income of unconsolidated affiliates and joint ventures.

Acquisitions: In 2019, PH acquired 1 physician group for a total purchase price of $63. In 2018, PH acquired 1 physician group for a total purchase price of $145. These groups are included in PPG with acquisitions accounted for as business combinations. Goodwill of $21 and $25 was recognized upon purchase in 2019 and 2018, respectively, which represents the excess of purchase price over identifiable assets and liabilities.

(In Thousands)

Note 1. Organization (Continued)

Effective October 1, 2019, Parkview Health became the sole member of DeKalb Memorial Hospital, Inc. and DeKalb was renamed Parkview DeKalb Hospital, Inc. The two organizations share a commitment to delivering high quality, community-centric care, and the partnership will allow for the continued growth of health care services in DeKalb County. For accounting purposes, this transaction is considered an acquisition under Accounting Standards Codification (ASC) 958-805, *Not-For-Profit Entities: Business Combinations*. Pursuant to the member substitution agreement. PH donated $2,500 to DeKalb County Community Foundation, Inc. which was recorded as a reduction to the contribution of net assets received by PH. PH has committed to make an operating and capital investment of $27,500 at PDH over a six year period. The fair value of PDH's net assets was recorded as a contribution at the closing of the transaction.

Current assets:		Current liabilities:	
Cash and cash equivalents	$ 838	Accounts payable	$ 2,126
Patient accounts receivable	8,794	Accrued expenses and other	3,846
Inventories	1,643	Estimated settlements due from third-party payors	118
Prepaid expenses and other assets	584	Current portion finance lease liabilities	580
		Current portion of long-term debt	627
Total current assets	11,859	**Total current liabilities**	7,297
		Noncurrent liabilities:	
Investments	18,803	Finance lease liabilities	1,107
		Long-term debt, less current portion	8,197
Property and equipment	29,940	**Total liabilities**	16,601
Other assets	27	Net assets without donor restrictions	44,028
Total assets	$ 60,629	**Total liabilities and net assets**	$ 60,629

The following table presents unaudited pro forma and audited financial information, respectively, for Parkview DeKalb Hospital, Inc. for the year ended December 31, 2019, as if the closing of the fiscal year 2019 acquisition/affiliation had occurred on January 1, 2019:

	Pro Forma 1/1/19 to 9/30/19	Audited 10/1/19 to 12/31/19
Total revenue	$ 53,266	$ 17,104
Nonoperating income	2,142	42,321
Changes in net assets without donor restriction	424	47,204

The unaudited pro forma financial information is not necessarily indicative of the results of operations that would have occurred if the acquisition/affiliation had been completed on the date indicated, nor is it indicative of future operating results.

Effective October 1, 2018, Parkview Health acquired Park Center, Inc. (PAR). PAR is a comprehensive behavioral health provider offering services in Allen, Adams and Wells counties in Indiana. For accounting purposes, this transaction is considered an acquisition under ASC 958-805, *Not-For-Profit Entities: Business Combinations*. No consideration was paid by PH, the acquisition was accounted for as a contribution to PH. The fair value of PAR's net assets was recorded as a contribution at the closing of the transaction.

Note 1. Organization (Continued)

Community benefits and charity care: The Corporation provides programs and services to address the needs of those in the communities it serves with limited financial resources, generally at no or low cost to those being served. Additional services are provided to beneficiaries of governmental programs (principally those relating to the Medicare and Medicaid programs) at substantial discounts from established rates and are considered part of the Corporation's benefit to the communities.

Assistance is also provided to patients and their families for the submission of forms for insurance, financial counseling, and application to the Medicare and Medicaid programs for health service coverage. The costs of providing these programs and services are included in expenses.

Consistent with the Corporation's mission, care is provided to patients regardless of their ability to pay. Patients who meet certain criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue. Records are maintained to identify and monitor the level of charity care provided at the amount of standard charges foregone for services and supplies furnished.

The Corporation estimates the cost of charity by calculating a ratio of cost to gross charges and then multiplies this ratio by gross uncompensated charges associated with providing care to charity patients. The Corporation also offers a discount for all uninsured patients. Included in charity care is presumptive charity, where an automated algorithm identifies and writes off presumptive charity services based upon individual patients' historical propensity-to-pay factors. Also included in charity care are writes off of non-covered Medicaid and Health Indiana Plan (HIP) services. The cost of charity care provided in 2019 and 2018 approximates $30,466 and $25,402, respectively.

The Corporation, through PVH and all community hospitals, administers community benefit programs in communities served. Targeted funds for community benefit are controlled by the hospitals, and contributions made as a part of each hospital's community benefit program are under the direction of their respective Board of Directors. Each hospital has a long tradition of community involvement, and their community benefit programs reflect their commitment and support to the communities each serves.

The Corporation, through each of the hospitals, partners with local service organizations to develop initiatives aimed at improving the health of their communities. This has been achieved through collaborative efforts focusing on support for youth organizations, county councils on aging, emergency shelters, health fairs and screenings, awareness and prevention programs, and free health clinics. Subsidies are provided for individual county emergency medical services, nursing services and physicals in local schools, and athletic trainers at sporting events for both schools and at the local center for adults and children with disabilities.

Note 2. Significant Accounting Policies

Principles of consolidation: The consolidated financial statements include the accounts of PH and all majority-owned or majority-controlled subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation. The equity method of accounting is used for investments in joint ventures, partnerships, and companies where ownership is 20% to 50% and PH has significant influence. The equity method of accounting is also used for hedge funds with ownership of 3% to 50% and where PH has significant influence. For the years ended December 31, 2019 and 2018, PH's share of income recorded using the equity method approximated $1,764 and $1,670, respectively, and is recorded in other revenue in the consolidated statements of operations and changes in net assets.

Note 2. Significant Accounting Policies (Continued)

Use of estimates: The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents: Investments in highly liquid debt instruments with a maturity of three months or less when purchased, excluding amounts classified with Board-designated investments and funds held by trustees, are considered cash equivalents. The Corporation routinely invests in money market mutual funds. These funds generally invest in highly liquid U.S. government and agency obligations. Financial instruments that potentially subject the Corporation to concentrations of credit risk include the Corporation's cash and cash equivalents. The Corporation places its cash and cash equivalents with institutions of high credit quality. However, at certain times, such cash and cash equivalents may be in excess of government-provided insurance limits.

Patient accounts receivable, estimated third-party payer settlements, and patient care service revenue: Patient accounts receivable and patient care service revenue are reported at the estimated net realizable amounts due from patients, third-party payers (including insurers), and others for services rendered and include estimated retroactive revenue adjustments due to the settlement of audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are settled and are no longer subject to such audits, reviews, and investigations.

The Corporation grants credit to patients without requiring collateral or other security for the delivery of health care services. However, assignment of benefit payments payable under patients' health insurance programs and plans (e.g., Medicare, Medicaid, health maintenance organizations, and commercial insurance policies) is routinely obtained, consistent with industry practice.

Inventories: Inventories consist primarily of drugs and supplies, are stated at the lesser of cost or net realizable value, and are valued using the average cost method.

Investments: Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value based on quoted market prices. Investments in private equity and hedge funds are recorded under the equity method of accounting, based on information provided by the funds' managers. Generally, the net asset value of these funds reflects the contributed capital, as well as an allocated share of the underlying limited partnership's realized and unrealized gains and losses. Commingled investments are funds formed from the pooling of investments under common management. Unlike mutual funds, these investments are not registered investment companies and, therefore, are exempt from registering with the Securities and Exchange Commission.

Investment income or loss (including realized gains and losses on the sale of investments, unrealized gains and losses on investments, and changes in the carrying value of hedge funds), with the exception of investment income or loss, as defined, related to the various PH foundations, is reported as other nonoperating income (expense) unless the income is restricted by donor or law. Investment income or loss apportioned to the foundations is reported in other revenue. The cost of securities sold is based on the specific-identification method.

(In Thousands)

Note 2. Significant Accounting Policies (Continued)

Board-designated funds represent certain funds from operations and other sources designated by the Board to be used for future capital asset replacement, for the retirement of long-term debt, and for other purposes. The Board retains control over these investments and may, at its discretion, subsequently designate the use of these investments for other purposes. Funds are invested in accordance with Board-approved policies, which, among other matters, require diversification of the investment portfolio, establish credit risk parameters, and limit the investment in any single organization. Substantially all investment transactions are managed by professional investment managers and are held in custody at financial institutions.

Funds held by trustees include investments restricted for payment of malpractice and general liability losses and proceeds of debt issuances restricted for payment of construction costs. All debt securities held by trustees, as well as short-term investments, are classified as trading securities.

The following table summarizes cash and cash equivalents and restricted cash as of and for the years ended December 31, 2019 and 2018:

	2019	2018
Cash and cash equivalents	$ 192,394	$ 198,588
Restricted cash	5,234	5,088
Restricted cash included in investments	23,224	31,613
Total	$ 220,852	$ 235,289

Short-term investments are comprised of corporate bonds with maturities less than twelve months and money market mutual funds with readily determinable fair values that are used for short-term working cash management. Investment income or loss is reported as other nonoperating income (expense). Investments purchased and sold are reported based on transaction date.

Investment securities purchased and sold are reported based on the trade date. Due to the period lag between the trade and settlement dates, PH reports receivables and securities sold but not settled and reports liabilities for securities purchased but not settled. These receivables from, and payables to, investment brokers are settled from within the investment portfolio. These receivables and payables are due to a separate account with a high quality, short term fixed income bond strategy. The strategy is managed with an emphasis on preserving capital and maintaining a high degree of liquidity. In addition to buying and selling physical bonds in the portfolio, derivatives and forward settling trades are also utilized. These instruments are used to manage the portfolio’s overall risk and not to obtain leverage. Liabilities created from unsettled positions in the portfolio are fully collateralized by cash and cash equivalents. Unrealized gains or losses associated with derivative positions that are not marked to market via an exchange or similar clearinghouse are also collateralized in order to mitigate counterparty risk.

Property and equipment: Property and equipment are initially stated at cost or, if donated, at fair value on date of donation. Interest costs incurred as part of the related construction are capitalized during the period of construction. Depreciation is provided on a straight-line basis over the expected useful lives of the various classes of assets. Estimated useful lives range from 5 to 25 years for land improvements, 5 to 40 years for buildings, and 3 to 15 years for equipment.

Note 2. Significant Accounting Policies (Continued)

Property and equipment under capital leases for the year ending December 31, 2018, are stated at the lower of the present value of the minimum lease payments or the fair value of the underlying asset and are generally amortized over the lease term. Amortization of capital leased assets is included within depreciation and amortization expense.

The costs of obtaining or developing internal-use software, including external direct costs for materials and services and directly related payroll costs, are capitalized. Amortization begins when the internal-use software is ready for its intended use. The software costs are amortized over the estimated useful lives of the software. The estimated useful lives range from 3 to 7 years. Costs incurred during the preliminary project stage and post-implementation stage, as well as maintenance and training costs, are expensed as incurred.

Leases: Under ASC Topic 842, a lease is a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment (i.e., an identified asset) for a period of time in exchange for consideration. The Corporation's contracts determined to be or contain a lease include explicitly or implicitly identified assets where the Corporation has the right to substantially all of the economic benefits of the assets and has the ability to direct how and for what purpose the assets are used during the lease term. Leases are classified as either operating or financing. For operating leases, the Corporation has recognized a lease liability equal to the present value of the remaining lease payments, and a right of use asset equal to the lease liability, subject to certain adjustments. The discount rate used by the Corporation is the rate implicit in the lease, if that rate is readily determinable. If that rate is not readily determinable, the Corporation elected to make an accounting policy election to use the risk free rate as the discount rate.

The Corporation defines a short-term lease as any arrangement with a lease term twelve months or less that does not include an option to purchase the underlying asset. The Corporation has made an accounting policy election not to recognize right of use assets and lease liabilities for short-term leases, as a result, short-term lease payments are recognized as expense on a straight-line basis over the lease term and variable lease payments in the period in which the obligation is incurred.

ASC Topic 842 includes practical expedient and policy election choices. The Corporation elected the package of practical expedients available in the standard and as a result, did not reassess the lease classification of existing contracts or leases or the initial direct costs associated with existing leases. The Corporation did elect the hindsight practical expedient, and so did re-evaluate lease term for existing leases. The Corporation has lease arrangements with lease and non-lease components and has elected to account for them separately.

Leases at December 31, 2019 are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases, (Topic 842)*. The 2018 presentation follows FASB ASC, *Leases (Topic 840)* in effect at December 31, 2018.

Goodwill: PH records goodwill arising from a business combination as the excess of purchase price over the fair value of identifiable tangible and intangible assets acquired and liabilities assumed. Management has determined that the Corporation is the reporting unit at which fair value is measured. PH annually reviews, as of the first day of the fourth quarter, the carrying value of goodwill for impairment. In addition, a goodwill impairment assessment is performed if an event occurs or circumstances change that would make it more likely than not that the fair value of a reporting unit is below its carrying amount. If such circumstances suggest that the recorded amounts of goodwill cannot be recovered, the carrying value is reduced to fair value. If the carrying value of goodwill is impaired, a material charge may be incurred to results of operations. No goodwill impairment charge was required in 2019 or 2018.

Note 2. Significant Accounting Policies (Continued)

Intangible assets: Costs allocated to customer relationships and other intangible assets are based on their fair value at the date of acquisition. The cost of intangible assets is amortized on a straight-line basis over the assets' estimated useful lives ranging from 3 to 20 years. Costs associated with the implementation of a cloud computing arrangement that is a service contract are capitalized and expensed over the life of the hosting agreement which is usually between 3 to 5 years. The amortization expense is reflected in the same consolidated financial statement lines as the expenses associated with the hosting element (service) fees of the arrangement. Intangible assets for cloud computing arrangements are recorded in prepaid expenses on the consolidated statement of financial position.

Impairment: Property and equipment and amortizable intangible assets are reviewed for impairment whenever conditions indicate that the carrying amount may not be recoverable. In evaluating the recoverability of long-lived assets, such assets are grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. Such impairment tests compare estimated undiscounted cash flows to the recorded value of the asset. If an impairment is indicated, the asset is written down to its fair value, and a corresponding loss is recorded. No impairment was recorded in 2019 or 2018.

Derivative financial instruments: As part of its debt management program, the Corporation has entered into several interest rate swap arrangements. Derivative instruments are recognized as either assets or liabilities in the consolidated balance sheets at fair value. The Corporation does not account for any of its interest rate swap agreements as hedges, and accordingly, changes in the fair value of interest rate swap agreements are recorded in the consolidated statements of operations and changes in net assets as nonoperating income (expense). Net settlement payments on interest rate swaps are included in interest and financing costs in the consolidated statements of operations and changes in net assets.

Employee benefit plans: PH offers a defined contribution plan entitled the Retirement Contribution Plan. PH's contributions to the Retirement Contribution Plan are based upon years of benefit service. Contributions are calculated as a percentage of eligible pay. The Retirement Contribution Plan is provided to all employees with a hire or rehire date of January 1, 2005 or after. Active employees at December 31, 2004, were provided a one-time choice to remain in PH's defined benefit plan or freeze their defined benefit plan benefits and move to the employer-funded Choice Contribution Retirement Plan which is a defined contribution plan. Definitions of eligibility, pay and benefit service under the defined benefit plan are the same as the defined contribution plan.

In addition to participation in the defined contribution plan and/or defined benefit plan, eligible employees are provided a voluntary opportunity to participate in a 403(b) or a 401(k) plan based upon the tax status of the employing corporation. The 403(b) and 401(k) plans have a match provision that is provided through the Retirement Plans. Benefits for eligible employees are based on the employee's compensation.

Income taxes: The Internal Revenue Service has determined that the Corporation and certain affiliated entities are tax-exempt organizations as defined in Section 501(c)(3) of the Internal Revenue Code. Certain subsidiaries of the Corporation are taxable entities, the tax expense and liabilities of which are not material to the consolidated financial statements.

Note 2. Significant Accounting Policies (Continued)

The Corporation and its tax-exempt affiliated entities each file a Form 990 (Return of Organization Exempt from Income Tax) annually. When these returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would ultimately be sustained. Examples of tax positions common to health systems include such matters as the tax-exempt status of each entity, the continued tax-exempt status of bonds, the nature, characterization and taxability of joint venture income, and various positions relating to potential sources of unrelated business taxable income (reported on Form 990T). As of December 31, 2019 and 2018, there are no unrecognized tax benefits resulting from uncertain tax positions.

Forms 990 and 990T filed by the Corporation and its tax-exempt affiliated entities are subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. Forms 990 and 990T filed by the Corporation and its tax-exempt affiliated entities are generally no longer subject to examination for the year 2015 and prior.

Performance indicator: Excess of revenues over expenses as reflected in the accompanying consolidated statements of operations and changes in net assets includes operating income and nonoperating income and losses. Contributions of long-lived assets, pension-related changes other than net periodic pension cost, net assets released from restriction for acquisition of long-lived assets, and distributions to noncontrolling interests are excluded from excess of revenues over expenses.

Operating and nonoperating income (expense): Activities directly associated with the furtherance of PH’s mission are considered operating activities. Other activities that result in gains or losses peripheral to PH’s primary mission are considered to be nonoperating. Nonoperating activities include interest, dividends, and realized gains/losses on sales of investments; unrealized gains/losses on investments; unrealized gains/losses on interest rate swaps; and other.

Net assets: The consolidated financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by donors as follows:

Net assets without donor restrictions: Net assets without donor restrictions are resources available to support operations. The only limits on the use of these assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of business.

Net assets with donor restrictions: Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor’s instructions. The Corporation’s unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds. As of December 31, 2019 and 2018, there were no net assets with perpetual donor restrictions.

Note 2. Significant Accounting Policies (Continued)

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the consolidated financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for the acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Corporation, unless the donor provides more specific directions about the period of its use. Net assets released from restriction are reported in the accompanying consolidated statements of operations and changes in net assets as net assets released from restrictions and other revenue (if used for operating purposes) or other changes in net assets without donor restrictions (if used for the acquisition of long-lived assets).

Distributions to noncontrolling interests: Certain consolidated subsidiaries of PH have members who hold a noncontrolling ownership interest. Upon authorization of the Boards of those subsidiaries, cash available for distribution, or a portion thereof, arising from operations or other sources may be distributed to PH and the noncontrolling members ratably in accordance with the members' respective membership interests.

Recent accounting pronouncements adopted: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, requiring the rights and obligations arising from lease contracts, included existing and new arrangements to be recognized as assets and liabilities on the consolidated balance sheets. The Corporation adopted ASU 2016-02 on January 1, 2019, using the modified retrospective approach. The effect on the Corporation's consolidated financial statements of adopting ASU 2016-02 is more fully described in Note 13 to these consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, applies to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The Corporation adopted ASU 2016-18 on January 1, 2019 applying the retrospective transition method to each period presented. The effect on the Corporation's consolidated financial statements of adopting ASU 2016-18 is that certain amounts of cash equivalents reported in investments within the consolidated balance sheets are considered restricted cash for purposes of ASU 2016-18 and are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows.

In March 2017, the FASB issued ASU 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU 2017-07 requires that an entity report the service cost component of net periodic pension and postretirement cost in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period and allows only the service cost component of net periodic pension and postretirement costs to be eligible for capitalization. The Corporation adopted ASU 2017-07 in the accompanying consolidated financial statements and has applied its provisions on a retrospective basis for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the income statement, and prospectively for the capitalization of the service cost component of net periodic pension cost and net periodic postretirement benefit in assets. The adoption of this ASU did not have a material impact on the Corporation's consolidated financial statements.

Note 2. Significant Accounting Policies (Continued)

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or exchange transaction. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Corporation adopted ASU 2018-08 in the accompanying consolidated financial statements and has applied its provisions on a modified prospective basis. The adoption of this ASU did not have a material impact on the Corporation's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. ASU 2018-15 aligns the requirements for capitalizing implementation costs in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred for internal-use software. The Corporation adopted ASU 2018-15 in the accompanying consolidated financial statements and have applied its provisions on a prospective basis. The adoption of this ASU did not have a material impact on the Corporation's consolidated financial statements.

In May, 2019, the FASB issued ASU 2019-06, *Intangibles – Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958).* ASU 2019-06 extends the private company alternatives from Topic 350, *Intangibles – Goodwill and Other* and Topic 805, *Business Combinations*. Under the amendments of Topic 350, not-for-profit entities should amortize goodwill on a straight-line basis over a period not to exceed 10 years; make a policy election to test goodwill at either the entity level or the reporting unit level; and test for impairment when a triggering event occurs. Under the amendments in Topic 805, for transactions occurring after adoption of the alternative, should subsume into goodwill certain intangible assets and all noncompetition agreements acquired. A not-for-profit entity that elects the accounting alternative in Topic 805 is required to adopt the alternative in Topic 350 to amortize goodwill. However, a not-for-profit that elects the accounting alternative in Topic 350 is not required to adopt the accounting alternative in Topic 805. The amendments are effective upon issuance of the ASU and should be applied prospectively. The Corporation has not elected to apply any of the alternatives proposed by this ASU during the year ended December 31, 2019.

Recent accounting pronouncements not yet adopted: In January 2017, the FASB issued ASU 2017-04*, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. This pronouncement eliminates Step 2 from the goodwill impairment test. The annual, or interim, goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit.

The pronouncement also eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. The Corporation will still have the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary.

The Corporation will be required to adopt ASU 2017-04 for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2021. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. ASU 2017-04 requires adoption on a prospective basis.

(In Thousands)

Note 2. Significant Accounting Policies (Continued)

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 removes, modifies and adds certain disclosures requirements on fair value required by Topic 820. ASU 2018-13 is effective for the Corporation's December 31, 2020, consolidated financial statements. Early adoption is permitted.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans.* This ASU modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The new standard will be effective for the Corporation's December 31, 2021, consolidated financial statements. Early adoption is permitted.

The Corporation is currently evaluating the effect of the pending adoption of these new standards on the consolidated financial statements.

Reclassifications: Certain prior-year amounts have been reclassified to conform to the current-year presentation. Such reclassifications had no effect on previously reported excess of revenues over expenses or changes in net assets.

Note 3. Goodwill and Intangible Assets

The following table summarizes goodwill and other intangibles as of and for the years ended December 31, 2019 and 2018:

	2019	2018
Goodwill balance, beginning of year	$ 100,213	$ 100,188
Acquisitions	21	25
Goodwill balance, end of year	100,234	100,213
Intangible assets, beginning of year	8,703	8,703
Accumulated amortization	(7,302)	(7,161)
Intangible assets, net, end of year	1,401	1,542
Goodwill and intangible assets, net	$ 101,635	$ 101,755

Amortization expense of $141 and $217 was recognized in 2019 and 2018, respectively, and is included in depreciation and amortization expense in the consolidated statements of operations and changes in net assets.

Estimated future amortization of intangible asset balances range from $119 to $3 over the next six years.

Note 4. Fair Value Measurement

ASC 820, *Fair Value Measurement*, defines fair value and establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. Fair value is 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. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

Certain of PH's financial assets and financial liabilities are measured at fair value on a recurring basis, including money market funds, fixed income and equity instruments, and interest rate swap contracts. The three levels of the fair value hierarchy and a description of the valuation methodologies used for instruments measured at fair value are as follows:

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

Level 2. Pricing inputs other than quoted prices included in Level 1 that are either directly observable or that can be derived or supported from observable data as of the reporting date.

Level 3. Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are not observable from objective sources. In evaluating the significance of inputs, management generally classifies assets or liabilities as Level 3 when their fair value is determined using unobservable inputs that individually, or in the aggregate, represent more than 5% of the fair value of the assets or liabilities. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value based on assumptions about what market participants would use in pricing the asset or liability.

(In Thousands)

Note 4. Fair Value Measurement (Continued)

The fair value of financial assets and liabilities measured at fair value on a recurring basis was determined using the following inputs at December 31, 2019:

	Total	Level 1	Level 2	Level 3
Assets				
Short-term investments:				
Mutual funds	$ 322	$ 322	$ -	$ -
Investments:				
U.S. government and agency obligations	$ 55,331	$ 55,331	$ -	$ -
Municipal bonds	4,599	-	4,599	-
Corporate bonds	156,706	-	155,616	1,090
Commercial paper and certificates of deposit	2,414	-	2,414	-
Contracts and swaps	1,917	-	-	1,917
Mortgage and asset-backed securities	145,651	-	145,651	-
Domestic equities (includes preferred stock)	122,405	113,487	8,918	-
International equities	128,027	121,037	6,990	-
Mutual funds:				
Equity type	262,121	262,121	-	-
Balanced type	20	20	-	-
Fixed income type	169,703	58,222	111,481	-
Total investments at fair value	1,048,894	$ 610,218	$ 435,669	$ 3,007
Investments not at fair value:				
Cash equivalents	41,146			
Commingled funds	36,081			
Real estate investment trust	35,968			
Real estate investment fund	33,111			
Hedge funds	123,518			
Private equity	1,195			
Real estate held for investment	18,423			
Total investments	$ 1,338,336			
Deferred compensation plan:				
Assets - mutual funds	$ 10,547	$ 10,547	$ -	$ -
Assets - guaranteed income fund	2,639	-	-	2,639
Interest rate swaps	4,547	-	4,547	-
	$ 17,733	$ 10,547	$ 4,547	$ 2,639
Liabilities				
Interest rate swaps	$ (74,422)	$ -	$ (74,422)	$ -

(In Thousands)

Note 4. Fair Value Measurement (Continued)

The fair value of financial assets and liabilities measured at fair value on a recurring basis was determined using the following inputs at December 31, 2018:

	Total	Level 1	Level 2	Level 3
Assets				
Short-term investments:				
Mutual funds	$ 315	$ 315	$ -	$ -
Investments:				
U.S. government and agency obligations	$ 89,535	$ 89,535	$ -	$ -
Municipal bonds	2,865	-	2,865	-
Corporate bonds	192,313	-	191,231	1,082
Commercial paper and certificates of deposit	2,415	-	2,415	-
Contracts and swaps	1,691	-	-	1,691
Mortgage and asset-backed securities	225,327	-	224,522	805
Domestic equities (includes preferred stock)	72,592	65,007	7,585	-
International equities	70,973	67,197	3,776	-
Mutual funds:				
Equity type	147,401	147,401	-	-
Balanced type	17	17	-	-
Fixed income type	125,693	49,049	76,644	-
Total investments at fair value	930,822	$ 418,206	$ 509,038	$ 3,578
Investments not at fair value:				
Cash equivalents	92,611			
Real estate investment trust	33,848			
Real estate investment fund	31,500			
Hedge funds	142,617			
Real estate held for investment	17,853			
Total investments	$ 1,249,251			
Deferred compensation plan:				
Assets - mutual funds	$ 11,938	$ 11,938	$ -	$ -
Assets - guaranteed income fund	3,843	-	-	3,843
Interest rate swaps	2,801	-	2,801	-
	$ 18,582	$ 11,938	$ 2,801	$ 3,843
Liabilities				
Interest rate swaps	$ (57,048)	$ -	$ (57,048)	$ -

(In Thousands)

Note 4. Fair Value Measurement (Continued)

Certain of PH's investments are made through alternative investments and private investment funds, which consists of primarily partnership trusts. PH accounts for its ownership in these funds under the equity method, and as a result, hedge fund, private equity, real estate investment trust, and real estate investment fund investments totaling $193,792 and $207,965 as of December 31, 2019 and 2018, respectively, are excluded from the fair value disclosure. Deferred compensation plan assets are included in other assets in the consolidated balance sheets. PH held real estate for investment purposes of $18,423 and $17,853 as of December 31, 2019 and 2018 respectively, which is accounted for at cost and assessed for impairment when indicators exist. The real estate is written down to fair value as estimated by third-party valuation experts when impairment exists (which are nonrecurring fair value measurements using Level 3 inputs), with losses recorded in realized gains (losses) on investments in the consolidated statements of operations and changes in net assets. The fair values of commingled funds are based on either the fair value of the underlying investments of the fund, as determined by the fund, or on the ownership interest in the net asset value per share or its equivalent, of the respective fund and are excluded from the total investments at fair value.

Following is a description of the Corporation's valuation methodologies for assets and liabilities measured at fair value, not classified as Level 1. The fair values of assets listed as Level 2 investments are determined with the assistance of the Corporation's custodian and are calculated from various observable inputs and other market data by a source contracted by the custodian. Funds not held by the custodian are reviewed by management for similarities with custodian-held assets and are assigned a comparable level. The fair values of the interest rate swap contracts are determined based on the present value of expected future cash flows using discount rates appropriate with the risks involved. The valuations reflect a credit spread adjustment to the London Interbank Offered Rate (LIBOR) discount curve in order to reflect the credit value adjustment for nonperformance risk. The credit valuation adjustments for asset and liability position interest rate swap contracts are internally valued with the assistance of a third party using other comparably rated entities' bonds priced in the market. Depending on the significance of the credit spread adjustment to the overall fair value of the interest rate swap, the instrument is included in Level 2 or Level 3.

The following table is a rollforward of the consolidated balance sheet amounts for financial instruments classified by the Corporation within Level 3 of the valuation hierarchy defined above:

	Financial Assets - Investments	Financial Assets - Deferred Compensation Investments
Fair value at January 1, 2018	$ 4,532	$ 3,394
Purchases	245,757	881
Sales	(246,693)	(494)
Realized and unrealized (loss) gains, net	(18)	62
Fair value at December 31, 2018	3,578	3,843
Purchases	41,284	5
Sales	(41,910)	(1,268)
Realized and unrealized gains, net	55	59
Fair value at December 31, 2019	$ 3,007	$ 2,639

(In Thousands)

Note 4. Fair Value Measurement (Continued)

	Financial Liabilities - Interest Rate Swaps
Fair value at January 1, 2018	$ (67,967)
Realized and unrealized gains on interest rate swaps, net	10,919
Transfers out of level 3 to level 2	57,048
Fair value at December 31, 2018	$ -

PH transfers assets and liabilities in and/or out of Level 3 as significant inputs, including performance attributes, used for the fair value measurement become observable or unobservable. As of December 31, 2018, the credit valuation adjustment was $2,162 and become insignificant relative to fair value on the same swaps and resulted in a change in classification to Level 2. As of December 31, 2019, the credit valuation adjustment was $1,835 and remained insignificant relative to fair value on the same swaps.

Note 5. Patient Care Service Revenue and Accounts Receivable

Patient care service revenue is reported at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing patient care. These amounts, representing the transaction price, are due from patients, third-party payers (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 Corporation bills the patients and third-party payers 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 Corporation. Substantially all of the Corporation’s patient care service revenue relates to performance obligations satisfied over time, and is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Corporation believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. For patients in the Corporation's hospitals receiving inpatient acute care services the Corporation 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. For most outpatient and physician services, the patient simultaneously receives and consumes the benefits of the services as the services are provided.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Corporation has elected to apply the optional exemption provided in FASB 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.

Note 5. Patient Care Service Revenue and Accounts Receivable (Continued)

The Corporation determines the transaction price based on standard charges for goods and services provided to patients, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Corporation's policy, and/or implicit price concessions based on historical collection experience.

Agreements with third-party payers typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payers follows:

Medicare: Certain inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors. Certain services are paid based on cost-reimbursement methodologies subject to certain limits. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates.

Medicaid: Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service, or per covered member.

Other: Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Corporation's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Corporation. In addition, the contracts the Corporation has with commercial payers also provide for retroactive audit and review of claims.

Generally, patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. The Corporation also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Corporation estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient care service revenue in the period of the change.

(In Thousands)

Note 5. Patient Care Service Revenue and Accounts Receivable (Continued)

Settlements with third-party payers 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. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer, and the Corporation's historical settlement activity, including an assessment to ensure it is probable 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 adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

Patients who meet the Corporation's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

The following table shows the Corporation's estimated costs (based on selected operating expenses, which include salaries, wages and benefits, supplies and other operating expenses and which exclude the costs of the Corporation's health plan businesses) of caring for its self-pay patients and charity care patients in 2019 and 2018:

	2019	2018
Estimated costs for:		
Self-pay patients	$ 40,327	$ 34,753
Charity care patients	30,466	25,402
Total	$ 70,793	$ 60,155

For the year ended December 31, 2019 and 2018, changes in estimated transaction price for performance obligations satisfied in prior years related to Medicaid DSH and other supplemental revenues decreased patient service revenue by $3,811 and increased patient service revenue by $6,226, respectively.

At December 31, 2019, the Corporation had approximately $5,596 of payables recorded in estimated third-party payer settlements in the accompanying consolidated balance sheet related to Indiana's Hospital Assessment Fee (HAF) program. At December 31, 2018, the Corporation had approximately $6,800 of payables recorded in estimated third-party payer settlements in the accompanying consolidated balance sheet related to Indiana's Hospital Assessment Fee (HAF) program. The inpatient HAF is based on inpatient days for the Corporation's hospital facilities, patient days subject to the HAF for all hospital systems in the State as a ratio of the total inpatient assessment. The outpatient HAF is based on total outpatient revenue, average inpatient charges per day and outpatient days in the State as a ratio of the total outpatient assessment.

(In Thousands)

Note 5. Patient Care Service Revenue and Accounts Receivable (Continued)

Medicare and Medicaid revenue accounted for approximately 26% and 12%, respectively, of patient service revenue (net of explicit price concessions, contractual allowances and discounts) for the years ended December 31, 2019 and 2018. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. The Corporation believes that it is in substantial compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of wrongdoing. While no such regulatory inquiries have been made, compliance with health care industry laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimated settlements could change. It is also reasonably possible that recorded settlements could change by a material amount in the near term. PH received Medicare and Medicaid settlements and resolutions on prior year filed and appealed cost reports and other matters, which increased patient care service revenue by $1,549 and $4,971 in 2019 and 2018, respectively.

The System's principal hospital agreement with Anthem became effective in 1998 ("Hospital Agreement") and in May 2019, Anthem requested renegotiation of the Hospital Agreement. Management of Parkview Health, together with external advisors, began collaborative negotiations with Anthem shortly thereafter with the goal of developing a new innovative payor model. On or about November 1, 2019, Anthem issued a notice to terminate the Hospital Agreement and related agreements for other Parkview Health affiliates effective April 29, 2020. The notice creates a deadline for resolution and is a routine course of business between an insurance company and a provider during negotiations. The System values its long-standing relationship with Anthem and is committed to continuing good-faith negotiations to reach new agreements. Management of Parkview Health is pursuing multiple strategies to renegotiate the agreements and/or mitigate any potential impact of an extended contract negotiation. At this time, management of Parkview Health is unable to precisely quantify the impact of failure to renegotiate and renew the agreements on the System's financial results, however, management of Parkview Health believes that such failure could have a material adverse impact on the System's financial results. At December 31, 2019 and 2018, Anthem represented 26% and 21%, respectively, of patient accounts receivable, net. For the years ending December 31, 2019 and 2018, Anthem represented 30% and 29%, respectively, of patient care service revenue.

Hospital revenue includes a variety of services mainly covering inpatient procedures requiring overnight stays or outpatient operations that require anesthesia or use of complex diagnostic and surgical equipment, as well as emergency care for traumas and other critical conditions. Physician revenue includes services primarily focused on the care of outpatients covering primary and specialty healthcare needs.

The composition of patient care service revenue based on the urban and rural areas the Corporation operates in, and its hospital and physician lines of business, for the year ended December 31, are as follows:

	2019		
	Urban	Rural	Total
Hospital patient care service revenue:			
Inpatient	$ 639,863	$ 54,920	$ 694,783
Outpatient	846,126	172,534	1,018,660
Physician patient care service revenue	184,624	68,982	253,606
Total patient care service revenue	$ 1,670,613	$ 296,436	$ 1,967,049

(In Thousands)

Note 5. Patient Care Service Revenue and Accounts Receivable (Continued)

	2018		
	Urban	Rural	Total
Hospital patient care service revenue:			
Inpatient	$ 587,339	$ 53,799	$ 641,138
Outpatient	738,465	144,079	882,544
Physician patient care service revenue	158,669	62,624	221,293
Capitated revenue	44,885	-	44,885
Total patient care service revenue	$ 1,529,358	$ 260,502	$ 1,789,860

Components of patient accounts receivable, net, at December 31, 2019 and 2018, include Medicare, 23% and 23%, respectively; Medicaid, 8% and 6%, respectively; commercial insurers, 62% and 63%, respectively; and other, 7% and 8%, respectively.

The Corporation's practice is to assign a patient to the primary payer and not reflect other uninsured balances (for example, copays and deductibles) as self-pay. Therefore, the payers listed above contain patient responsibility components, such as co-pays and deductibles.

The Corporation has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payers for the effects of a significant financing component due to the Corporation's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payer pays for that service will be one year or less. However, the Corporation does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Note 6. Investments

PH's investments are exposed to various kinds and levels of risk. Fixed income securities expose PH to interest rate risk, credit risk, and liquidity risk. As interest rates change, the value of many fixed income securities is affected, particularly those with fixed interest rates. Credit risk is the risk that the obligor of the security will not fulfill its obligation. Liquidity risk is affected by the willingness of market participants to buy and sell given securities. Certain investment funds held contain a 45-day to 90-day redemption notice requirement with up to a one year lock up period.

Equity securities expose PH to market risk, performance risk, and liquidity risk. Market risk is the risk associated with major movements of the equity markets, both foreign and domestic. Performance risk is the risk associated with a particular company's operating performance. Liquidity risk, as previously defined, tends to be higher for international equities and small capitalization equity companies.

(In Thousands)

Note 6. Investments (Continued)

Hedge funds and private equity funds also expose PH to market, performance, and liquidity risk. Hedge funds and private equity funds are not necessarily readily marketable. The funds often employ complex strategies, including short sales on securities and trading on futures contracts, options, foreign currency contracts, other derivative instruments, and private equity investments, and the composition of the individual investments within these funds is not readily determinable. The hedge fund and private equity fund investments are partnership interests in limited partnerships. These investments are not publicly traded, and the net asset value is based upon information provided by the fund manager. The hedge funds have restrictions on the timing of withdrawals ranging from one month to up to two years (25% every six months), which may reduce liquidity. As of December 31, 2019, there were no commitments for the purchase of additional hedge funds and commingled funds.

The real estate investments are recorded at cost, less impairment charges recognized to date, and present valuation risks as they are not actively traded. Additionally, these investments present a concentration of risk, as they are held within the same geographic region, northeast Indiana.

Composition: The composition of investment return recognized in the consolidated statements of operations and changes in net assets and its presentation are as follows:

	2019	2018
Investment return:		
Unrealized gain (loss) on investments, net	$ 100,805	$ (57,700)
Dividend and interest income	25,008	18,988
Net realized gains on the sale of investments	11,226	7,792
Total investment return	$ 137,039	$ (30,920)
Presentation:		
Other revenue	$ 2,134	$ (409)
Net assets with donor restrictions – investment loss	403	(42)
Interest, dividends, and realized gains on sales of investments, net	35,492	26,187
Unrealized gain (loss) on investments, net	99,010	(56,656)
Total investment return	$ 137,039	$ (30,920)

Note 7. Liquidity and Availability

As of December 31, 2019, the Corporation has a working capital surplus of $230,380 and average days cash on hand of 296. Financial assets available for general expenditure within one year of the balance sheet date, consist of the following:

Cash and cash equivalents	$ 193,299
Short-term investments	322
Patient accounts receivable	290,060
Board-designated investments	1,279,320
	$ 1,763,001

(In Thousands)

Note 7. Liquidity and Availability (Continued)

The Corporation has certain board-designated investments which could be made available, if necessary, for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the amounts above.

As part of the Corporation's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds. Additionally, the Corporation maintains a $500 line of credit of which $100 was drawn at December 31, 2019.

Note 8. Property and Equipment

The cost of property and equipment consist of the following:

	2019	2018
Land and improvements	$ 158,995	$ 152,882
Buildings	1,102,552	1,048,270
Equipment	857,979	855,315
Construction in progress and items not yet placed into service	101,441	57,158
	$ 2,220,967	$ 2,113,625

The cost of commitments to complete construction-in-progress projects is estimated to be $53,755 at December 31, 2019. Depreciation expense recorded in the consolidated statements of operations and changes in net assets was $103,584 and $97,558 in 2019 and 2018, respectively.

Amortization expense on leasehold improvements recorded in the consolidated statements of operations and changes in net assets was $5,666 and $6,001 in 2019 and 2018, respectively. Amortization expense on other intangibles recorded in the consolidated statements of operations and changes in net assets was $141 and $217 in 2019 and 2018, respectively.

(In Thousands)

Note 9. Long-Term Debt

Long-term debt consists principally of tax-exempt bonds as follows:

	Interest Rate as of December 31, 2019	2019	2018
Tax-exempt, variable rate bonds:			
Series 2018C due through 2039	2.16%	$ 32,710	$ 32,710
Series 2016B due through 2046	1.95%	54,990	56,510
Series 2009BCD due through 2039	1.58-1.75%	221,705	221,705
Series 2007 due through 2032	1.75%	16,185	17,095
Tax-exempt, fixed rate serial and term bonds:			
Series 2019A due through 2030	3.01%	20,210	-
Series 2018A due through 2048	4.19%	82,015	82,015
Series 2018B due through 2033	4.89%	33,035	33,035
Series 2017A due through 2030	2.30%	97,350	104,090
Series 2016A due through 2041	3.20%	23,565	24,295
Series 2012A due through 2029	3.70%	67,805	72,145
Series 2009A due through 2031	5.70%	-	23,710
Various notes to banks	Various	62,058	29,112
Mortgages on real estate	Various	-	31,291
Other	Various	28	114
Capital leases	Various	-	7,209
		711,656	735,036
Unamortized original issue premium, net		18,725	20,611
Unamortized deferred financing costs, net		(3,781)	(4,073)
		726,600	751,574
Less current portion		22,240	41,371
		$ 704,360	$ 710,203

Following are the scheduled maturities and mandatory redemptions of long-term debt, assuming successful remarketing of variable rate bonds, and renewal of letter of credit agreements, as discussed below. If the variable rate bonds are not successfully remarketed and the letter of credit agreements are not renewed or drawn on, the annual maturities shown below may be materially different.

Year ending December 31:	
2020	$ 22,240
2021	25,351
2022	34,813
2023	28,339
2024	29,476
Thereafter	571,437
	$ 711,656

Total interest paid was $24,660 and $19,983 in 2019 and 2018, respectively. Interest cost of $3,027 and $2,283 in 2019 and 2018, respectively, was capitalized as part of the cost of construction.

Note 9. Long-Term Debt (Continued)

Obligations through use of Master Indenture: PH and PVH have issued taxable and tax-exempt revenue, revenue refunding, private placement, auction revenue, and variable rate demand bonds through the use of a Master Indenture, as amended and supplemented. The various agreements require PH and PVH not to incur indebtedness secured by an encumbrance and not to mortgage certain facilities except under certain circumstances. The agreements require the maintenance of debt service coverage ratios and contain certain other restrictive covenants.

On April 24, 2019, PH issued a $30,500 variable rate, taxable term loan using the Master Indenture. The proceeds of the term loan were used to refinance three medical office building loans on the PRMC campus as well as pay off the tax exempt bond held by Park Center, Inc. Interest on the term loan is paid monthly. The term loan matures on November 1, 2033.

On February 1, 2019, PH completed the execution of the forward delivery of the November 1, 2018 issue. This was a $22,120 fixed rate, tax-exempt revenue bond (the Series 2019A) using the Master Indenture and through the Indiana Finance Authority. The proceeds of the bond were used to defease the Series 2009A bonds. Interest on the Series 2019A Bonds is paid semiannually. The Series 2019A Bonds mature through November of 2030.

On February 1, 2018, PH issued a $16,200 variable rate, taxable term loan using the Master Indenture. The proceeds of the term loan and certain other funds were used to finance the purchase of an existing medical office building. Interest on the term loan is paid monthly. The term loan matures in February 2028.

On November 1, 2018, PH and PVH issued $82,015 of fixed rate tax-exempt revenue bonds (the Series 2018A Bonds) using the Master Indenture and through the Indiana Finance Authority. The proceeds of the bonds and certain other funds will be used to finance construction, renovation, equipment and furnishings for the Inpatient Capacity project. Interest on the Series 2018A Bonds is paid semiannually. The Series 2018A Bonds mature through November 2048.

On November 1, 2018, PH and PVH issued $33,035 of fixed rate taxable revenue bonds (the Series 2018B Bonds) using the Master Indenture and through the Indiana Finance Authority. The proceeds of the bonds and certain other funds will be used to finance construction, renovation, equipment and furnishings for the Inpatient Capacity project. Interest on the Series 2018B Bonds is paid semiannually. The Series 2018B Bonds mature through November 2033.

On November 1, 2018, PH issued $32,710 of variable rate tax-exempt revenue bonds (the Series 2018C Bonds) using the Master Indenture and through the Indiana Finance Authority. The proceeds of the bonds were used to refund all of the outstanding Indiana Finance Authority Series 2016C Bonds and to finance construction, renovation, equipment and furnishings for various facilities. Interest on the Series 2018C Bonds is paid monthly. The bonds mature in November 2039, but contain a five-year mandatory put option that expires in November 2023.

On August 10, 2017, PH and PVH issued $110,630 of fixed rate tax-exempt revenue bonds (the Series 2017A Bonds) using the Master Indenture and through the Indiana Finance Authority. The proceeds of the bonds were used to legally defease all but $26,650 of the Series 2009A Bonds and pay for financing costs. A loss on early refunding of long-term debt of $9,382 was recognized in the 2017 consolidated statement of operations and changes in net assets. Interest on the Series 2017A Bonds is paid semiannually. The Series 2017A Bonds mature through November 2030.

Note 9. Long-Term Debt (Continued)

On August 17, 2016, PWB issued $25,000 of fixed rate tax-exempt private placement bonds (the Series 2016A Bonds) using the Master Indenture and through the Indiana Finance Authority. The proceeds of the bonds and certain other funds were used to finance construction and furnishings of the new Parkview Wabash Hospital facility. Interest on the Series 2016A Bonds is paid semiannually. The bonds mature in November 2041.

On August 17, 2016, PH issued variable rate, tax exempt private placement bonds (the Series 2016B Bonds) using the Master Indenture and through the Indiana Finance Authority. A total of $58,000 is available under this facility. The proceeds of the bonds and certain other funds were used to finance construction and furnishings of the Parkview Cancer Institute on the PRMC campus. Interest on the Series 2016B Bonds is paid monthly. The bonds mature in November 2046, but contain a ten-year put option that expires in August 2026.

On August 17, 2016, PH issued $27,280 of variable rate, tax exempt private placement bonds (the Series 2016C Bonds) using the Master Indenture and through the Indiana Finance Authority. The proceeds of the bonds were used to refund all of the outstanding Indiana Finance Authority Series 2010A Bonds. Interest on the Series 2016C Bonds was paid monthly. The bonds would have matured in November 2040, but contained a put option that was exercised in November 2018. The Series 2016C Bonds were fully defeased in November 2018 with the proceeds of the Series 2018C Bonds. A loss on early refunding of long-term debt of $96 was recognized in the 2018 consolidated statement of operations and changes in net assets.

On May 24, 2012, PH and PVH issued $85,115 of fixed rate tax-exempt revenue bonds (the Series 2012A Bonds) using the Master Indenture and through the Indiana Finance Authority. The proceeds of the bonds were used to refund all of the remaining Series 1998 Bonds, legally defease $37,335 of the Series 2009A Bonds, and pay financing costs. On October 31, 2017, $1,660 of the Series 2012A Bonds were defeased and a loss on early refunding of long-term debt of $98 was recognized in the 2017 consolidated statement of operations and changes in net assets. On August 1, 2018, $765 of the Series 2012A Bonds were defeased and a loss on early refunding of long-term debt of $14 was recognized in the 2018 consolidated statement of operations and changes in net assets. Interest on the Series 2012A Bonds is paid semiannually. The Series 2012A Bonds mature through May 2029.

Note 9. Long-Term Debt (Continued)

In August 2009, PH and PVH issued $265,530 of fixed rate, tax-exempt revenue bonds (the Series 2009A Bonds) and $223,665 of variable rate, tax-exempt revenue bonds (the Series 2009B Bonds, the Series 2009C Bonds, and the Series 2009D Bonds) using the Master Indenture and through the Indiana Finance Authority. The proceeds of the bonds were used to refund all but $19,425 of the outstanding Indiana Health Facility Financing Authority Revenue Bonds, Series 2001A, 2001B, and 2001C (collectively, the Series 2001 Bonds); refund all of the outstanding Indiana Health and Educational Facility Financing Authority Revenue Bonds, Series 2005A and 2005B (collectively, the Series 2005 Bonds); pay certain costs related to the termination of a portion of swaps related to the Series 2001 Bonds; pay costs of issuance and costs of refunding; and finance, refinance, or reimburse certain costs for capital expenditures at the PVH facilities. Interest on the Series 2009A Bonds is paid semiannually. The Series 2009C Bonds bear interest weekly, 2009BD Bonds bear interest daily, and interest is paid monthly for 2009BCD Bonds. The Series 2009A Bonds mature through May 2031. The Series 2009BCD Bonds mature through November 2039. On July 26, 2018, $660 of the Series 2009C Bonds were defeased and a loss on early refunding of long-term debt of $3 was recognized in the 2018 consolidated statement of operations and changes in net assets. On August 1, 2018, $890 of the Series 2009A Bonds were defeased and a loss on early refunding of long-term debt of $27 was recognized in the 2018 consolidated statement of operations and changes in net assets. On November 1, 2018, a February 1, 2019, forward delivery was executed for refunding of all the outstanding Series 2009A Bonds with the proceeds of $22,120 of fixed rate tax exempt revenue bonds (Series 2019A Bonds) and other funds. A loss on early refunding of long term debt of $332 was recognized in the 2019 consolidated statement of operations and changes in net assets.

PH entered into four direct-pay Letter of Credit agreements (the LOCs) issued by PNC Bank (Series 2007 Bonds), Sumitomo Mitsui Banking Corporation (Series 2009C Bonds) and Wells Fargo Bank (Series 2009BD Bonds) to enhance the marketability of the bonds. Under the terms of the 2007 and 2009C LOCs, if the bonds are not successfully remarketed and thereby purchased by the banks, the principal maturities of the bonds purchased are accelerated over the subsequent three-year period commencing at least one year and one day from the draw on the LOC. Under the terms of the 2009B and 2009D LOCs, if the bonds are not successfully remarketed and thereby purchased by the bank, the principal maturities of the bonds purchased are accelerated over the subsequent three-year period from the draw on the LOC. PH would pay a defined rate, based on a formula in the agreements, at a minimum rate of 8%. The current Series 2007 LOC expires July 19, 2024; Series 2009B, and 2009D LOCs expire January 21, 2023; and the 2009C LOC expires on July 19, 2022. At December 31, 2019, all bonds had been successfully remarketed.

On March 15, 2007, PLH issued $24,930 of adjustable rate, tax-exempt revenue bonds (the Series 2007 Bonds). These bonds were issued through the Indiana Health and Education Facility Financing Authority. The proceeds of the Series 2007 Bonds and certain other funds of PLH were used to finance the construction and furnishing of a new hospital facility and to pay financing costs. The Series 2007 Bonds bear interest at a weekly rate, and interest is paid monthly. The Series 2007 Bonds mature through March 2032.

Note 9. Long-Term Debt (Continued)

In November 2001, PH and PVH issued $220,000 of variable rate, tax-exempt auction revenue bonds (the Series 2001 Bonds) using the Master Indenture and through the Indiana Health Facility Financing Authority. These Series 2001 Bonds auction every 28 days. The bonds have a maximum rate of 15%. Beginning in February 2008 and continuing through December 31, 2017, PH's Series 2001 Bonds failed to attract sufficient bids to be remarketed, and have not been successfully remarketed since. As a result of the failed auctions, interest rates are set based upon a formula contained in the bond documents. The interest rate formula is based upon the 7-day AA Composite Commercial Paper rate times a factor. This factor can vary from 125% to 225%, depending upon the credit rating of the bond. The bond rating is equal to the rating of either the insurer of the debt or the issuer, whichever is higher. At December 31, 2018, the factor was 150%. The Series 2001 Bonds are secured by a financial guaranty insurance policy provided by Ambac Assurance Corporation (Ambac). Ambac's rating has been withdrawn by Moody's, while PH has been upgraded by Moody's to a rating of Aa3. The Series 2001 Bonds would have matured through November 2031. All outstanding Series 2001 Bonds were cash defeased in November 2018. A loss on early refunding of long-term debt of $56 was recognized in the 2018 consolidated statement of operations and changes in net assets.

NMTC financing: In December 2014, PH entered into a New Markets Tax Credit (NMTC) financing transaction to fund a portion of the construction of a new medical complex in Warsaw, Indiana. The new complex is reported as part of PWH. The NMTC structure includes PH, as a leveraged lender, and a tax credit investor formed for purposes of this transaction. As part of this structure, PH made a $6,894 leveraged loan to an investment fund where, when coupled with a capital contribution from another party and after deducting certain fees, two loans were made to PWH for a combined $9,700. The notes on these loans bear interest of 1% and mature in 2044. Interest-only payments are made during the first seven years of the notes. This transaction includes a put/call provision that becomes effective at the end of the seven-year compliance/recapture period by which the structure is unwound and all loans and obligations will be satisfied.

Debt guarantees: At December 31, 2019 and 2018, the Corporation had guaranteed approximately $2,617 and $2,250, respectively, of certain outstanding debt obligations of unconsolidated entities. If the unconsolidated entities default on their debt obligation, the Corporation would then be responsible for the obligation. At December 31, 2019 and 2018, the Corporation has no amounts accrued related to these guarantees.

Obligated group and Credit group: The Obligated Group, as defined in the Amended and Restated Master Trust Indenture between Parkview Health System, Inc.; Parkview Hospital, Inc.; and certain other entities referred to herein as members of the Obligated Group and U.S. Bank National Association (successor to National City Bank of Indiana), as Master Trustee, dated as of November 1, 1998, consists of Parkview Health System, Inc.; Parkview Hospital, Inc.; and any other Obligated Group Affiliate that has fulfilled the requirements for entry into the Obligated Group. Parkview Hospital, Inc. includes Parkview Regional Medical Center and the accounts and activities of Parkview Hospital Randallia, Parkview Behavioral Health and Parkview Home Health and Hospice. Parkview Professional Programs, Inc. is a wholly owned subsidiary of Parkview Hospital, Inc. Included with Parkview Health System, Inc. are the entities of Parkview Physicians Group; Midwest Community Health Associates, Inc.; Parkview Care Partners LLC; New Vision Professional Park, LLC; Park Center, Inc.; Foundation Surgery Affiliates of Fort Wayne, LLC; and the joint venture of Orthopaedic Hospital at Parkview North, LLC and its wholly owned subsidiaries of Parkview Ortho Center, LLC and Parkview Ortho Performance Center, LLC.

On July 20, 2011, the Community Hospital of LaGrange County, Inc. became a designated affiliate of the Obligated Group. On August 17, 2016, Parkview Wabash Hospital, Inc. became a designated affiliate of the Obligated Group. The Credit Group for the year ended December 31, 2019, consists of the Obligated Group members (Parkview Health System, Inc. and Parkview Hospital, Inc.) and the designated affiliates (the Community Hospital of LaGrange County, Inc. and Parkview Wabash Hospital, Inc.). Included with Parkview Wabash Hospital, Inc. is a joint venture of Wabash MRI LLC.

(In Thousands)

Note 10. Interest Rate Swaps and Other Derivatives

PH uses a combination of interest rate swap agreements with the objective to mitigate the impact interest rate fluctuations have on its interest payments. PH uses rate-lock, fixed payor, fixed spread basis, and forward fixed payor contracts entered into with various third parties. Interest rate swap contracts between PH and a third party (counterparty) provide for the periodic exchange of payments between the parties based on changes in a defined index and a fixed rate and include counterparty credit risk. This is the risk that contractual obligations of the counterparties will not be fulfilled. Concentrations of credit risk relate to groups of counterparties that have similar economic or industry characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Counterparty credit risk is managed by requiring high credit standards for PH's counterparties. The counterparties to these contracts are financial institutions that carry investment-grade credit ratings. The interest rate swap contracts contain collateral provisions applicable to both parties to mitigate credit risk. PH does not anticipate nonperformance by its counterparties. The interest rate swap agreements require PH to post collateral if the liability balance, depending on the counterparty, is greater than $15,000 to $30,750. No collateral was required to be posted by PH at December 31, 2019 and 2018. PH's policy is to present the collateral on a gross basis in the consolidated balance sheets.

The following table is a summary of the outstanding positions under these interest rate swap agreements at December 31:

Expiration Date	PH Pays	PH Receives	Notional Amount 2019	Notional Amount 2018
2020-2031	3.47% - 3.71%(1)	67.0% of one-month LIBOR	$ 27,425	$ 29,000
2028-2033	3.26% - 3.49%(1)	62.4% of one-month LIBOR + 0.29% margin*	141,460	146,230
2037	3.81%(2)	61.8% of one-month LIBOR + 0.31% margin	144,760	145,220
2025	BMA/SIFMA Index(3)	68% of ten-year LIBOR + 0.225%-0.232% margin**	120,000	120,000
2020	n/a(4)	n/a**	43,000	-
			$ 476,645	$ 440,450

*On November 2, 2018, the terms on $94,200 of this swap were modified to 62.4% of ten-year LIBOR - 0.037%, effective, January 2, 2020.

** Treasury Lock matured January 28, 2020 at 2.202%

(1) The objective of these five interest rate swaps is to mitigate interest rate fluctuations and synthetically fix certain variable rate exposure.

(2) The objective of these two interest rate swaps is to mitigate interest rate fluctuations and synthetically fix certain variable rate exposure.

(3) The objective of these two interest rate swaps is to take advantage of yield curve differences and mitigate risk on future bond offerings. These interest rate swaps are not associated with outstanding debt.

4) The objective of this treasury rate lock was to partially eliminate risk of interest rates increasing prior to the issuance of Parkview Health Series 2020A bond which closed on February 4, 2020.

(In Thousands)

Note 10. Interest Rate Swaps and Other Derivatives (Continued)

The fair value of derivative instruments is as follows:

Derivatives Not Designated as Hedging Instruments	Balance Sheet Classification	December 31, 2019	December 31, 2018
Interest rate swap agreements	Interest rate swaps (Other assets)	$ 4,547	$ 2,801
Interest rate swap agreements	Interest rate swaps (Noncurrent liabilities)	(74,422)	(57,048)
		$ (69,875)	$ (54,247)

The effects of derivative instruments on the consolidated statements of operations and changes in net assets are as follows:

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) on Derivatives Recognized in Excess of Revenue Over Expenses	Amount of Gain (Loss) on Derivatives Recognized in Excess of Revenue Over Expenses December 31, 2019	December 31, 2018
Interest rate swap agreements - unrealized (losses) gain	Unrealized (losses) gains on interest rate swaps, net	$ (15,948)	$ 11,281
Interest rate swap agreements - settlement payments	Interest and financing costs	(5,459)	(6,534)
		$ (21,407)	$ 4,747

Interest rate swap settlement payments, net were $6,151 and $7,197 in 2019 and 2018, respectively, of which $692 and $663 was capitalized as part of the cost of construction in 2019 and 2018, respectively.

Note 11. Pension Plans

Defined benefit pension plan: The Corporation sponsors a noncontributory defined benefit pension plan (the Plan) covering eligible employees employed prior to January 2005. Plan benefits are based on years of service and an employee's compensation during a consecutive five-year term of employment within the ten years prior to benefit determination. Participants who elected to continue participation in this plan after January 1, 2005 continue to accrue benefits. This plan is frozen to new participants after December 31, 2004.

(In Thousands)

Note 11. Pension Plans (Continued)

The following table sets forth the changes in projected benefit obligation and changes in Plan assets for the years ended December 31 and the funded status of the Plan and accrued pension obligation as of December 31 as actuarially determined:

	2019	2018
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 468,421	$ 514,367
Service cost	6,850	8,261
Interest cost	20,125	19,089
Actuarial loss (gain)	75,718	(41,693)
Benefits paid	(18,723)	(31,603)
Projected benefit obligation at end of year	552,391	468,421
Change in Plan assets:		
Plan assets at fair value at beginning of year	376,814	408,244
Actual return on plan assets	57,624	(13,527)
Employer contributions	8,700	13,700
Benefits paid	(18,723)	(31,603)
Plan assets at fair value at end of year	424,415	376,814
Funded status of the Plan (recognized as accrued pension obligations)	$ (127,976)	$ (91,607)

Items included in unrestricted net assets that have not yet been recognized as a component of net periodic pension cost at December 31 are as follows:

	2019	2018
Unrecognized net actuarial loss	$ 172,715	$ 136,341

Changes in Plan assets and benefit obligation recognized in unrestricted net assets during the years ended December 31 include the following:

	2019	2018
Current year actuarial gain (loss)	$ (45,222)	$ 831
Current year amortization of actuarial loss	8,848	13,689
	$ (36,374)	$ 14,520

(In Thousands)

Note 11. Pension Plans (Continued)

The actuarial loss cost included in unrestricted net assets and expected to be recognized in the net periodic pension cost during the year ending December 31, 2020, totals $14,461.

The components for net periodic benefit cost for the years ended December 31 consists of the following:

	2019	2018
Service cost	$ 6,850	$ 8,261
Interest cost	20,125	19,089
Expected return on Plan assets	(27,128)	(27,335)
Amortization of unrecognized net loss	8,848	13,689
Net periodic benefit cost	$ 8,695	$ 13,704

The service cost component is included in salaries and benefits expense and the nonservice cost components of net periodic pension cost is reflected within the nonoperating section of the consolidated statement operations and changes in net assets.

The accumulated benefit obligation at December 31, 2019 and 2018, was $508,071 and $439,359, respectively.

The weighted-average assumptions used to determine benefit obligations at December 31 and net periodic benefit costs for the years then ended are as follows:

	2019	2018
Assumptions – benefit obligations:		
Discount rate	3.43%	4.39%
Rate of compensation increase	4.50% for 2020, then 3.50% after 2020	6.50% for 2019, then 3.50% after 2019
Assumptions – net periodic benefit cost:		
Discount rate	4.39%	3.78%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	3.50%	4.70% for 2019, then 3.50% after 2019

The amortization of any prior service cost is determined using a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the Plan. The discount rate was changed from 4.39% to 3.43% for 2019. This change had the impact of increasing the projected benefit obligation by approximately $68,000.

In 2019, a change from the RP-2014 Healthy Annuitant Male and Female mortality tables projected generationally with mortality improvement scale MP-2018 to the PRI-2012 Amount Weighted Total Dataset male and female mortality tables, projected generationally with improvement scale MP-2019 was made in the calculation of the benefit obligation. This change scale had the impact of decreasing the projected benefit obligation by approximately $2,700.

(In Thousands)

Note 11. Pension Plans (Continued)

The principal long-term determinant of a portfolio's investment return is its asset allocation. The Plan's allocation is currently weighted toward growth assets (60%) versus fixed income (40%). The Corporation's policy on investment allocation for the Plan consists of an allocation of 35% to 75% for growth investments and 30% to 60% for fixed income investments. Within the growth investment classification, the Plan's asset strategy encompasses equity and equity-like instruments that are of both public and private market investments. These equity and equity-like instruments are public equity securities that are well diversified and invested in U.S. and international companies. Management believes its active strategies have added value relative to passive benchmark returns. The expected long-term rate of return assumption is based on the mix of assets in the Plan, the long-term earnings expected to be associated with each asset class, and the additional return expected through active management. This assumption is periodically benchmarked against peer plans.

The Plan's asset allocations at December 31, by asset category, are as follows:

	2019	2018
Real estate investment trust	4 %	6 %
Real estate investment fund	4	5
Commingled funds	3	3
International equities	10	10
Domestic equities	17	13
Mortgage and asset backed securities	11	12
Corporate bonds	9	10
Municipal bonds	1	1
Mutual funds – equity	19	18
Mutual funds – bond	18	19
US government and agency obligations	2	2
Cash and short-term investments	1	1
Guaranteed investment contract	1	-
	100 %	100 %

(In Thousands)

Note 11. Pension Plans (Continued)

The fair value of pension plan assets was determined using the following inputs at December 31:

	2019			
	Fair Value	Level 1	Level 2	Level 3
International equity	$ 43,271	$ 40,607	$ 2,664	$ -
Domestic equity	73,371	67,894	5,477	-
Mortgage and asset backed securities	46,960	-	46,960	-
Municipal bonds	5,336	-	5,336	-
Corporate bonds	39,214	-	39,214	-
Mutual funds - equity	76,483	76,483	-	-
Mutual funds - bond	78,392	16,381	62,011	-
US government and agency obligations	9,752	9,752	-	-
Cash and short-term investments	4,109	-	4,109	-
Guaranteed investment contract	4,314	-	-	4,314
	381,202	$ 211,117	$ 165,771	$ 4,314
Investments not at fair value:				
Cash equivalents	313			
Real estate investment trust	15,447			
Real estate investment fund	15,802			
Commingled funds	11,650			
Total investments	$ 424,415			

	2018			
	Fair Value	Level 1	Level 2	Level 3
International equity	$ 36,223	$ 33,838	$ 2,385	-
Domestic equity	51,159	45,913	5,246	-
Mortgage and asset backed securities	43,751	-	43,751	-
Municipal bonds	4,884	-	4,884	-
Corporate bonds	36,394	-	36,394	-
Mutual funds - equity	65,964	65,964	-	-
Mutual funds - bond	73,292	6,431	66,861	-
US government and agency obligations	8,028	8,028	-	-
Cash and short-term investments	2,704	-	2,704	-
Commercial paper and CD's	158	-	158	-
Guaranteed investment contract	1,809	-	-	1,809
	324,366	$ 160,174	$ 162,383	$ 1,809
Investments not at fair value:				
Cash equivalent	585			
Real estate investment trust	22,411			
Real estate investment fund	19,097			
Commingled funds	10,355			
Total investments	$ 376,814			

(In Thousands)

Note 11. Pension Plans (Continued)

Fair value methodologies for Level 1 and Level 2 investments are consistent with the inputs described in Note 4. The fair value of the Level 3 interest in the guaranteed investment contract (GIC) is based on information reported by the issuer of the GIC at year-end.

The following table is a rollforward of the pension plan assets classified within Level 3 of the valuation hierarchy:

Fair value at January 1, 2018	$ 3,383
Purchases, issuances, and settlements	(1,884)
Actual return on plan assets	310
Fair value at December 31, 2018	1,809
Purchases, issuances, and settlements	2,208
Actual return on plan assets	297
Fair value at December 31, 2019	$ 4,314

Estimated future benefit payments are as follows:

Year ending December 31:	
2020	$ 20,816
2021	22,086
2022	23,507
2023	24,814
2024	26,080
2025 - 2029	147,030

The Corporation expects to make no contributions to its defined benefit pension plan in 2020.

Defined contribution and other pension plans: PH offers two noncontributory defined contributions plans. The Choice Contribution Retirement Plan provides a benefit for those participants in the defined benefit pension plan that elected to freeze their defined benefit pension plan benefits as of December 31 2004 and participate in this plan beginning January 1, 2005. This plan is frozen to new participants after December 31, 2004. Eligible employees hired or rehired on January 1, 2005 and after participant in the Retirement Contribution Plan. The accrued liability for the defined contribution pension plan is $26,516 and $23,925 at December 31, 2019 and 2018, respectively, and is recorded as a current liability on the consolidated balance sheets. During 2019 and 2018, expense for this plan totaled $26,516 and $23,974, respectively, and is included in salaries and benefits expense.

Contributions to the 403(b) and 401(k) plans are based on a percentage of eligible employee compensation, as defined. The contributions for the 403(b) and 401(k) plans were $13,431 and $11,756 in 2019 and 2018, respectively, and were reported as salaries and benefits expense.

Note 12. Malpractice Insurance

The Corporation and its affiliates are subject to pending and threatened legal actions that arise in the normal course of their activities. Medical malpractice coverage is provided through a program of self-insurance and commercial insurance and considers limitations imposed by the Indiana Medical Malpractice Act, as amended (the Act). The "Act" limits the amount of individual claims to $1,250 (effective July 1, 1999 through June 30, 2017), of which $1,000 would be paid by the State of Indiana Patient Compensation Fund (PCF) and $250 by the Corporation or by its commercial insurer, The Medical Protective Company. Effective July 1, 2017, this limit increased to $1,650, of which $1,250 would be paid by the PCF and $400 by the Corporation or its commercial insurer. Effective July 1, 2019, this limit increased to $1,800, of which $1,300 would be paid by the PCF and $500 by the Corporation or its commercial insurer.

Malpractice claims for incidents that may give rise to litigation have been asserted against the Corporation by various claimants. The claims are in various stages of resolution, and some may ultimately be brought to trial. There are also reported incidents that have occurred through December 31, 2019, which may result in the assertion of additional claims. There may be other claims from unreported incidents arising from services provided to patients. The liability for medical malpractice includes amounts for claims and related legal expenses for these incurred but not reported incidents. This liability is actuarially determined by combining industry data and the Corporation's historical experience. Accrued malpractice losses and insurance recovery receivables have been discounted at 3.5% in 2019 and 2018, in management's opinion, provide adequate reserve for loss contingencies. The Corporation recorded receivable balances to reflect the expected recovery from commercial insurance coverage. The Corporation is reporting receivables of $1,036 and $1,029 in prepaid expenses and other current assets at December 31, 2019 and 2018, respectively, and $1,739 and $1,320 in other assets at December 31, 2019 and 2018, respectively. The Corporation has recorded malpractice liabilities of $2,748 and $2,728 in accounts payable and accrued expenses as of December 31, 2019 and 2018, respectively, and $8,056 and $7,626 at December 31, 2019 and 2018, respectively, in other liabilities in the consolidated balance sheets.

The Corporation established a revocable, restricted trust for claims not covered by commercial insurance for the purpose of setting aside assets based on actuarial funding recommendations. Under the trust agreements, the trust assets can only be used for payment of malpractice and general liability losses, related expenses, and the cost of administering the trust. The balance of the trust was $7,437 and $5,746 at December 31, 2019 and 2018, respectively. The trust is included in Investments – Funds held by trustees in the consolidated balance sheets.

Note 13. Leases

The Corporation adopted ASC Topic 842, *Leases*, as of January 1, 2019 and has applied its transition provisions at the beginning of the period of adoption (i.e. on the effective date), and so did not restate comparative periods. Under this transition provision, the Corporation has applied the legacy guidance under ASC Topic 840, *Leases*, including its disclosure requirements, in the comparative periods presented.

(In Thousands)

Note 13. Leases (Continued)

Upon adoption, the Corporation recognized right-of-use assets and lease liabilities for operating leases in the amount of $36,594 and $36,641, respectively. There was no cumulative effect adjustment recorded to the opening balance of net assets for these operating leases.

The Corporation enters into contracts to lease real estate, equipment and vehicles. The Corporation's most significant lease liabilities relate to real estate leases that have initial contract lease terms ranging from 1 to 15 years. Certain leases include renewal, termination or purchase options that were not deemed reasonably assured of exercise under ASC 840. Under ASC Topic 842, the lease term at the lease commencement date is determined based on the non-cancellable period for which the Corporation has the right to use the underlying asset, together with any periods covered by an option to extend the lease if the Corporation is reasonably certain to exercise that option, periods covered by an option to terminate the lease if the Corporation is reasonably certain not to exercise that option, and periods covered by an option to extend (or not to terminate) the lease in which the exercise of the option is controlled by the lessor. The Corporation considered a number of factors when evaluating whether the options in its lease contracts were reasonably certain of exercise, such as length of time before option exercise, expected value of the leased asset at the end of the initial lease term, importance of the lease to overall operations, costs to negotiate a new lease, and any contractual or economic penalties. Operating leases result in a straight-line lease expense, while finance leases result in a front-loaded expense pattern. The Corporation does not sublease any of its leased assets to third parties, and the Corporation is not party to any lease contracts with related parties. The Corporation's lease agreements do not contain any residual value guarantees or restrictive covenants.

ASC Topic 842 includes a number of reassessment and re-measurement requirements for lessees based on certain triggering events or conditions, including whether a contract is or contains a lease, assessment of lease term and purchase options, measurement of lease payments, assessment of lease classification and assessment of the discount rate. The Corporation reviewed the reassessment and re-measurement requirements and did not identify any events or conditions during the year ended December 31, 2019 that required a reassessment or re-measurement. In addition, there were no impairment indicators identified during the year ended December 31, 2019 that required an impairment test for the Corporation's right-of-use assets or other long-lived assets in accordance with ASC 360-10.

The components of lease expense and supplemental cash flow information related to leases for the period are as follows:

	2019
Operating lease cost	$ 8,797
Finance lease cost - amortization of right-of-use assets	3,311
Finance lease cost - interest on lease liabilities	394
Total lease cost	$ 12,502

	2019
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash outflows - payments on operating leases	$ 8,747
Operating cash outflows - payments on finance leases	$ 328
Financing cash outflows - payments on finance leases	$ 3,263
Right-of-use assets obtained in exchange for new lease obligations:	
Operating leases	$ 52,954
Finance leases	$ 16,227

(In Thousands)

Note 13. Leases (Continued)

		2019
Operating Leases		
Operating lease assets	$	45,936
Other current liabilities		7,028
Operating lease liabilities		39,176
Total operating lease liabilities	$	46,204
Finance Leases		
Machinery and equipment	$	16,227
Accumulated depreciation		(9,012)
Finance lease right-of-use assets, net	$	7,215
Current portion of long-term debt	$	3,665
Long-term debt		5,083
Total finance lease liabilities	$	8,748
Weighted-average remaining lease term:		
Operating leases		8.5 Years
Finance leases		2.9 Years
Weighted-average discount rate:		
Operating leases		3.04%
Finance leases		4.35%

		Operating Leases		Finance Leases
Year ending December 31,				
2020	$	8,164	$	3,942
2021		7,481		2,734
2022		7,070		1,578
2023		6,426		806
2024		5,129		262
Thereafter		17,508		8
Total lease payments		51,778		9,330
Less imputed interest		5,574		582
Total present value of lease liabilities	$	46,204	$	8,748

PVH owns the Ortho Hospital building and leases space to ORTHO under a non-cancelable operating lease that will expire in 2022. ORTHO owns the Parkview Surgery One building and leases it to Parkivew Ortho Center LLC under a non-cancelable operating lease that expires in 2025. PH has 60% ownership of ORTHO, which owns the Parkview Ortho Center LLC. Rental revenue and expense associated with leases are eliminated in consolidation, and the related future minimum lease payments have been excluded from the above table

(In Thousands)

Note 13. Leases (Continued)

During 2019, PH entered into multiple four-year embedded lease agreements with orthopedic equipment and supplies vendors, which involve a commitment for the purchase of supplies in exchange for the use of surgical equipment. These agreement will be recorded in 2020 at the lease commencement date when PH obtains the rights to use these assets. The contractual commitment is estimated at $11,600 over the four-year commitment.

Note 14. Functional Expenses

The cost of providing the Corporation’s programs and other activities is summarized on a functional basis. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied. Each year the basis on which costs are allocated is evaluated.

Management, general and administrative expenses include costs that are not directly identifiable with any specific program, but which provide for the overall support of the Corporation.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Corporation generally does not conduct its fundraising activities in conjunction with its other activities. Additionally, advertising costs are expensed as incurred.

The Corporation, as an integrated health care delivery system, provides and manages the health care needs of its patients. Aggregate direct expenses for these services as a percentage of total expenses were approximately 90% and 91% for the years ended December 31, 2019 and 2018, respectively. A summary of expense by function for the years ended December 31, 2019 and 2018, is as follows:

	2019							
	Health Care Services					Support Services		
	Acute	Ambulatory	Physician	Post Acute	Health Plan	Management and General	Fundraising	Total
Salaries and benefits	$ 208,821	$ 332,256	$ 385,007	$ 35,685	$ 3,150	$ 107,738	$ 2,009	$ 1,074,666
Supplies	148,001	137,807	33,326	6,866	40	7,620	121	333,781
Purchased services	16,862	84,920	24,096	3,167	630	33,761	228	163,664
Utilities, repairs, and maintenance	12,104	38,760	4,491	373	37	15,850	10	71,625
Depreciation and amortization	56,713	41,544	12,032	2,471	75	128	67	113,030
Hospital assessment fee	28,248	20,475	-	1,232	-	-	-	49,955
Interest and financing costs	11,604	8,511	2,461	506	15	12	14	23,123
Other	2,579	24,813	27,818	1,099	154	30,568	685	87,716
	$ 484,932	$ 689,086	$ 489,231	$ 51,399	$ 4,101	$ 195,677	$ 3,134	$ 1,917,560

	2018							
	Health Care Services					Support Services		
	Acute	Ambulatory	Physician	Post Acute	Health Plan	Management and General	Fundraising	Total
Salaries and benefits	$ 187,189	$ 284,437	$ 349,167	$ 36,320	$ 3,831	$ 77,054	$ 1,811	$ 939,809
Supplies	131,395	108,190	28,437	6,287	49	5,249	76	279,683
Purchased services	11,870	59,421	22,497	2,882	36,381	39,049	317	172,417
Utilities, repairs, and maintenance	19,260	40,876	5,076	749	200	4,209	11	70,381
Depreciation and amortization	52,988	38,854	11,442	2,582	922	6	35	106,829
Hospital assessment fee	32,211	23,619	-	1,570	-	-	-	57,400
Interest and financing costs	11,218	8,226	2,422	547	196	1	7	22,617
Other	4,505	25,103	24,015	1,140	326	24,868	313	80,270
	$ 450,636	$ 588,726	$ 443,056	$ 52,077	$ 41,905	$ 150,436	$ 2,570	$ 1,729,406

Note 15. Indiana Medicaid Disproportionate Share

Under Indiana law (IC 12-15-16 (1-3)), health care providers qualifying as State of Indiana Medicaid Acute Disproportionate Share and Medicaid Safety Net Hospitals (DSH providers) are eligible to receive Indiana Medicaid Disproportionate Share (State DSH) payments. The amount of these additional State DSH funds is dependent on regulatory approval by agencies of the federal and state governments and is determined by the level, extent, and cost of uncompensated care (as defined) and various other factors. State DSH payments are paid according to the fiscal year of the state, which ends on June 30 of each year, and are based on the cost of uncompensated care provided by the DSH providers during their respective fiscal year ended during the state fiscal year.

In 2019, PH recognized $2,234 in income from Indiana Medicaid Disproportionate Share payments, $105 of which pertained to state fiscal year 2019 and $2,219 pertained to prior years. In 2018, PH recognized $2,020 in income from Indiana Medicaid Disproportionate Share payments, $670 of which pertained to state fiscal year 2018 and $1,350 pertained to prior years.

At December 31, 2019 and 2018, PH had $2,105 and $2,020 of State DSH payments receivable recorded, respectively.

Note 16. Indiana Hospital Assessment Fee Program

In May 2012, the Indiana Hospital Assessment Fee program (HAF) was approved by the federal Centers for Medicare and Medicaid Services (CMS) through June 30, 2017. Effective July 1, 2017, the HAF program was renewed through June 30, 2019. Under HAF, Indiana hospitals receive additional federal Medicaid funds for the state's health care system, administered by the Indiana Family and Social Services Administration. HAF includes both a payment to the hospitals from the state and an assessment against the hospitals, which is paid to the state the same year.

Beginning in February 2017, the HAF payments to providers were incorporated into claim-by-claim payments from both Medicaid and the Medicaid Managed Care Entities. Therefore, payments to PH recognized for the years ended December 31, 2019 and 2018, cannot be separately identified. HAF assessments against PH for 2019 were $49,955 and 2018 were $57,000.

HAF payments to PH are included in net patient service care revenue in the consolidated statements of operations and changes in net assets. HAF assessments against PH are included in operating expense in the consolidated statements of operations and changes in net assets.

Note 17. Commitments and Contingencies

PH is self-insured for employee health claims with stop-loss coverage above certain limits. At December 31, 2019 and 2018, PH had estimated liabilities for claims incurred that have not yet been reported based on historical claims experience, which was $14,247 and $12,586, respectively. These benefits are recorded in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

Note 18. Subsequent Events

PH has evaluated subsequent events for potential recognition and/or disclosure through March 26, 2020, the date the consolidated financial statements were issued.

On February 4, 2020, PH and PVH issued $100,000 of fixed rate taxable corporate bonds (the Series 2020A Bonds) using the Master Indenture. The proceeds of the bonds and certain other funds will be used to finance construction, renovation, equipment and furnishings for the Parkview Kosciusko Hospital project and the Parkview Southwest project. Interest on the Series 2020A Bonds is paid semiannually. The Series 2020A Bonds mature through November 2050.

A pandemic, epidemic or outbreak of an infectious disease in the markets in which PH operates or that otherwise impacts PH's facilities could adversely impact PH's business. If a pandemic, epidemic, outbreak of an infectious disease, such as the coronavirus known as COVID-19, or other public health crisis were to occur in an area in which PH operates, operations could be adversely affected. Such a crisis could diminish the public trust in healthcare facilities, especially facilities with patients affected by infectious diseases. If any of PH's facilities were involved, or perceived as being involved, in treating such patients, other patients might fail to seek care at PH's facilities, and reputation may be negatively affected. Further, a pandemic, epidemic or outbreak might adversely impact PH's business by causing a temporary shutdown or diversion of patients, by disrupting or delaying production and delivery of pharmaceuticals and other medical supplies or by causing staffing shortages in PH's facilities. Although PH has disaster plans in place and operate pursuant to infectious disease protocols, the potential impact of a pandemic, epidemic or outbreak of an infectious disease with respect to the markets or PH's facilities is difficult to predict and could adversely impact PH's business, financial condition or results of operations

Supplementary Information

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Details of Consolidated Balance Sheet
December 31, 2019
(In Thousands)

	Parkview Hospital, Inc. [1]	Parkview Health System, Inc. [1]	Parkview Huntington Hospital	Parkview Whitley Hospital	Parkview Noble Hospital	Parkview LaGrange Hospital [2]	Parkview Wabash Hospital [2]	Parkview DeKalb Hospital	Managed Care Services	Parkview Occupational Health Centers	Parkview Hospital Foundation	Parkview Whitley Hospital Foundation	Parkview Noble Foundation	Parkview Huntington Hospital Foundation	Parkview Wabash Hospital Foundation	Park Center, Inc.	Obligated Group Eliminations [1]	Credit Group Eliminations [2]	Other Eliminations	Consolidated
Assets																				
Current assets:																				
Cash and cash equivalents	$ (222)	$ 168,281	$ 2	$ 85	$ 8	$ 180	$ 579	$ 24,739	$ -	$ 8	$ 863	$ 34	$ 60	$ 203	$ 441	$ 2,367	$ -	$ -	$ -	$ 197,628
Short-term investments	-	322	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	322
Patient accounts receivable	189,598	49,676	9,540	12,207	8,856	5,482	9,198	8,773	-	1,429	-	-	-	-	-	4,965	-	-	(9,664)	290,060
Inventories	17,939	13,404	539	596	400	370	880	1,631	-	-	-	-	-	-	-	263	-	-	-	36,022
Prepaid expenses and other current assets	(437,311)	511,965	(6,942)	13,048	6,001	(3,351)	(42,195)	(2,696)	7,315	(5,259)	319	145	429	517	493	332	-	-	(3,000)	39,810
Estimated third-party payer settlements	10,969	-	1,437	368	88	-	-	2	-	-	-	-	-	-	-	1,631	-	-	-	14,495
Due from investment brokers	-	49,793	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	49,793
Total current assets	(219,027)	793,441	4,576	26,304	15,353	2,681	(31,538)	32,449	7,315	(3,822)	1,182	179	489	720	934	9,558	-	-	(12,664)	628,130
Investments:																				
Board-designated investments	26,470	1,143,990	40,854	59,581	-	-	-	-	-	-	14,429	546	1,744	760	3,883	-	-	-	-	1,292,257
Funds held by trustees	-	45,141	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	45,141
Other investments	-	-	-	-	-	-	-	-	-	-	-	229	-	-	709	-	-	-	-	938
	26,470	1,189,131	40,854	59,581	-	-	-	-	-	-	14,429	775	1,744	760	4,592	-	-	-	-	1,338,336
Property and equipment:																				
Cost	1,261,800	722,508	25,423	40,664	18,663	33,833	67,692	28,774	855	2,921	234	16	17	14	-	17,553	-	-	-	2,220,967
Less accumulated depreciation and amortization	560,891	360,588	13,050	17,040	11,629	18,824	27,589	802	749	1,567	183	16	17	14	-	3,940	-	-	-	1,016,899
	700,909	361,920	12,373	23,624	7,034	15,009	40,103	27,972	106	1,354	51	-	-	-	-	13,613	-	-	-	1,204,068
Other assets:																				
Finance lease right-of-use assets, net	5,228	1,085	83	206	237	45	272	59	-	-	-	-	-	-	-	-	-	-	-	7,215
Operating lease right-of-use assets, net	880	42,225	-	-	190	-	1,493	-	-	118	-	-	-	-	-	1,030	-	-	-	45,936
Interest rate swaps	-	4,547	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,547
Investments in joint ventures	1,672	1,011	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,683
Goodwill and intangible assets, net	22,491	73,046	246	-	841	5,011	-	-	-	-	-	-	-	-	-	-	-	-	-	101,635
Other assets	500	31,437	-	-	5	-	-	29	-	-	4	-	-	-	-	559	-	-	(2,224)	30,310
	30,771	153,351	329	206	1,273	5,056	1,765	88	-	118	4	-	-	-	-	1,589	-	-	(2,224)	192,326
Total assets	$ 539,123	$ 2,497,843	$ 58,132	$ 109,715	$ 23,660	$ 22,746	$ 10,330	$ 60,509	$ 7,421	$ (2,350)	$ 15,666	$ 954	$ 2,233	$ 1,480	$ 5,526	$ 24,760	$ -	$ -	$ (14,888)	$ 3,362,860

[1] Parkview Obligated Group entity.
[2] Parkview Credit Group entity.

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Details of Consolidated Balance Sheet (Continued)
December 31, 2019
(In Thousands)

	Parkview Hospital, Inc. [1]	Parkview Health System, Inc. [1]	Parkview Huntington Hospital	Parkview Whitley Hospital	Parkview Noble Hospital	Parkview LaGrange Hospital [2]	Parkview Wabash Hospital [2]	Parkview DeKalb Hospital	Managed Care Services	Parkview Occupational Health Centers	Parkview Hospital Foundation	Parkview Whitley Hospital Foundation	Parkview Noble Foundation	Parkview Huntington Hospital Foundation	Parkview Wabash Hospital Foundation	Park Center, Inc.	Obligated Group Eliminations [1]	Credit Group Eliminations [2]	Other Eliminations	Consolidated
Liabilities and Net Assets																				
Current liabilities:																				
Accounts payable and accrued expenses	$ 61,524	$ 82,048	$ 1,909	$ 1,418	$ 1,717	$ 889	$ 1,145	$ 1,780	$ 4,301	$ 116	$ -	$ -	$ -	$ -	$ -	$ 372	$ -	$ -	$ (10,864)	$ 146,355
Salaries, wages, and related liabilities	16,703	122,751	998	1,104	866	594	694	1,255	144	334	-	-	-	-	-	1,981	-	-	-	147,424
Accrued interest	-	2,995	-	-	-	26	126	-	-	-	-	-	-	-	-	-	-	-	-	3,147
Estimated third-party payer settlements	14,067	209	-	-	-	584	3,118	120	-	-	-	-	-	-	-	-	-	-	-	18,098
Current portion finance lease liabilites	2,203	477	52	112	111	34	185	491	-	-	-	-	-	-	-	-	-	-	-	3,665
Current portion operating lease liabilities	254	6,293	-	-	62	-	215	-	-	64	-	-	-	-	-	140	-	-	-	7,028
Current portion of long-term debt	-	19,802	-	-	-	950	755	633	-	-	-	-	-	-	-	100	-	-	-	22,240
Due to investment brokers	-	87,347	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	87,347
Total current liabilities	94,751	321,922	2,959	2,634	2,756	3,077	6,238	4,279	4,445	514	-	-	-	-	-	2,593	-	-	(10,864)	435,304
Noncurrent liabilities:																				
Long-term debt, less current portion	-	648,773	-	9,700	-	15,115	22,735	8,037	-	-	-	-	-	-	-	-	-	-	-	704,360
Finance lease liabilities, less current portion	3,233	665	36	25	40	15	107	962	-	-	-	-	-	-	-	-	-	-	-	5,083
Operating lease liabilites, less current portion	630	36,173	-	-	131	-	1,295	-	-	54	-	-	-	-	-	893	-	-	-	39,176
Interest rate swaps	-	74,422	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	74,422
Accrued pension obligations	-	127,976	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	127,976
Other	392	23,467	-	-	-	-	-	-	-	-	4	-	-	-	-	4,520	-	-	(4,261)	24,122
	4,255	911,476	36	9,725	171	15,130	24,137	8,999	-	54	4	-	-	-	-	5,413	-	-	(4,261)	975,139
Net assets:																				
Parkview Health System, Inc.	440,117	1,226,459	55,137	97,356	20,733	4,334	(20,725)	47,231	2,976	(2,918)	7,855	458	1,331	547	3,303	16,754	-	-	237	1,901,185
Noncontrolling interest in subsidiaries	-	37,986	-	-	-	-	308	-	-	-	-	-	-	-	-	-	-	-	-	38,294
Total net assets without donor restrictions	440,117	1,264,445	55,137	97,356	20,733	4,334	(20,417)	47,231	2,976	(2,918)	7,855	458	1,331	547	3,303	16,754	-	-	237	1,939,479
Net assets with donor restrictions	-	-	-	-	-	205	372	-	-	-	7,807	496	902	933	2,223	-	-	-	-	12,938
Total net assets (deficit)	440,117	1,264,445	55,137	97,356	20,733	4,539	(20,045)	47,231	2,976	(2,918)	15,662	954	2,233	1,480	5,526	16,754	-	-	237	1,952,417
Total liabilities and net assets	$ 539,123	$ 2,497,843	$ 58,132	$ 109,715	$ 23,660	$ 22,746	$ 10,330	$ 60,509	$ 7,421	$ (2,350)	$ 15,666	$ 954	$ 2,233	$ 1,480	$ 5,526	$ 24,760	$ -	$ -	$ (14,888)	$ 3,362,860

[1] Parkview Obligated Group entity.
[2] Parkview Credit Group entity.

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Details of Consolidated Balance Sheet
December 31, 2018
(In Thousands)

	Parkview Hospital, Inc. [1]	Parkview Health System, Inc. [1]	Parkview Huntington Hospital	Parkview Whitley Hospital	Parkview Noble Hospital	Parkview LaGrange Hospital [2]	Parkview Wabash Hospital [2]	Managed Care Services	Parkview Occupational Health Centers	Parkview Hospital Foundation	Parkview Whitley Hospital Foundation	Parkview Noble Foundation	Parkview Huntington Hospital Foundation	Parkview Wabash Hospital Foundation	Park Center, Inc.	Obligated Group Eliminations [1]	Credit Group Eliminations [2]	Other Eliminations	Consolidated
Assets																			
Current assets:																			
Cash and cash equivalents	$ (224)	$ 195,968	$ 3	$ 156	$ 2	$ 133	$ 1,531	$ -	$ (33)	$ 2,118	$ 64	$ 75	$ 204	$ 516	$ 3,163	$ -	$ -	$ -	$ 203,676
Short-term investments	-	315	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	315
Patient accounts receivable	165,987	44,701	7,947	9,886	8,785	5,527	7,739	-	1,263	-	-	-	-	-	4,323	-	-	(10,458)	245,700
Inventories	19,699	8,780	411	784	597	386	779	-	-	-	-	-	-	-	313	-	-	-	31,749
Prepaid expenses and other current assets	(539,554)	619,432	(14,234)	2,529	(2,027)	(3,679)	(41,018)	10,992	(1,043)	623	180	291	503	358	338	-	-	-	33,691
Estimated third-party payer settlements	2,428	-	1,826	780	104	103	-	-	-	-	-	-	-	-	1,412	-	-	-	6,653
Due from investment brokers	-	189,648	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	189,648
Total current assets	(351,664)	1,058,844	(4,047)	14,135	7,461	2,470	(30,969)	10,992	187	2,741	244	366	707	874	9,549	-	-	(10,458)	711,432
Investments:																			
Board-designated investments	23,542	1,031,151	36,378	52,989	-	-	-	-	-	10,808	519	1,694	492	3,349	12	-	-	-	1,160,934
Funds held by trustees	-	87,430	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	87,430
Other investments	-	-	-	-	-	-	-	-	-	-	215	-	-	672	-	-	-	-	887
	23,542	1,118,581	36,378	52,989	-	-	-	-	-	10,808	734	1,694	492	4,021	12	-	-	-	1,249,251
Property and equipment:																			
Cost	1,203,665	707,918	24,001	41,782	20,475	33,047	69,526	1,182	2,231	184	21	18	14	-	9,561	-	-	-	2,113,625
Less accumulated depreciation and amortization	525,631	344,426	12,372	15,709	12,833	17,531	25,932	1,071	1,389	183	21	17	14	-	192	-	-	-	957,321
	678,034	363,492	11,629	26,073	7,642	15,516	43,594	111	842	1	-	1	-	-	9,369	-	-	-	1,156,304
Other assets:																			
Interest rate swaps	-	2,801	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,801
Investments in joint ventures	1,446	978	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,424
Goodwill and intangible assets, net	22,491	73,166	246	-	841	5,011	-	-	-	-	-	-	-	-	-	-	-	-	101,755
Other assets	447	35,753	55	-	5	-	-	888	-	-	-	-	-	-	542	-	4,700	(10,359)	32,031
	24,384	112,698	301	-	846	5,011	-	888	-	-	-	-	-	-	542	-	4,700	(10,359)	139,011
Total assets	$ 374,296	$ 2,653,615	$ 44,261	$ 93,197	$ 15,949	$ 22,997	$ 12,625	$ 11,991	$ 1,029	$ 13,550	$ 978	$ 2,061	$ 1,199	$ 4,895	$ 19,472	$ -	$ 4,700	$ (20,817)	$ 3,255,998

[1] Parkview Obligated Group entity.
[2] Parkview Credit Group entity.

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Details of Consolidated Balance Sheet (Continued)
December 31, 2018
(In Thousands)

	Parkview Hospital, Inc. [1]	Parkview Health System, Inc. [1]	Parkview Huntington Hospital	Parkview Whitley Hospital	Parkview Noble Hospital	Parkview LaGrange Hospital [2]	Parkview Wabash Hospital [2]	Managed Care Services	Parkview Occupational Health Centers
Liabilities and Net Assets									
Current liabilities:									
Accounts payable and accrued expenses	$ 46,260	$ 75,921	$ 1,934	$ 1,603	$ 1,531	$ 1,176	$ 1,836	$ 8,370	$ 211
Salaries, wages, and related liabilities	15,878	96,906	830	956	774	538	584	128	221
Accrued interest	-	3,304	-	-	-	33	129	-	-
Estimated third-party payer settlements	9,561	934	-	-	-	755	1,377	-	-
Current portion of long-term debt	1,565	37,295	45	146	106	943	543	-	-
Due to investment brokers	-	330,030	-	-	-	-	-	-	-
Total current liabilities	73,264	544,390	2,809	2,705	2,411	3,445	4,469	8,498	432
Noncurrent liabilities:									
Long-term debt, less current portion	3,524	653,898	66	9,836	151	16,105	24,139	-	-
Interest rate swaps	-	57,030	-	-	-	-	-	-	-
Accrued pension obligations	-	91,607	-	-	-	-	-	-	-
Other	340	23,963	55	-	-	5,896	-	-	-
	3,864	826,498	121	9,836	151	22,001	24,139	-	-
Net assets:									
Parkview Health System, Inc.	297,168	1,244,404	41,331	80,656	13,387	(2,617)	(18,291)	3,493	597
Noncontrolling interest in subsidiaries	-	38,323	-	-	-	-	308	-	-
Total net assets without donor restrictions	297,168	1,282,727	41,331	80,656	13,387	(2,617)	(17,983)	3,493	597
Net assets with donor restrictions	-	-	-	-	-	168	2,000	-	-
Total net assets (deficit)	297,168	1,282,727	41,331	80,656	13,387	(2,449)	(15,983)	3,493	597
Total liabilities and net assets	$ 374,296	$ 2,653,615	$ 44,261	$ 93,197	$ 15,949	$ 22,997	$ 12,625	$ 11,991	$ 1,029

	Parkview Hospital Foundation	Parkview Whitley Hospital Foundation	Parkview Noble Foundation	Parkview Huntington Hospital Foundation	Parkview Wabash Hospital Foundation	Park Center, Inc.	Obligated Group Eliminations [1]	Credit Group Eliminations [2]	Other Eliminations	Consolidated
Liabilities and Net Assets										
Current liabilities:										
Accounts payable and accrued expenses	$ 3	$ -	$ -	$ -	$ 2	$ 182	$ -	$ -	$ (10,458)	$ 128,571
Salaries, wages, and related liabilities	-	-	-	-	-	1,858	-	-	-	118,673
Accrued interest	-	-	-	-	-	-	-	-	-	3,466
Estimated third-party payer settlements	-	-	-	-	-	-	-	-	-	12,627
Current portion of long-term debt	-	-	-	-	-	728	-	-	-	41,371
Due to investment brokers	-	-	-	-	-	-	-	-	-	330,030
Total current liabilities	3	-	-	-	2	2,768	-	-	(10,458)	634,738
Noncurrent liabilities:										
Long-term debt, less current portion	-	-	-	-	-	2,484	-	-	-	710,203
Interest rate swaps	-	-	-	-	-	18	-	-	-	57,048
Accrued pension obligations	-	-	-	-	-	-	-	-	-	91,607
Other	5	-	-	-	-	184	-	4,700	(10,596)	24,547
	5	-	-	-	-	2,686	-	4,700	(10,596)	883,405
Net assets:										
Parkview Health System, Inc.	6,492	535	1,227	533	2,978	14,018	-	-	237	1,686,148
Noncontrolling interest in subsidiaries	-	-	-	-	-	-	-	-	-	38,631
Total net assets without donor restrictions	6,492	535	1,227	533	2,978	14,018	-	-	237	1,724,779
Net assets with donor restrictions	7,050	443	834	666	1,915	-	-	-	-	13,076
Total net assets (deficit)	13,542	978	2,061	1,199	4,893	14,018	-	-	237	1,737,855
Total liabilities and net assets	$ 13,550	$ 978	$ 2,061	$ 1,199	$ 4,895	$ 19,472	$ -	$ 4,700	$ (20,817)	$ 3,255,998

[1] Parkview Obligated Group entity.
[2] Parkview Credit Group entity.

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Details of Consolidated Statement of Operations and Changes in Net Assets
Year Ended December 31, 2019
(In Thousands)

	Parkview Hospital, Inc. [1]	Parkview Health System, Inc. [1]	Parkview Huntington Hospital	Parkview Whitley Hospital	Parkview Noble Hospital	Parkview LaGrange Hospital [2]	Parkview Wabash Hospital [2]	Parkview DeKalb Hospital	Managed Care Services	Parkview Occupational Health Centers	Parkview Hospital Foundation	Parkview Whitley Hospital Foundation	Parkview Noble Foundation	Parkview Huntington Hospital Foundation	Parkview Wabash Hospital Foundation	Park Center, Inc.	Obligated Group Eliminations [1]	Credit Group Eliminations [2]	Other Eliminations	Consolidated
Revenues:																				
Patient care service revenue	$ 1,444,943	$ 224,063	$ 79,673	$ 97,010	$ 74,487	$ 41,731	$ 54,621	$ 15,268	$ -	$ 9,314	$ -	$ -	$ -	$ -	$ -	$ 22,459	$ -	$ -	$ (96,520)	$ 1,967,049
Other revenue	66,098	38,647	1,364	1,980	923	896	550	1,836	4,375	4,097	2,519	126	369	233	762	13,860	(11,562)	(3,616)	(46,769)	76,688
	1,511,041	262,710	81,037	98,990	75,410	42,627	55,171	17,104	4,375	13,411	2,519	126	369	233	762	36,319	(11,562)	(3,616)	(143,289)	2,043,737
Expenses:																				
Salaries and benefits	703,750	264,178	38,504	45,187	33,643	20,104	22,621	5,475	3,116	9,570	1,316	136	155	156	154	27,636	-	-	(101,035)	1,074,666
Supplies	258,899	51,877	7,623	10,072	7,705	3,316	7,309	3,245	39	1,017	111	-	4	2	3	2,056	-	-	(19,497)	333,781
Purchased services	68,195	66,778	6,277	7,607	8,025	5,783	11,239	1,143	781	2,811	280	-	-	-	2	3,043	(62)	(3,040)	(15,198)	163,664
Utilities, repairs and maintenance	26,071	35,107	1,884	2,228	1,726	1,456	1,495	451	34	182	5	1	1	1	-	983	-	-	-	71,625
Depreciation and amortization	58,470	40,904	1,735	3,280	1,419	1,704	3,793	810	6	188	-	-	-	-	-	721	-	-	-	113,030
Hospital assessment fee	35,123	1,629	2,441	2,718	2,849	1,738	1,791	832	-	-	-	-	-	-	-	834	-	-	-	49,955
Interest and financing costs	292	21,439	5	106	8	365	797	-	-	-	1	-	-	-	-	165	-	-	(55)	23,123
Other, net	216,599	(174,599)	13,257	17,839	12,646	7,097	8,536	265	916	3,157	(839)	49	94	27	184	2,068	(11,500)	(576)	(7,504)	87,716
	1,367,399	307,313	71,726	89,037	68,021	41,563	57,581	12,221	4,892	16,925	874	186	254	186	343	37,506	(11,562)	(3,616)	(143,289)	1,917,560
Operating income (loss)	143,642	(44,603)	9,311	9,953	7,389	1,064	(2,410)	4,883	(517)	(3,514)	1,645	(60)	115	47	419	(1,187)	-	-	-	126,177
Nonoperating income (expense):																				
Interest, dividends and realized gains (losses) on sales of investments, net	800	30,935	1,207	1,763	(2)	(3)	2	793	-	-	-	-	-	-	-	(3)	-	-	-	35,492
Unrealized gains on investments, net	2,142	88,772	3,269	4,822	-	-	3	-	-	-	-	-	-	-	-	2	-	-	-	99,010
Unrealized (loss) gain on interest rate swaps, net	-	(15,965)	-	-	-	-	-	-	-	-	-	-	-	-	-	17	-	-	-	(15,948)
Loss on early refunding of long-term debt	-	(332)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(332)
Net periodic benefit expense other than service cost	-	(1,845)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,845)
Contribution of net assets without donor restrictions of DeKalb Memorial Hospital, Inc.	-	-	-	-	-	-	-	41,528	-	-	-	-	-	-	-	-	-	-	-	41,528
Other, net	(23)	1,392	(4)	(38)	(31)	(1)	(1)	-	-	-	-	-	-	-	-	7	-	-	-	1,301
Excess (deficit) of revenues over expenses	146,561	58,354	13,783	16,500	7,356	1,060	(2,406)	47,204	(517)	(3,514)	1,645	(60)	115	47	419	(1,164)	-	-	-	285,383
Excess (deficit) of revenues over expenses attributable to:																				
Noncontrolling interest in subsidiaries	-	35,383	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35,383
Parkview Health System, Inc. and subsidiaries	146,561	22,971	13,783	16,500	7,356	1,060	(2,406)	47,204	(517)	(3,514)	1,645	(60)	115	47	419	(1,164)	-	-	-	250,000
Other changes in net assets attributable to:																				-
Distributions to noncontrolling interest in subsidiaries	-	(35,720)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(35,720)
Parkview Health System, Inc. and subsidiaries	(3,612)	(40,916)	23	200	(10)	5,928	(1,656)	27	-	(1)	475	36	57	234	214	3,900	-	-	-	(35,101)
Increase (decrease) in net assets	142,949	(18,282)	13,806	16,700	7,346	6,988	(4,062)	47,231	(517)	(3,515)	2,120	(24)	172	281	633	2,736	-	-	-	214,562
Net assets (deficit):																				
Beginning of year	297,168	1,282,727	41,331	80,656	13,387	(2,449)	(15,983)	-	3,493	597	13,542	978	2,061	1,199	4,893	14,018	-	-	237	1,737,855
End of year	$ 440,117	$ 1,264,445	$ 55,137	$ 97,356	$ 20,733	$ 4,539	$ (20,045)	$ 47,231	$ 2,976	$ (2,918)	$ 15,662	$ 954	$ 2,233	$ 1,480	$ 5,526	$ 16,754	$ -	$ -	$ 237	$ 1,952,417

[1] Parkview Obligated Group entity.
[2] Parkview Credit Group entity.

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Details of Consolidated Statement of Operations and Changes in Net Assets
Year Ended December 31, 2018
(In Thousands)

	Parkview Hospital, Inc. [1]	Parkview Health System, Inc. [1]	Parkview Huntington Hospital	Parkview Whitley Hospital	Parkview Noble Hospital	Parkview LaGrange Hospital [2]	Parkview Wabash Hospital [2]	Managed Care Services	Parkview Occupational Health Centers	Parkview Hospital Foundation	Parkview Whitley Hospital Foundation	Parkview Noble Foundation	Parkview Huntington Hospital Foundation	Parkview Wabash Hospital Foundation	Park Center, Inc.	Obligated Group Eliminations [1]	Credit Group Eliminations [2]	Other Eliminations	Consolidated
Revenues:																			
Patient care service revenue	$ 1,298,958	$ 213,379	$ 75,629	$ 88,348	$ 77,326	$ 43,319	$ 44,396	$ 44,885	$ 8,974	$ -	$ -	$ -	$ -	$ -	$ 5,887	$ -	$ -	$ (111,241)	$ 1,789,860
Other revenue	53,948	42,884	1,945	2,428	1,539	1,411	989	5,084	4,151	1,434	71	323	166	197	3,487	(10,161)	(3,212)	(43,340)	63,344
	1,352,906	256,263	77,574	90,776	78,865	44,730	45,385	49,969	13,125	1,434	71	323	166	197	9,374	(10,161)	(3,212)	(154,581)	1,853,204
Expenses:																			
Salaries and benefits	617,574	247,679	34,044	42,182	33,932	20,010	20,041	3,005	9,089	1,301	130	118	140	91	5,804	-	-	(95,331)	939,809
Supplies	217,204	46,974	7,647	7,595	6,858	4,204	6,091	39	818	67	-	2	2	3	453	-	(228)	(18,046)	279,683
Purchased services	60,459	60,643	6,449	9,192	7,515	6,022	10,221	44,153	2,927	382	-	1	-	1	704	(75)	(2,711)	(33,466)	172,417
Utilities, repairs and maintenance	25,460	35,330	1,567	2,237	2,031	1,504	1,852	18	167	3	-	-	-	-	212	-	-	-	70,381
Depreciation and amortization	51,232	41,861	1,124	2,989	1,279	1,699	6,297	6	149	-	-	-	-	-	193	-	-	-	106,829
Hospital assessment fee	47,329	1,487	1,677	1,637	2,373	1,454	1,220	-	-	-	-	-	-	-	223	-	-	-	57,400
Interest and financing costs	257	21,500	6	112	14	376	321	-	-	1	-	-	-	-	30	-	-	-	22,617
Other, net	183,918	(145,942)	12,213	16,804	12,778	6,976	7,508	1,414	2,530	(832)	25	108	(110)	557	420	(10,086)	(273)	(7,738)	80,270
	1,203,433	309,532	64,727	82,748	66,780	42,245	53,551	48,635	15,680	922	155	229	32	652	8,039	(10,161)	(3,212)	(154,581)	1,729,406
Operating income (loss)	149,473	(53,269)	12,847	8,028	12,085	2,485	(8,166)	1,334	(2,555)	512	(84)	94	134	(455)	1,335	-	-	-	123,798
Nonoperating income (expense):																			
Interest, dividends and realized gains (losses) on sales of investments, net	621	23,175	971	1,420	2	(1)	(2)	-	-	-	-	-	-	-	1	-	-	-	26,187
Unrealized (losses) on investments, net	(1,227)	(50,796)	(1,872)	(2,762)			1	-	-	-	-	-	-	-	-	-	-	-	(56,656)
Unrealized gains on interest rate swaps, net	-	11,256	-	-	-	-	-	-	-	-	-	-	-	-	25	-	-	-	11,281
Loss on early refunding of long-term debt	-	(196)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(196)
Net periodic benefit expense other than service cost	-	(5,443)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,443)
Contribution of net assets without donor restrictions of Park Center, Inc.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,656	-	-	-	12,656
Other, net	(145)	6	(10)	(7)	(2)	(12)	1	-	(8)	-	-	-	-	-	1	-	-	-	(176)
Excess (deficit) of revenues over expenses	(751)	(21,998)	(911)	(1,349)	-	(13)	-	-	(8)	-	-	-	-	-	12,683	-	-	-	(12,347)
Excess (deficit) of revenues over expenses attributable to:																			
Noncontrolling interest in subsidiaries	-	36,254	-	-	-	-	37	-	-	-	-	-	-	-	-	-	-	-	36,291
Parkview Health System, Inc. and subsidiaries	148,722	(111,521)	11,936	6,679	12,085	2,472	(8,203)	1,334	(2,563)	512	(84)	94	134	(455)	14,018	-	-	-	75,160
Other changes in net assets attributable to:																			
Distributions to noncontrolling interest in subsidiaries	-	(33,000)	-	-	-	-	(165)	-	-	-	-	-	-	-	-	-	-	-	(33,165)
Parkview Health System, Inc. and subsidiaries	(155,222)	203,213	(11,894)	(7,805)	(11,947)	(2,477)	-	-	-	1,251	4	(73)	286	347	-	-	-	-	15,683
Increase (decrease) in net assets	(6,500)	94,946	42	(1,126)	138	(5)	(8,331)	1,334	(2,563)	1,763	(80)	21	420	(108)	14,018	-	-	-	93,969
Net assets (deficit):																			
Beginning of year	303,668	1,187,781	41,289	81,782	13,249	(2,444)	(7,652)	2,159	3,160	11,779	1,058	2,040	779	5,001	-	-	-	237	1,643,886
End of year	$ 297,168	$ 1,282,727	$ 41,331	$ 80,656	$ 13,387	$ (2,449)	$ (15,983)	$ 3,493	$ 597	$ 13,542	$ 978	$ 2,061	$ 1,199	$ 4,893	$ 14,018	$ -	$ -	$ 237	$ 1,737,855

[1] Parkview Obligated Group entity.
[2] Parkview Credit Group entity.