St. Jude Children's Research Hospital, Inc. American Lebanese Syrian Associated Charities, Inc.

Combined Financial Statements as of and
for the Years Ended June 30, 2018 and 2017,
and Independent Auditors' Report

ST. JUDE CHILDREN’S RESEARCH HOSPITAL, INC.
AMERICAN LEBANESE SYRIAN ASSOCIATED CHARITIES, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of
St. Jude Children's Research Hospital, Inc. and
the Board of Directors of
American Lebanese Syrian Associated Charities, Inc.:

We have audited the accompanying combined financial statements of St. Jude Children's Research Hospital, Inc. and its wholly owned subsidiaries and American Lebanese Syrian Associates Charities, Inc. (affiliated organizations and collectively, the "Organization"), which comprise the combined statements of financial position as of June 30, 2018 and 2017, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the combined 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 Organization'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organization as of June 30, 2018 and 2017, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

October 11, 2018

ST. JUDE CHILDREN'S RESEARCH HOSPITAL, INC.
AMERICAN LEBANESE SYRIAN ASSOCIATED CHARITIES, INC.

COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
CASH AND CASH EQUIVALENTS	$ 144,570,529	$ 178,307,093
RECEIVABLES:		
Contributions	28,836,741	21,768,125
Patient care services—net	18,945,273	18,883,540
Grants and contracts	22,491,694	20,889,800
Other	3,673,126	819,582
UNRESTRICTED INVESTMENTS	3,297,003,092	2,784,009,614
RESTRICTED INVESTMENTS	1,099,843,267	1,031,963,859
ASSETS LIMITED AS TO USE	2,222,796	2,045,240
PROPERTY AND EQUIPMENT—Net	875,079,625	782,841,903
OTHER ASSETS	24,733,837	26,957,566
TOTAL	$5,517,399,980	$4,868,486,322
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 92,951,256	$ 87,582,203
Accrued expenses	63,476,025	68,305,584
Annuity obligations	36,646,367	35,938,594
Other liabilities	21,453,580	16,742,765
Total liabilities	214,527,228	208,569,146
NET ASSETS:		
Unrestricted	4,201,630,278	3,620,941,222
Temporarily restricted	76,544,144	73,722,532
Permanently restricted	1,024,698,330	965,253,422
Total net assets	5,302,872,752	4,659,917,176
TOTAL	$5,517,399,980	$4,868,486,322

See notes to combined financial statements.

ST. JUDE CHILDREN'S RESEARCH HOSPITAL, INC.
AMERICAN LEBANESE SYRIAN ASSOCIATED CHARITIES, INC.

COMBINED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT:								
Support:								
Contributions	$1,177,028,581	$ 5,296,522	$ 499,904	$1,182,825,007	$1,067,164,872	$ 4,010,695	$ 251,000	$1,071,426,567
Bequests	267,036,082	643,019	20,782,053	288,461,154	248,419,162	1,032,783	12,301,432	261,753,377
Special events—net	20,324,877	-	-	20,324,877	19,552,444	-	-	19,552,444
Total support	1,464,389,540	5,939,541	21,281,957	1,491,611,038	1,335,136,478	5,043,478	12,552,432	1,352,732,388
Revenues:								
Net patient service revenue	117,420,862	-	-	117,420,862	124,099,314	-	-	124,099,314
Research grants and contracts	94,401,470	-	-	94,401,470	89,430,988	-	-	89,430,988
Net investment income	272,257,434	4,468,598	92,690,065	369,416,097	276,119,382	7,548,510	103,475,245	387,143,137
Net assets released from restrictions	62,113,641	(7,586,527)	(54,527,114)	-	27,605,266	(3,774,412)	(23,830,854)	-
Other revenues	20,626,066	-	-	20,626,066	18,200,628	-	-	18,200,628
Total revenues	566,819,473	(3,117,929)	38,162,951	601,864,495	535,455,578	3,774,098	79,644,391	618,874,067
Total revenues, gains, and other support	2,031,209,013	2,821,612	59,444,908	2,093,475,533	1,870,592,056	8,817,576	92,196,823	1,971,606,455
EXPENSES:								
Program services:								
Patient care services	457,825,537	-	-	457,825,537	427,944,725	-	-	427,944,725
Research	410,716,516	-	-	410,716,516	368,333,510	-	-	368,333,510
Education, training, and community services	153,764,029	-	-	153,764,029	126,299,846	-	-	126,299,846
Total program services	1,022,306,082	-	-	1,022,306,082	922,578,081	-	-	922,578,081

(Continued)

ST. JUDE CHILDREN'S RESEARCH HOSPITAL, INC.
AMERICAN LEBANESE SYRIAN ASSOCIATED CHARITIES, INC.

COMBINED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Supporting services:								
Fundraising	$ 242,100,247	$ -	$ -	$ 242,100,247	$ 211,271,937	$ -	$ -	$ 211,271,937
Administrative and general—Hospital	60,406,303	-	-	60,406,303	44,965,435	-	-	44,965,435
Administrative and general—ALSAC	118,196,441	-	-	118,196,441	98,829,162	-	-	98,829,162
Total supporting services	420,702,991	-	-	420,702,991	355,066,534	-	-	355,066,534
Total expenses	1,443,009,073	-	-	1,443,009,073	1,277,644,615	-	-	1,277,644,615
NET REVENUES, GAINS (LOSSES), AND OTHER SUPPORT	588,199,940	2,821,612	59,444,908	650,466,460	592,947,441	8,817,576	92,196,823	693,961,840
LOSS FROM DISPOSAL OF PROPERTY AND EQUIPMENT	(7,510,884)	-	-	(7,510,884)	(114,013)	-	-	(114,013)
GAIN ON BOND DEFEASANCE	-	-	-	-	8,152,422	-	-	8,152,422
CHANGE IN NET ASSETS	580,689,056	2,821,612	59,444,908	642,955,576	600,985,850	8,817,576	92,196,823	702,000,249
NET ASSETS—Beginning of year	3,620,941,222	73,722,532	965,253,422	4,659,917,176	3,019,955,372	64,904,956	873,056,599	3,957,916,927
NET ASSETS—End of year	$4,201,630,278	$76,544,144	$1,024,698,330	$5,302,872,752	$3,620,941,222	$73,722,532	$965,253,422	$4,659,917,176

See notes to combined financial statements.

(Concluded)

ST. JUDE CHILDREN'S RESEARCH HOSPITAL, INC.
AMERICAN LEBANESE SYRIAN ASSOCIATED CHARITIES, INC.

COMBINED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services				Supporting Services			
	Patient Care Services	Research	Education, Training, and Community Service	Total Program Services	Fundraising	Administrative and General	Total Supporting Services	Total Program and Supporting Services
SALARIES AND BENEFITS	$ 232,299,921	$ 235,460,387	$ 39,964,900	$ 507,725,208	$ 77,650,183	$ 74,322,210	$ 151,972,393	$ 659,697,601
CAMPAIGN MATERIALS AND EXPENSES	-	-	47,189,568	47,189,568	60,574,089	7,317,283	67,891,372	115,080,940
PROFESSIONAL FEES AND CONTRACT SERVICES	75,355,393	60,048,599	11,778,963	147,182,955	6,906,020	16,382,626	23,288,646	170,471,601
SUPPLIES	82,269,660	52,728,630	793,401	135,791,691	-	2,482,999	2,482,999	138,274,690
TELEPHONE	606,196	630,580	2,805,057	4,041,833	6,823,840	3,258,809	10,082,649	14,124,482
MAILING COSTS	-	-	27,872,065	27,872,065	53,527,137	17,342,938	70,870,075	98,742,140
OCCUPANCY	14,581,389	14,547,476	1,988,960	31,117,825	4,356,031	8,162,130	12,518,161	43,635,986
PRINTING AND PUBLICATIONS	-	-	897,716	897,716	3,411,423	745,747	4,157,170	5,054,886
TRAVEL, MEETINGS, AND LOCAL TRANSPORTATION	6,863,252	3,588,840	4,271,267	14,723,359	7,662,603	3,182,712	10,845,315	25,568,674
SERVICE FEES	-	-	2,167,495	2,167,495	6,360,474	4,942,049	11,302,523	13,470,018
EQUIPMENT AND SOFTWARE MAINTENANCE	-	-	2,724,334	2,724,334	1,861,561	10,615,347	12,476,908	15,201,242
MISCELLANEOUS	7,658,447	5,263,648	7,576,001	20,498,096	10,707,589	10,235,452	20,943,041	41,441,137
Total before depreciation	419,634,258	372,268,160	150,029,727	941,932,145	239,840,950	158,990,302	398,831,252	1,340,763,397
DEPRECIATION	38,191,279	38,448,356	3,734,302	80,373,937	2,259,297	19,612,442	21,871,739	102,245,676
TOTAL FUNCTIONAL EXPENSES	$ 457,825,537	$ 410,716,516	$ 153,764,029	$ 1,022,306,082	$ 242,100,247	$ 178,602,744	$ 420,702,991	$ 1,443,009,073

See notes to combined financial statements.

ST. JUDE CHILDREN'S RESEARCH HOSPITAL, INC.
AMERICAN LEBANESE SYRIAN ASSOCIATED CHARITIES, INC.

COMBINED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services				Supporting Services			
	Patient Care Services	Research	Education, Training, and Community Service	Total Program Services	Fundraising	Administrative and General	Total Supporting Services	Total Program and Supporting Services
SALARIES AND BENEFITS	$211,996,141	$217,541,172	$ 35,351,975	$464,889,288	$ 70,034,335	$ 65,120,015	$135,154,350	$ 600,043,638
CAMPAIGN MATERIALS AND EXPENSES	-	-	38,069,230	38,069,230	48,218,679	6,433,009	54,651,688	92,720,918
PROFESSIONAL FEES AND CONTRACT SERVICES	66,971,408	45,958,384	9,794,055	122,723,847	5,798,147	10,889,700	16,687,847	139,411,694
SUPPLIES	82,870,754	46,758,603	468,842	130,098,199	-	2,242,981	2,242,981	132,341,180
TELEPHONE	641,015	575,985	2,932,372	4,149,372	7,280,438	2,813,534	10,093,972	14,243,344
MAILING COSTS	-	-	20,959,802	20,959,802	43,876,510	17,778,563	61,655,073	82,614,875
OCCUPANCY	13,667,021	12,291,577	1,541,067	27,499,665	4,544,307	5,036,910	9,581,217	37,080,882
PRINTING AND PUBLICATIONS	-	-	1,140,484	1,140,484	4,311,986	972,994	5,284,980	6,425,464
TRAVEL, MEETINGS, AND LOCAL TRANSPORTATION	6,408,364	3,454,612	3,357,679	13,220,655	6,413,094	2,886,577	9,299,671	22,520,326
SERVICE FEES	-	-	2,006,045	2,006,045	6,078,162	4,324,436	10,402,598	12,408,643
EQUIPMENT AND SOFTWARE MAINTENANCE	-	-	2,217,755	2,217,755	3,412,736	5,111,285	8,524,021	10,741,776
MISCELLANEOUS	7,979,835	4,946,452	6,248,749	19,175,036	9,150,981	9,465,500	18,616,481	37,791,517
Total before depreciation	390,534,538	331,526,785	124,088,055	846,149,378	209,119,375	133,075,504	342,194,879	1,188,344,257
DEPRECIATION	37,410,187	36,806,725	2,211,791	76,428,703	2,152,562	10,719,093	12,871,655	89,300,358
TOTAL FUNCTIONAL EXPENSES	$427,944,725	$368,333,510	$126,299,846	$922,578,081	$211,271,937	$143,794,597	$355,066,534	$1,277,644,615

See notes to combined financial statements.

ST. JUDE CHILDREN’S RESEARCH HOSPITAL, INC.
AMERICAN LEBANESE SYRIAN ASSOCIATED CHARITIES, INC.

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 642,955,576	$ 702,000,249
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	102,245,676	89,300,358
Gain from extinguishment of debt	-	(8,152,422)
Net realized and unrealized investment gains	(345,490,609)	(365,827,141)
Loss on disposal of property and equipment	7,510,884	114,013
Transfer of permanently restricted contributions, interest, and transfers of restricted assets	27,810,581	6,887,969
Changes in operating assets and liabilities:		
Contributions receivable	(7,068,616)	(695,189)
Patient care and other receivables	(4,517,171)	(388,845)
Other assets	2,223,729	(4,145,674)
Accounts payable and accrued expenses	4,928,901	8,428,168
Annuity obligations	707,773	772,285
Net cash provided by operating activities	431,306,724	428,293,771
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(926,721,482)	(1,204,151,172)
Sale of investments	691,161,649	925,759,916
Net decrease in assets limited as to use	-	207,132,006
Capital expenditures	(202,038,427)	(155,712,886)
Proceeds from disposal of property and equipment	365,553	1,718,167
Net cash used in investing activities	(437,232,707)	(225,253,969)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Permanently restricted contributions and bequests	21,281,957	12,552,432
Permanently restricted interest and dividends	5,434,576	4,390,453
Transfers of restricted net assets	(54,527,114)	(23,830,854)
Bond principal payments	-	(202,080,000)
Net cash used in financing activities	(27,810,581)	(208,967,969)
NET CHANGE IN CASH AND EQUIVALENTS	(33,736,564)	(5,928,167)
CASH AND CASH EQUIVALENTS—Beginning of year	178,307,093	184,235,260
CASH AND CASH EQUIVALENTS—End of year	$ 144,570,529	$ 178,307,093
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Capital expenditures, on account	$ 321,408	$ 12,119,188

See notes to combined financial statements.

1. ORGANIZATION

St. Jude Children's Research Hospital, Inc. and its wholly owned subsidiaries (collectively, the "Hospital"), is a research, treatment, and education center whose mission is to save children's lives by finding the causes of catastrophic illnesses, improving related treatments, and finding cures for their diseases. More than 8,700 patients are seen at the Hospital yearly, most of whom are treated on a continuing outpatient basis as part of ongoing research programs and account for approximately 79,000 hospital visits per year. The current basic science and clinical research at the Hospital includes work in gene therapy, chemotherapy, the biochemistry of normal cancerous cells, radiation treatment, blood diseases, resistance to therapy, viruses, hereditary diseases, influenza, pediatric AIDS, and physiological effects of catastrophic illnesses.

The accompanying combined financial statements include the accounts of the Hospital and its affiliated support organization, American Lebanese Syrian Associated Charities, Inc. (ALSAC), collectively referred to herein as the Organization. ALSAC is a not-for-profit corporation established to build awareness and raise funds to support the operations of the Hospital. The bylaws of ALSAC provide that all funds raised, except for funds required for its operations and funds restricted as to other uses by donors, be distributed to or be held for the exclusive benefit of the Hospital.

Operations are overseen by the boards of governors and directors (the "Board"). The research activities of the Hospital are reviewed annually by a scientific advisory board composed of internationally prominent physicians and scientists.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The Organization's combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Cash and Cash Equivalents—Cash and cash equivalents include currency and deposits with financial institutions used as working capital to fund daily operations with original maturities of three months or less.

Contributions—All contributions are considered to be available for unrestricted use, unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported in the combined statements of activities as temporarily restricted or permanently restricted.

Unconditional promises to give cash and other assets are reported at estimated fair value at the date the promise is received. Conditional promises to give are recognized when the conditions, as stipulated by the donor, are substantially met. The gifts are reported as either temporarily or permanently restricted support in the combined statements of activities if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the combined statements of activities as net assets released from restrictions. Donor-restricted contributions for which restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying combined financial statements.

Investments and Investment Income—Investments where a readily determinable fair value exists are stated at fair value. Fair value is determined using the closing prices for investments traded on the applicable domestic or global stock exchange. Investments, including alternative investments, limited partnerships, and similar interests, with no readily determinable fair value, are stated at estimated fair value based on combined financial statements and other information received from the fund managers. However, the recorded value could differ from the value that would have been used had a readily available market existed for such investments. Investments also include bank certificates of deposit with original maturities of 174 days to 5 years and 3 months (with yields ranging from 1.40% to 3.17%) and funds invested in money market securities with maturities of three months or less, but such funds are held for the long-term benefit of the Hospital. All related gains and losses are included in net investment income in the combined statements of activities.

ALSAC employs a policy that establishes the amount of endowment investment income that may be used to fund operations. Under this policy, an amount determined annually, not to exceed 7% of the previous three years' average calendar year-end market values, may be distributed to fund operations and is reported as net assets released from restriction in the combined statements of activities. Actual endowment investment income is reported as a change in permanently restricted net assets in the combined statements of activities. All other investment income is reported as changes in unrestricted net assets in the combined statements of activities, unless restricted by the donor or law.

ALSAC has significant exposure to a number of risks, including interest rate, market, and credit risks for both marketable and nonmarketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in the combined financial statements.

Assets Limited as to Use—Assets limited as to use include assets set aside by the Board for liability insurance funding, over which the Board retains control and may, at its discretion, subsequently use for other purposes.

Property and Equipment—Property and equipment are stated at cost. Provisions for depreciation are computed using the straight-line method based on the estimated useful lives of the assets. Amortization of leasehold improvements is provided over the life of either the asset or the related lease, whichever is shorter.

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as unrestricted support in the combined statements of activities. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support in the combined statements of activities. Gifts of long-lived assets are reported when placed in service. Contributions restricted to the purchase of property and equipment, which restrictions are met within the same year as received, are reported as increases in unrestricted net assets in the accompanying combined financial statements.

Impairment of Long-Lived Assets—The Organization accounts for impairment of long-lived assets in accordance with Accounting Standards Codification (ASC) Topic 360, *Property, Plant, and Equipment*. ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate the book value of the asset may not be recoverable. In accordance with ASC 360, the Organization uses an estimate of future undiscounted cash flows of the related assets over the remaining life in assessing whether the assets are recoverable. The determination of the impairment, if any, for property and equipment is based on Level 3 inputs (see Note 5, Fair Value Measurement). No impairment was recorded in 2018 or 2017.

Temporarily and Permanently Restricted Net Assets—Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. These net assets consist primarily of charitable gift agreements and charitable remainder trusts.

Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

Net Patient Service Revenues and Receivables—No family ever pays the Hospital for the care their child receives. Accordingly, net patient service revenue consists only of estimated net realizable amounts from third-party payors for services rendered, including estimated retroactive revenue adjustments (if necessary) due to future 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 as amounts become known or as years are no longer subject to such audits, reviews, and investigations. Patient service revenue has been reduced by adjustments for uncollectible accounts totaling approximately $773,000 and $512,000 in 2018 and 2017, respectively.

The Hospital has agreements with governmental and other third-party payors that provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's billings at established rates for services and amounts reimbursed by third-party payors. Patient care services receivable has been reduced by estimated provisions for contractual adjustments and uncollectible accounts of $107,700,000 and $95,700,000 in 2018 and 2017, respectively.

Charity Care—The Hospital provides charity care to patients for all charges in excess of those realizable from third-party payors. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue.

Grant and Contract Revenue Recognition—The Hospital is the direct recipient of grant funding from various governmental agencies and nongovernmental sources for designated research projects initiated both internally and by these external entities. Revenue from grants and contracts are earned as related research costs are incurred.

Other Revenue—Other revenue includes technology licensing, net of payouts to inventors, and other miscellaneous revenue. Technology licensing included in other revenue was approximately $11,300,000 and $4,600,000 for the years ended June 30, 2018 and 2017, respectively.

Income Taxes—The Organization qualifies as tax exempt under existing provisions of the Internal Revenue Code (the "Code"), and its income is generally not subject to federal or state income taxes. The Organization is not considered a private foundation as defined in Section 509(a) of the Code; and therefore, individual donors are entitled to the maximum charitable deduction under Section 170(c) of the Code.

As of June 30, 2018, the Organization had not identified any uncertain tax positions under ASC Topic 740, *Income Taxes*, requiring adjustments to its combined financial statements. In the event the Organization were to recognize interest and penalties related to uncertain tax positions, it would be recognized in the combined financial statements as a general expense. Generally, tax years ending in 2015 through 2018 are open to examination by the federal and state taxing authorities, respectively. There are no income tax examinations currently in process.

Concentration of Credit Risk—ALSAC has deposits with financial institutions, which exceed federal depository insurance limits by approximately $6,077,000 and $4,033,000 at June 30, 2018 and 2017, respectively. ALSAC has not experienced any losses on such deposits, and management considers the risk of loss to be minimal.

Contributed Services—Unpaid volunteers make significant contributions of their time, principally in fundraising activities. The value of these services is not recognized in the combined financial statements since they do not meet certain applicable criteria specified under guidance issued under ASC Topic 958, *Not-for-Profit Entities*.

Joint Costs and Functional Expense Allocation—ALSAC conducts a number of activities, which jointly benefit its education, training, and community service program objectives, as well as fundraising and general and administrative activities. These costs, which are not specifically attributable to a single function or activity (i.e., joint costs), are allocated by management based on a combination of factors. These costs have been allocated for the purposes of preparing the accompanying combined statements of functional expenses and relate to ALSAC's television and radio programs and commercials, direct mail program, and certain other fundraising and public awareness events.

For the years ended June 30, 2018 and 2017, ALSAC incurred joint costs of approximately $135,766,000 and $115,787,000, respectively, for direct mail and television. Of those costs, $68,893,000 and $55,080,000 were allocated to program costs, $50,481,000 and $43,085,000 to fundraising costs, and $16,393,000 and $17,622,000 to general and administrative costs for the years ended June 30, 2018 and 2017, respectively.

Use of Estimates—The preparation of combined financial statements in conformity with GAAP requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues, and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Significant items subject to such estimates and assumptions include the determination of the allowances for uncollectible accounts for television and radio pledges, valuation of investments, allowances for contractual adjustments, estimated professional and general liability costs, reserves for workers' compensation claims, reserves for employee health care claims, and the allocation of joint costs to functional expense categories. In addition, laws and regulations governing various federal-sponsored and state-sponsored reimbursement programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs may change in the near term.

Subsequent Events—The Organization has evaluated the impact of significant subsequent events. There have been no subsequent events through October 11, 2018, the date the combined financial statements were available to be issued, that require recognition or disclosure.

Recent Accounting Pronouncements—In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for recognizing revenue and supersedes most existing revenue recognition guidance, including guidance specific to the health care industry. This ASU provides companies the option of applying a full or modified retrospective approach upon adoption. This ASU is effective for fiscal years beginning after December 15, 2018. Management is evaluating the impact of adopting this new accounting standard on the combined financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. This standard requires all leases that have a term of more than 12 months to be recognized in the combined statements of financial position with the liability for lease payments and the corresponding right-of-use asset initially measured at the present value of amounts expected to be paid over the term. Recognition of the costs of these leases in the combined statement of activities will be dependent upon their classification as either an operating or a financing lease. Costs of an operating lease will continue to be recognized as a single operating expense on a straight-line basis over the lease term. Costs for a financing lease will be disaggregated and recognized as both an operating expense (for the amortization of the right-of-use asset) and interest expense (for interest on the lease liability). This standard is effective for annual periods beginning after December 15, 2019, with early adoption permitted. Management is evaluating the impact of adopting this new accounting standard on the combined financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities, Presentation of Financial Statements of Not-for-Profit Entities*. This comprehensive standard provides guidance on net asset classification, required disclosures on liquidity, and availability of resources; requires expanded disclosure about expenses and investment returns; and eliminates the requirement to present or disclose the indirect method reconciliation if using the direct method when presenting cash flows. The standard is effective for annual periods beginning after December 15, 2017. Management is evaluating the impact of adopting this new accounting standard on the combined financial statements.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2018 and 2017, consist of the following:

	2018		
	Unrestricted	Temporarily Restricted	Total
Television specials—net of allowance for uncollectible pledges of approximately $2.4 million	$ 8,137,406	$ -	$ 8,137,406
Radiothons—net of allowance for uncollectible pledges of approximately $1.3 million	8,000,120	-	8,000,120
Charitable remainder trust receivables	-	1,233,240	1,233,240
Community development projects and other	11,465,975	-	11,465,975
Total	$27,603,501	$1,233,240	$28,836,741

	2017		
	Unrestricted	Temporarily Restricted	Total
Television specials—net of allowance for uncollectible pledges of approximately $3.3 million	$ 5,948,009	$ -	$ 5,948,009
Radiothons—net of allowance for uncollectible pledges of approximately $1.7 million	7,697,146	-	7,697,146
Charitable remainder trust receivables	-	1,680,095	1,680,095
Community development projects and other	6,442,875	-	6,442,875
Total	$20,088,030	$1,680,095	$21,768,125

Charitable remainder trust receivables are temporarily restricted net assets as of June 30, 2018 and 2017, based on time restrictions imposed by donors, either for a specified period or for the life of the donor. The receivables are discounted over their estimated useful lives at an average rate of 3.4% and 2.4% as of June 30, 2018 and 2017, respectively.

All other contributions receivable at June 30, 2018 and 2017, are considered unconditional promises to give and, in all significant respects, are due in less than one year.

4. INVESTMENTS AND ASSETS LIMITED AS TO USE

The composition of investments as of June 30, 2018 and 2017, is as follows:

	2018	2017
Global equity	$1,679,610,796	$1,475,534,847
Marketable alternative	1,252,489,484	1,125,519,198
Real assets	454,730,352	381,924,095
Private equity	619,305,444	453,443,379
Fixed income	323,314,327	282,977,240
Cash	67,395,956	96,574,714
Total	$4,396,846,359	$3,815,973,473

Marketable alternative investments include hedged equity, distressed debt, and multistrategy investments. ALSAC is obligated under certain investment contracts to periodically advance funding up to contractual levels. Such commitments were approximately $526,496,000 and $468,273,000 at June 30, 2018 and 2017, respectively.

Assets limited as to use under self-insurance funding arrangements represent the Hospital's ownership of a percentage of assets in a diversified pooled investment portfolio (the "Portfolio") based on the market value after adjusting for the time-weighted holding period of any contributions and withdrawals to the Portfolio. The Portfolio is administered by a third-party custodian and maintained for the exclusive use of the Hospital. Assets limited as to use were approximately $2,222,796 and $2,045,240 for the years ended June 30, 2018 and 2017, respectively.

The composition of net investment income for the years ended June 30, 2018 and 2017, is as follows:

	2018	2017
Net realized and unrealized investment gains	$345,480,948	$365,827,141
Interest and dividend income	25,314,829	22,538,468
Investment expenses	(1,379,680)	(1,222,472)
Net investment income	$369,416,097	$387,143,137

Realized and unrealized gains and losses are included in net investment income in the combined statements of activities.

5. FAIR VALUE MEASUREMENT

ALSAC accounts for assets and liabilities measured at fair value using ASC Topic 820, *Fair Value Measurement*. Certain assets and liabilities are required to be recorded at fair value on a recurring basis, while other assets and liabilities are recorded at fair value on a nonrecurring basis, generally as a result of impairment charges. Under ASC 820, fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Assets measured at fair value on a nonrecurring basis include impairment of long-lived assets.

The guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The fair value of cash, receivables, accounts payable, accrued expenses and annuity obligations approximate their carrying values. ALSAC considers the carrying amounts of all working capital to approximate fair value because of the short-term and/or nature of the instrument. Investments with readily available actively quoted prices, or for which fair value can be measured from actively quoted prices, generally, will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. In the absence of actively quoted prices and observable inputs, ALSAC estimates prices based on available historical data and near-term future pricing information that reflects its market assumptions.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by ALSAC for investments measured at fair value on a recurring basis:

Level 1—Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2—Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3—Inputs are unobservable and significant to the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

Net Asset Value (NAV)—For these assets, ASU No. 2015-07, *Fair Value Measurement—Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)* eliminated the requirement that investments for which fair value is measured at NAV per share (or its equivalent) using the practical expedient be categorized in the fair value hierarchy.

Most investments classified within Level 3 and the NAV category consist of the shares/units (or equivalent ownership interest in partner's capital) in investment funds rather than direct ownership in the funds' underlying assets.

ALSAC's assets and investments by asset class and fair value hierarchy level as of June 30, 2018 and 2017, are as follows:

	2018				
	Level 1	**Level 2**	**Level 3**	**Net Asset Value**	**Total**
Global equity	$452,646,916	$ -	$ -	$1,226,963,880	$1,679,610,796
Marketable alternative	3,597,930	-	3,954,327	1,244,937,227	1,252,489,484
Real assets	224,996,227	-	229,734,125	-	454,730,352
Private equity	-	-	619,305,444	-	619,305,444
Fixed income	26,539,169	-	-	296,775,158	323,314,327
Cash	67,395,956	-	-	-	67,395,956
Total	$775,176,198	$ -	$852,993,896	$2,768,676,265	$4,396,846,359

	2017				
	Level 1	**Level 2**	**Level 3**	**Net Asset Value**	**Total**
Global equity	$440,358,146	$ -	$ -	$1,035,176,701	$1,475,534,847
Marketable alternative	1,796,976	-	45,242,313	1,078,479,909	1,125,519,198
Real assets	108,179,289	-	239,680,382	34,064,424	381,924,095
Private equity	-	-	453,443,379	-	453,443,379
Fixed income	24,364,261	-	-	258,612,979	282,977,240
Cash	96,574,714	-	-	-	96,574,714
Total	$671,273,386	$ -	$738,366,074	$2,406,334,013	$3,815,973,473

There were no significant transfers between Level 1 and Level 2 (asset-level reclassification) during the years ended June 30, 2018 and 2017.

The changes in assets by asset class measured at fair value for which ALSAC used Level 3 inputs to determine fair value for the years ended June 30, 2018 and 2017, are as follows:

	Marketable Alternative	**Real Assets**	**Private Equity**	**Total**
Ending balance at June 30, 2016	$ 40,032,373	$191,042,769	$346,579,613	$ 577,654,755
Transfers into Level 3	-	-	-	-
Purchases	10,638	59,836,289	109,921,915	169,768,842
Sales	(1,076,410)	(213,935)	-	(1,290,345)
Distributions	(229,114)	(52,173,473)	(62,178,521)	(114,581,108)
Interest and dividends	153,521	5,751,489	4,235,675	10,140,685
Realized gain [a]	881,976	26,034,184	32,393,952	59,310,112
Unrealized gain [a]	5,469,329	9,403,059	22,490,745	37,363,133
Ending balance—June 30, 2017	45,242,313	239,680,382	453,443,379	738,366,074
Transfers into Level 3 [b]	21,101,400	-	-	21,101,400
Transfers out of Level 3 [c]	(40,438,140)	-	-	(40,438,140)
Purchases	6,280	25,756,264	139,178,724	164,941,268
Sales	(20,373,716)	(51,517)	-	(20,425,233)
Distributions	(1,772,811)	(62,581,521)	(83,274,324)	(147,628,656)
Interest and dividends	(21,763)	4,729,821	4,589,554	9,297,612
Realized gain [a]	4,367,812	33,073,257	51,126,889	88,567,958
Unrealized gain (loss) [a]	(4,157,048)	(10,872,561)	54,241,222	39,211,613
Ending balance—June 30, 2018	$ 3,954,327	$229,734,125	$619,305,444	$ 852,993,896

[a] The total amounts of realized gain and unrealized gain (loss) are included in net investment income in the statements of activities.

[b] Transfers into Level 3 relate to two funds which announced their termination as of the June 30, 2018 measurement date. Transfers into Level 3 are measured as of the beginning of the year.

[c] Transfers out of Level 3 relate to tranches in eight Marketable Alternative funds not subject liquidation on the same schedule as the remaining tranches in the funds. The values of these tranches have been reclassified as Net Asset Values consistent with the overall funds. Transfers out of Level 3 are measured as of the beginning of the year.

ALSAC uses fund NAV as a practical expedient to estimate the fair value of ALSAC ownership interest for funds which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

The investments in investment funds (in partnership format) by major category as of June 30, 2018 and 2017, are as follows:

2018	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global equity[(a)]	$1,226,963,880	$ -	Daily, monthly, quarterly	0–60 days
Marketable alternatives[(b)]	1,244,937,227	-	Monthly, quarterly, annually, greater than one year	30–180 days
Real assets[(c)]	-	-	Not redeemable, monthly, quarterly	0–90 days
Fixed income[(d)]	296,775,158	-	Monthly	30 days
Total	$2,768,676,265	$ -		

2017	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global equity [(a)]	$1,035,176,701	$ -	Daily, monthly, quarterly	0–60 days
Marketable alternatives [(b)]	1,078,479,909	-	Monthly, quarterly, annually, greater than one year	30–180 days
Real assets [(c)]	34,064,424	-	Not redeemable, monthly, quarterly	0–90 days
Fixed income [(d)]	258,612,979	-	Monthly	30 days
Total	$2,406,334,013	$ -		

There is approximately $14,252,000 across 12 funds undergoing full redemption from which ALSAC receives regular distributions, as stated in the funds' liquidity terms, or through liquidation by fund managers of underlying, illiquid securities. Liquidation of approximately $10,655,000 is expected to be completed within the next year. Illiquid balances expected to be distributed in the longer term remain from funds terminated in 2016, 2013, and prior year's total approximately $2,677,000, $406,000, and $514,000, respectively.

(a) Includes investments in global equity and long/short equity hedge funds. The long/short equity funds include short positions as well as long positions and use leverage. Managers in this allocation pursue diversified strategies covering multiple capitalizations, styles, and geographic focus. Some funds may be subject to lockup provisions.

(b) Includes hedge fund strategies such as hedged equity, multi-strategy, arbitrage, global macro, distressed securities, and open mandate strategies. Underlying investments are primarily liquid instruments and their derivatives in fixed income, asset-backed securities, currencies, trade claims, commodities, and equities. The funds include short positions as well as long positions and use leverage.

(c) Includes funds that invest in a variety of real assets that include real estate, real estate-related debt and securities, oil and gas and other energy-related investments, timber, commodities, precious metals, and mining companies.

(d) Consists of US Treasury securities employing a constant duration strategy and is liquid on a daily basis.

6. PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2018 and 2017, is as follows:

	2018	2017
Land and improvements	$ 56,153,153	$ 51,254,230
Buildings and improvements	1,149,978,815	998,723,529
Furniture and equipment	519,945,317	492,672,954
Leasehold improvements	4,020,576	257,398
Construction in progress	76,346,637	115,455,280
	1,806,444,498	1,658,363,391
Less accumulated depreciation and amortization	(931,364,873)	(875,521,488)
Total property and equipment	$ 875,079,625	$ 782,841,903

Buildings and improvements, furniture and equipment, and computer software are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives of 10 to 20 years, 3 to 20 years, and 3 to 5 years, respectively. Furniture and equipment includes computer software costs of approximately $135,536,259 and $130,450,046 at June 30, 2018 and 2017, respectively. Leasehold improvements are recorded at cost and are depreciated on a straight-line basis over the term of the lease or the estimated useful lives, whichever is shorter.

Construction in progress at June 30, 2018, was principally composed of $30,300,000 of costs related to the Advanced Research Center. The Advanced Research Center, with a total estimated cost of $413,000,000 will be used primarily for laboratory research and scientific collaboration, and is expected to be substantially complete in calendar year 2021.

7. RESTRICTIONS ON NET ASSETS

Permanently restricted net assets as of June 30, 2018 and 2017, are restricted for the following purposes:

	2018	2017
Future needs of the hospital	$ 788,371,362	$ 757,542,669
Endowed chairs	203,898,523	187,692,232
Treatment and research	32,428,445	20,018,521
Total	$ 1,024,698,330	$ 965,253,422

Temporarily restricted net assets of approximately $76,544,144 and $73,722,532 at June 30, 2018 and 2017, respectively, consisted primarily of charitable gift agreements and charitable remainder trusts receivable.

8. ENDOWMENT FUNDS

ALSAC's endowment consists of approximately 60 individual funds established for a variety of purposes. Its endowment includes only donor-restricted endowment funds. There are no Board-designated endowment funds.

Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. All permanently restricted net assets as of June 30, 2018 and 2017, are donor-restricted endowments.

Changes in endowment net assets, all of which are permanently restricted, for the years ended June 30, 2018 and 2017, are as follows:

	2018	2017
Endowment net assets—beginning of year	$ 965,253,422	$ 873,056,599
Contributions and bequests	21,281,957	12,552,432
Interest and dividends	5,434,576	4,390,453
Net realized and unrealized gains	87,255,489	99,084,792
Appropriation of endowment assets for expenditures	(54,527,114)	(23,830,854)
Endowment net assets—end of year	$ 1,024,698,330	$ 965,253,422

9. NET PATIENT SERVICE REVENUE

The Hospital has agreements with governmental and other third-party payors that provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors is as follows:

Commercial—The Hospital has entered into reimbursement arrangements providing for payment methodologies, which include prospectively determined rates per discharge, per diem amounts, case rates, fee schedules, and discounts from established charges.

Medicaid—Inpatient and outpatient services rendered to Medicaid program beneficiaries are generally paid based upon prospective reimbursement methodologies established by the beneficiaries' state of residence.

Blue Cross—All acute care services rendered to Blue Cross subscribers are reimbursed at prospectively determined rates.

The components of net patient service revenue as of June 30, 2018 and 2017, consisted of the following:

	2018	2017
Commercial insurance	$ 48,343,467	$ 58,654,467
Medicaid	33,127,880	34,482,092
Blue Cross	33,647,026	27,623,148
Other third-party payors	2,302,489	3,339,607
Total	$ 117,420,862	$ 124,099,314

10. CHARITY CARE

The Hospital's policy is to provide care to patients for all charges in excess of those realizable from third-party payors. Because the Hospital does not pursue the collection of amounts determined to qualify as charity care, such amounts are not reported as revenue. As a result, charges foregone, based on established rates, totaled approximately $116,000,000 and $108,900,000 in 2018 and 2017, respectively. Management's estimate of costs incurred to provide charity care were $89,700,000 and $81,400,000 in 2018 and 2017, respectively.

In addition to the patient care benefits described above, the Hospital provides significant research benefits to the broader community and other outreach programs.

11. BUSINESS AND CREDIT CONCENTRATIONS

The Hospital routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicaid, Blue Cross, preferred provider arrangements, and commercial insurance policies).

The mix of accounts receivable from third-party payors, net of contractual allowances, as of June 30, 2018 and 2017, is as follows:

	2018	2017
Commercial insurance	52 %	49 %
Medicaid	24	33
Blue Cross	23	16
Other third-party payors	1	2
Total	100 %	100 %

12. CONTRIBUTIONS

The composition of contributions as of June 30, 2018 and 2017, is as follows:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
National direct marketing	$ 647,101,105	$ -	$ -	$ 647,101,105
Community development programs	19,063,382	-	-	19,063,382
Public support—other-than-direct mail	286,134,074	-	499,904	286,633,978
Radiothons	57,460,115	-	-	57,460,115
Federated fundraising agencies	5,877,026	-	-	5,877,026
Corporate and foundation gifts	82,363,480	16,000	-	82,379,480
Memorials	33,000,289	-	-	33,000,289
Sporting events	46,029,110	-	-	46,029,110
Annuity contracts	-	5,280,522	-	5,280,522
Total	$1,177,028,581	$ 5,296,522	$ 499,904	$1,182,825,007

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
National direct marketing	$ 616,627,598	$ -	$ -	$ 616,627,598
Community development programs	20,484,358	-	-	20,484,358
Public support—other-than-direct mail	229,285,849	-	-	229,285,849
Radiothons	55,596,341	-	-	55,596,341
Federated fundraising agencies	9,338,998	-	-	9,338,998
Corporate and foundation gifts	62,706,472	8,500	251,000	62,965,972
Memorials	31,356,069	-	-	31,356,069
Sporting events	41,769,187	-	-	41,769,187
Annuity contracts	-	4,002,195	-	4,002,195
Total	$1,067,164,872	$ 4,010,695	$ 251,000	$1,071,426,567

13. EMPLOYEE RETIREMENT BENEFIT PLANS

The Hospital sponsors a defined-contribution retirement annuity plan generally covering all employees who have completed one year of service. The plan requires that the Hospital make annual contributions based on participants’ base compensation and employment classification. The plan allows individuals to begin making contributions to the plan as pretax deferral as soon as administratively feasible after hire date. Hospital contributions are 50% vested after two years of service and 100% vested after three years of service. Employee contributions are 100% vested immediately. Total cash contributions to the plan were approximately $23,800,000 and $22,200,000 for the years ended June 30, 2018 and 2017, respectively.

ALSAC sponsors a defined-contribution retirement plan generally covering all employees who have completed one year of service and 1,000 hours during a 12-month period. The plan allows ALSAC to make annual contributions based on participants’ salaries. Employees can choose to invest their contributions into the options provided through the plan. Employees become 30% vested in the employer contributions after two years of service, 60% after three years of service, and 100% after four years of service. Employee contributions are 100% vested immediately. ALSAC contributed approximately $7,439,000 and $6,936,000 to the plan during the years ended June 30, 2018 and 2017, respectively.

14. FINANCIAL INSTRUMENTS

The carrying amounts of all applicable asset and liability financial instruments reported in the combined statements of financial position approximate their estimated fair values due to their short-term nature, in all significant respects, as of June 30, 2018 and 2017.

15. SELF-INSURANCE PROGRAMS

The Hospital is self-insured for the following:

- Comprehensive general and professional liability coverage up to $1 million per claim and $3 million in the aggregate, with $100 million of excess claims-made coverage above the self-insured retentions. The reserve for the estimated ultimate costs of both reported claims and claims incurred, but not reported, was approximately $2,400,000 and $2,000,000 as of June 30, 2018 and 2017, respectively. The reserve is included in the combined statement of financial position as other liabilities.

- Workers' compensation liabilities up to a specific retention of $500,000, with excess coverage at statutory limits. The reserve for the estimated ultimate costs of both reported claims and claims incurred, but not reported, was approximately $1,200,000 as of June 30, 2018 and 2017. The reserve is included in the combined statement of financial position as other liabilities.

- Employee health coverage (medical and prescription drug) up to $425,000 per covered individual per year with no lifetime limit. The reserve for the estimated ultimate costs of both reported claims and claims incurred, but not reported, was approximately $3,900,000 and $4,100,000 as of June 30, 2018 and 2017. The reserve is included in the combined statement of financial position as other liabilities.

The Hospital also has substantial excess liability coverage available under the provisions of certain claims-made policies. To the extent that any claims-made coverage is not renewed or replaced with equivalent insurance, claims based on occurrences during the term of such coverage, but reported subsequently, would be uninsured. Management believes, based on incidents identified through the Hospital's incident reporting system, that any such claims would not have a material effect on the combined results of operations or financial position. In any event, management anticipates that the claims-made coverage currently in place will be renewed or replaced with equivalent insurance as the term of such coverage expires. Excess policies for professional liability coverage, workers' compensation coverage, and employee health coverage expire on May 1, 2019, January 1, 2019, and December 31, 2018, respectively.

16. LEASES

The Organization leases certain office space and equipment under noncancelable operating leases. Future minimum lease payments required under such leases having an initial or remaining term of more than one year as of June 30, 2018, consist of the following:

Years Ending June 30	
2019	$ 5,438,510
2020	4,759,271
2021	4,004,173
2022	3,720,029
2023	2,645,622
Thereafter	3,613,685
Total	$ 24,181,290

Rent expense for all operating leases was approximately $11,430,000 and $10,280,000 for the years ended June 30, 2018 and 2017, respectively.

17. LINES OF CREDIT

ALSAC maintains a $25,000,000 line of credit with a bank for short-term working capital. The line is unsecured, bears interest at London InterBank Offered Rate (LIBOR), plus 1% (2.09% at June 30, 2018), and expires on February 5, 2019. There were no amounts outstanding against the line on June 30, 2018.

ALSAC maintains another $25,000,000 line of credit with a separate financial institution for working capital purposes. The line is unsecured, bears interest at LIBOR, plus 1% (2.09% at June 30, 2018), and expires on January 30, 2019. There were no amounts outstanding against the line on June 30, 2018.

18. COMMITMENTS AND CONTINGENCIES

The Organization is involved in various claims and matters of litigation that arise in the normal course of business. Although the outcome of these proceedings and claims cannot be determined with certainty, the Organization’s management is of the opinion that the outcome will not have a material adverse effect on the combined financial statements.

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