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, 2019 and 2018, 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, 2019 and 2018, 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 the 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, 2019 and 2018, 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 10, 2019

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

COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
CASH AND CASH EQUIVALENTS	$ 147,098,745	$ 144,570,529
RECEIVABLES:		
Contributions	35,598,691	28,836,741
Patient care services—net	18,476,506	18,945,273
Grants and contracts	29,362,954	22,491,694
Other	3,347,299	3,673,126
UNRESTRICTED INVESTMENTS	3,908,880,476	3,297,003,092
RESTRICTED INVESTMENTS	1,139,221,470	1,099,843,267
ASSETS LIMITED AS TO USE	2,370,565	2,222,796
PROPERTY AND EQUIPMENT—Net	983,734,854	875,079,625
OTHER ASSETS	39,956,862	24,733,837
TOTAL	$ 6,308,048,422	$ 5,517,399,980
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 113,115,987	$ 92,951,256
Accrued expenses	73,107,542	63,476,025
Annuity obligations	42,074,138	36,646,367
Other liabilities	20,061,059	21,453,580
Total liabilities	248,358,726	214,527,228
NET ASSETS:		
Without donor restrictions	4,972,521,523	4,305,810,709
With donor restrictions	1,087,168,173	997,062,043
Total net assets	6,059,689,696	5,302,872,752
TOTAL	$ 6,308,048,422	$ 5,517,399,980

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, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT:						
Support:						
Contributions	$1,300,304,408	$ 60,892,532	$1,361,196,940	$1,177,028,581	$ 5,796,426	$1,182,825,007
Bequests	330,557,335	1,511,000	332,068,335	267,036,082	21,425,072	288,461,154
Special events—net	22,981,542	-	22,981,542	20,324,877	-	20,324,877
Total support	1,653,843,285	62,403,532	1,716,246,817	1,464,389,540	27,221,498	1,491,611,038
Revenues:						
Net patient service revenue	109,172,619	-	109,172,619	117,420,862	-	117,420,862
Research grants and contracts	109,635,882	-	109,635,882	94,401,470	-	94,401,470
Net investment income	298,530,927	64,643,688	363,174,615	281,986,792	87,429,305	369,416,097
Net assets released from restrictions	36,941,090	(36,941,090)	-	55,245,666	(55,245,666)	-
Other revenues	26,490,307	-	26,490,307	20,626,066	-	20,626,066
Total revenues	580,770,825	27,702,598	608,473,423	569,680,856	32,183,639	601,864,495
Total revenues, gains, and other support	2,234,614,110	90,106,130	2,324,720,240	2,034,070,396	59,405,137	2,093,475,533
EXPENSES:						
Program services:						
Patient care services	490,685,639	-	490,685,639	457,825,537	-	457,825,537
Research	436,938,714	-	436,938,714	410,716,516	-	410,716,516
Education, training, and community services	171,733,954	-	171,733,954	153,764,029	-	153,764,029
Total program services	1,099,358,307	-	1,099,358,307	1,022,306,082	-	1,022,306,082

(Continued)

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

COMBINED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019 Without Donor Restrictions	With Donor Restrictions	Total	2018 Without Donor Restrictions	With Donor Restrictions	Total
Supporting services:						
Fundraising	$ 262,087,387	$ -	$ 262,087,387	$ 242,100,247	$ -	$ 242,100,247
Administrative and general—Hospital	64,479,887	-	64,479,887	60,406,303	-	60,406,303
Administrative and general—ALSAC	141,306,940	-	141,306,940	118,196,441	-	118,196,441
Total supporting services	467,874,214	-	467,874,214	420,702,991	-	420,702,991
Total expenses	1,567,232,521	-	1,567,232,521	1,443,009,073	-	1,443,009,073
NET REVENUES, GAINS (LOSSES), AND OTHER SUPPORT	667,381,589	90,106,130	757,487,719	591,061,323	59,405,137	650,466,460
LOSS FROM DISPOSAL OF PROPERTY AND EQUIPMENT	(670,775)	-	(670,775)	(7,510,884)	-	(7,510,884)
CHANGE IN NET ASSETS	666,710,814	90,106,130	756,816,944	583,550,439	59,405,137	642,955,576
NET ASSETS—Beginning of year	4,305,810,709	997,062,043	5,302,872,752	3,722,260,270	937,656,906	4,659,917,176
NET ASSETS—End of year	$4,972,521,523	$1,087,168,173	$6,059,689,696	$4,305,810,709	$997,062,043	$5,302,872,752

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, 2019

	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	$247,605,381	$255,764,372	$ 46,625,486	$ 549,995,239	$ 86,655,899	$ 84,498,123	$171,154,022	$ 721,149,261
CAMPAIGN MATERIALS AND EXPENSES	-	-	46,024,023	46,024,023	62,761,731	8,056,475	70,818,206	116,842,229
PROFESSIONAL FEES AND CONTRACT SERVICES	81,949,951	63,189,661	16,471,412	161,611,024	10,295,799	22,814,906	33,110,705	194,721,729
SUPPLIES	93,127,698	54,123,560	886,256	148,137,514	-	2,339,034	2,339,034	150,476,548
TELEPHONE	605,461	630,420	2,673,913	3,909,794	7,022,327	3,254,877	10,277,204	14,186,998
MAILING COSTS	-	-	31,541,967	31,541,967	54,959,348	16,323,641	71,282,989	102,824,956
OCCUPANCY	13,718,917	13,959,470	2,343,139	30,021,526	4,895,239	8,513,725	13,408,964	43,430,490
PRINTING AND PUBLICATIONS	-	-	867,292	867,292	3,272,501	756,006	4,028,507	4,895,799
TRAVEL, MEETINGS, AND LOCAL TRANSPORTATION	7,248,037	4,368,074	5,836,623	17,452,734	9,022,271	3,677,486	12,699,757	30,152,491
SERVICE FEES	-	-	2,199,978	2,199,978	6,622,403	5,921,822	12,544,225	14,744,203
EQUIPMENT AND SOFTWARE MAINTENANCE	-	-	3,277,417	3,277,417	2,746,471	11,442,354	14,188,825	17,466,242
MISCELLANEOUS	5,553,921	5,564,929	7,988,078	19,106,928	11,258,906	11,721,006	22,979,912	42,086,840
TOTAL BEFORE DEPRECIATION	449,809,366	397,600,486	166,735,584	1,014,145,436	259,512,895	179,319,455	438,832,350	1,452,977,786
DEPRECIATION	40,876,273	39,338,228	4,998,370	85,212,871	2,574,492	26,467,372	29,041,864	114,254,735
TOTAL FUNCTIONAL EXPENSES	$490,685,639	$436,938,714	$171,733,954	$1,099,358,307	$262,087,387	$205,786,827	$467,874,214	$1,567,232,521

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, 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 CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 756,816,944	$ 642,955,576
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	114,254,735	102,245,676
Net realized and unrealized investment gains	(335,408,423)	(345,490,609)
Loss on disposal of property and equipment	670,775	7,510,884
Endowment contributions and interest, and other transfers	(22,420,430)	27,810,581
Changes in operating assets and liabilities:		
Contributions receivable	(6,761,950)	(7,068,616)
Patient care and other receivables	(6,076,666)	(4,517,171)
Other assets	(15,223,025)	2,223,729
Accounts payable and accrued expenses	8,769,622	4,928,901
Annuity obligations	5,427,771	707,773
Net cash provided by operating activities	500,049,353	431,306,724
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(935,878,504)	(926,721,482)
Sale of investments	670,823,138	691,161,649
Capital expenditures	(204,267,670)	(202,038,427)
Proceeds from disposal of property and equipment	321,036	365,553
Net cash used in investing activities	(469,002,000)	(437,232,707)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Endowment contributions and bequests	4,864,242	21,281,957
Endowment interest and dividends	5,492,333	5,434,576
Transfers of endowment net assets	(38,875,712)	(54,527,114)
Net cash used in financing activities	(28,519,137)	(27,810,581)
NET CHANGE IN CASH AND EQUIVALENTS	2,528,216	(33,736,564)
CASH AND CASH EQUIVALENTS—Beginning of year	144,570,529	178,307,093
CASH AND CASH EQUIVALENTS—End of year	$ 147,098,745	$ 144,570,529
NON-CASH INVESTING AND FINANCING ACTIVITIES—Capital expenditures, on account	$ 19,634,105	$ 321,408

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 8,600 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 82,000 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.

Net Assets—Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions—Net assets available for use in general operations and not subject to donor restrictions. The governing board has not designated from net assets without donor restrictions, other than the board-designated endowment fund and board-designated self-insurance funding, any other net assets to be restricted for specific purposes.

Net Assets With Donor Restrictions—Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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 contributions with donor restrictions.

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 contributions with donor restrictions 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), net assets with donor restrictions are reclassified as net assets without donor restrictions 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 contributions without donor restrictions 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 183 days to 6 years (with yields ranging from 1.50% to 2.78%) 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 from donor-restricted endowments is reported as a change in net assets with donor restrictions in the combined statements of activities. All other investment income is reported as changes in net assets without donor restrictions in the combined statements of activities.

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 support without donor restrictions 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 support with donor restrictions 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 net assets without donor restrictions 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 6, Fair Value Measurement). No impairment was recorded in 2019 or 2018.

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 $1,100,000 and $773,000 in 2019 and 2018, 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 $214,800,000 and $107,700,000 in 2019 and 2018, 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 $14,700,000 and $11,300,000 for the years ended June 30, 2019 and 2018, 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, 2019, 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 2016 through 2019 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 $3,576,000 and $6,077,000 at June 30, 2019 and 2018, 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.

Functional Expense Allocation and Joint Costs—The Organization allocates costs among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

Expense Category	**Method of Allocation**
Salaries and Benefits	Estimates of Time and Effort / Gross Salaries
Campaign Materials and Expenses	Actual Content for television, nature of activity for others
Professional Fees and Contract Services	Estimates of Time and Effort / Nature of Activity
Supplies	Purchase Requisitions
Telephone	Nature of Activity / Full Time Equivalent
Mailing Costs	Actual Content
Occupancy	Nature of Activity / Square Footage
Printing and Publications	Actual Content for television, nature of activity for others
Travel, Meetings, and Local Transportation	Nature of Activity / Travel Expenses
Service Fees	Estimates of Time and Effort
Equipment and Software Maintenance	Nature of Activity
Miscellaneous	Nature of Activity

ALSAC conducts a number of solicitation activities that jointly benefit its education, training and community service program objectives, as well as fundraising and general and administrative activities. For the years ended June 30, 2019 and 2018, ALSAC incurred joint costs of approximately $134,879,000 and $135,766,000, respectively, for direct mail and television. Of those costs, $70,080,000 and $68,893,000 were allocated to program costs, $49,677,000 and $50,481,000 to fundraising costs, and $15,122,000 and $16,393,000 to general and administrative costs for the years ended June 30, 2019 and 2018, 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, revenue, 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 10, 2019, 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 (Topic 606)*, 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 (Topic 842)*. This standard requires all leases that have a term of more than 12 months to be recognized on 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 2018, the FASB issued ASU No. 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. This standard provides guidance on the accounting for implementation costs incurred in a cloud computing arrangement (CCA) that is a service contract and requires entities to account for such costs consistent with the guidance on capitalizing costs associated with developing or obtaining internal-use software. The standard is effective for all entities for fiscal years beginning after December 15, 2019, with early adoption permitted. Management is evaluating the impact of adopting this new accounting standard on the Hospital's consolidated financial statements.

Change in Accounting Principle -In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958)—Presentation of Financial Statements of Not-for-Profit Entities*. This ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Financial assets at year end:	
Cash and cash equivalents	$ 147,098,745
Receivables	86,785,450
Assets limited as to use	2,370,565
Unrestricted investments	3,908,880,476
Restricted investments	1,139,221,470
Total financial assets	5,284,356,706
Less amounts not available to be used within one year:	
Assets limited as to use	(2,370,565)
Restricted investments	(1,139,221,470)
Board-designated endowments	(103,673,358)
Receivables not due within one year	(795,268)
Financial assets available within one year	$ 4,038,296,045

The Organization maintains cash balances to meet the short-term operating needs of the Hospital, plus funding for construction project needs within one year of the balance sheet date. Cash balances that exceed those needs are transferred to the investment custodian as unrestricted investments. ALSAC also maintains two lines of credit totaling $50,000,000 as described in footnote 19.

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2019 and 2018, consist of the following:

	2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Television specials—net of allowance for uncollectible pledges of approximately $1.9 million	$ 7,996,660	$ -	$ 7,996,660
Radiothons—net of allowance for uncollectible pledges of approximately $1.2 million	8,219,520	-	8,219,520
Charitable remainder trust receivables	-	1,251,848	1,251,848
Bequests and other receivables	18,130,663	-	18,130,663
Total	$ 34,346,843	$ 1,251,848	$ 35,598,691

	2018		
	Without Donor Restrictions	**With Donor Restrictions**	**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

Charitable remainder trust receivables are net assets with donor restrictions as of June 30, 2019 and 2018, 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 2.8% and 3.4% as of June 30, 2019 and 2018, respectively.

All other contributions receivable at June 30, 2019 and 2018, are considered unconditional promises to give and, in all significant respects, are due in less than one year.

5. INVESTMENTS AND ASSETS LIMITED AS TO USE

The composition of investments as of June 30, 2019 and 2018, is as follows:

	2019	2018
Global equity	$1,972,411,797	$1,679,610,796
Marketable alternative	1,357,388,781	1,252,489,484
Real assets	366,625,874	454,730,352
Private equity	777,719,090	619,305,444
Fixed income	446,999,466	323,314,327
Cash	126,956,938	67,395,956
Total	$5,048,101,946	$4,396,846,359

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 $2,370,565 and $2,222,796 for the years ended June 30, 2019 and 2018, respectively.

The composition of net investment income for the years ended June 30, 2019 and 2018, is as follows:

	2019	2018
Net realized and unrealized investment gains	$335,396,448	$345,480,948
Interest and dividend income	29,643,974	25,314,829
Investment expenses	(1,865,807)	(1,379,680)
Net investment income	$363,174,615	$369,416,097

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

6. FAIR VALUE MEASUREMENT

The Organization 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 Organization considers the carrying amounts of all working capital accounts (i.e., cash receivables, accounts payable, accrued expenses, and annuity obligations) 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, 2019 and 2018, are as follows:

	2019				
	Level 1	**Level 2**	**Level 3**	**Net Asset Value**	**Total**
Global equity	$520,091,582	$ -	$ -	$1,452,320,215	$1,972,411,797
Marketable alternative	4,753,859	-	5,914,527	1,346,720,395	1,357,388,781
Real assets	126,827,849	-	239,798,025	-	366,625,874
Private equity	-	-	777,719,090	-	777,719,090
Fixed income	75,346,705	-	-	371,652,761	446,999,466
Cash	126,956,938	-	-	-	126,956,938
Total	$853,976,933	$ -	$1,023,431,642	$3,170,693,371	$5,048,101,946

	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

There were no significant transfers between Level 1 and Level 2 (asset-level reclassification) during the years ended June 30, 2019 and 2018. There was a non-cash transfer of $50,939,567 from cash into the investment portfolio in 2019.

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, 2019 and 2018, are as follows:

	Marketable Alternative	**Real Assets**	**Private Equity**	**Total**
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
Transfers into Level 3 [(b)]	3,317,927	-	-	3,317,927
Transfers out of Level 3 [(c)]	-	-	-	-
Purchases	483	55,671,790	129,035,419	184,707,692
Sales	(509,590)	(620,490)	-	(1,130,080)
Distributions	(548,899)	(50,054,695)	(82,315,599)	(132,919,193)
Interest and dividends	20,524	3,558,118	4,947,660	8,526,302
Realized gain [(a)]	467,422	20,174,436	58,084,611	78,726,469
Unrealized gain (loss) [(a)]	(787,667)	(18,665,259)	48,661,555	29,208,629
Ending balance—June 30, 2019	$ 5,914,527	$239,798,025	$777,719,090	$1,023,431,642

(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, 2019 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 value 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.

Private equity and real assets do not have a readily determinable market value. Fair values are based on information provided by the fund managers along with audited financial information using either the market approach or an income approach, each of which requires a significant degree of judgment. There is no active trading market for these investments, and they are for the most part illiquid. Due to the significant unobservable inputs, the fair value measurements used to estimate their fair value are a Level 3 input.

ALSAC is obligated under certain investment contracts to periodically advance funding up to contractual levels. Such commitments were approximately $658,803,000 and $526,496,000 at June 30, 2019 and 2018, respectively.

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, 2019 and 2018, are as follows:

2019	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Global equity [a]	$1,452,320,215	$ -	Daily, monthly, quarterly greater than one year	0–60 days
Marketable alternatives [b]	1,346,720,395	-	Monthly, quarterly, annually, greater than one year	30–180 days
Fixed income [c]	371,652,761	-	Monthly	30 days
Total	$3,170,693,371	$ -		

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
Fixed income [c]	296,775,158	-	Monthly	30 days
Total	$2,768,676,265	$ -		

There is approximately $71,309,000 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 $65,409,000 is expected to be completed within the next year. Illiquid balances expected to be distributed in the longer term remain from funds terminated in 2017, 2016, 2015, and prior year's total approximately $3,219,000, $105,000, $2,275,000, and $301,000, 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] Consists of US Treasury securities employing a constant duration strategy and is liquid on a daily basis.

7. PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2019 and 2018, is as follows:

	2019	2018
Land and improvements	$ 58,639,701	$ 56,153,153
Buildings and improvements	1,175,036,221	1,149,978,815
Furniture and equipment	415,873,886	384,319,518
Computer software	160,153,502	135,625,799
Leasehold improvements	4,590,965	4,020,576
Construction in progress	186,390,599	76,346,637
	2,000,684,874	1,806,444,498
Less accumulated depreciation and amortization	(1,016,950,020)	(931,364,873)
Total property and equipment	$ 983,734,854	$ 875,079,625

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. 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, 2019 and 2018, was principally composed of $142,113,554 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.

8. ENDOWMENT FUNDS

ALSAC's endowment consists of approximately 60 individual funds established for a variety of purposes. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

ALSAC maintained the following endowment net asset composition by type of fund as of June 30, 2019 and 2018:

	2019		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds:			
Future needs of the hospital	$ -	$ 699,585,399	$ 699,585,399
Endowed chairs	-	217,609,474	217,609,474
Treatment and research	-	34,482,713	34,482,713
Board-designated endowment funds	103,673,358	-	103,673,358
Total	$ 103,673,358	$ 951,677,586	$ 1,055,350,944

	2018		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds:			
Future needs of the hospital	$ -	$ 684,190,931	$ 684,190,931
Endowed chairs	-	203,898,523	203,898,523
Treatment and research	-	32,428,445	32,428,445
Board-designated endowment funds	104,180,431	-	104,180,431
Total	$ 104,180,431	$ 920,517,899	$ 1,024,698,330

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	2019		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$104,180,431	$920,517,899	$1,024,698,330
Contributions and bequests	-	4,864,242	4,864,242
Interest and dividends	559,942	4,932,391	5,492,333
Net realized and unrealized gains	6,023,743	53,148,009	59,171,752
Appropriation of endowment net assets pursuant to spending policy	(7,090,758)	(31,784,955)	(38,875,713)
Endowment net assets, end of year	$103,673,358	$951,677,586	$1,055,350,944

	2018		
	Without Donor Restriction	**With Donor Restriction**	**Total**
Endowment net assets, beginning of year	$101,319,048	$863,934,374	$ 965,253,422
Contributions and bequests	-	21,281,958	21,281,958
Interest and dividends	572,449	4,862,127	5,434,576
Net realized and unrealized gains	9,156,909	78,098,580	87,255,489
Appropriation of endowment net assets pursuant to spending policy	(6,867,975)	(47,659,140)	(54,527,115)
Endowment net assets, end of year	$104,180,431	$920,517,899	$1,024,698,330

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2019 and 2018, are restricted for the following purposes:

	2019	**2018**
Endowments:		
Subject to spending policy and appropriation		
Future needs of the hospital	$ 699,585,399	$684,190,931
Endowed chairs	217,609,474	203,898,523
Treatment and research	34,482,713	32,428,445
Total endowments	951,677,586	920,517,899
Subject to the passage of time	85,476,067	76,538,433
Net assets restricted to purpose	50,014,520	5,711
Total net assets with donor restrictions	$1,087,168,173	$997,062,043

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2019 and 2018:

	2019	**2018**
Spending from donor-restricted endowment funds under an endowment spending policy	$31,784,955	$47,659,139
Expiration of split interest agreements	5,152,635	2,169,322
Restricted purpose spending:		
Patient housing remodeling	-	5,416,205
Financial assistance	3,500	-
Expiration of time restrictions	-	1,000
Total	$36,941,090	$55,245,666

10. NET ASSETS WITHOUT DONOR RESTRICTIONS

The composition of net assets without donor restrictions as of June 30, 2019 and 2018 is as follows:

	2019	2018
Cash and cash equivalents	$ 96,730,532	$ 144,405,672
Receivables	85,735,451	72,712,484
Investments	3,908,880,476	3,297,003,092
Board-designated endowments	103,673,358	104,180,431
Assets limited as to use	2,370,565	2,222,796
Property and equipment, net	983,734,854	875,079,625
Deferred expenses and other assets	39,755,013	24,733,837
Total assets without donor restrictions	5,220,880,249	4,520,337,937
Less liabilities	(248,358,726)	(214,527,228)
Net assets without donor restrictions	$4,972,521,523	$4,305,810,709

11. 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, 2019 and 2018, consisted of the following:

	2019	2018
Commercial insurance	$ 42,552,205	$ 48,343,467
Medicaid	33,236,644	33,127,880
Blue Cross	29,413,543	33,647,026
Other third-party payors	3,970,227	2,302,489
Total	$109,172,619	$117,420,862

12. 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 $126,100,000 and $116,000,000 in 2019 and 2018, respectively. Management's estimate of costs incurred to provide charity care were $96,800,000 and $89,700,000 in 2019 and 2018, respectively.

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

13. 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, 2019 and 2018, is as follows:

	2019	2018
Commercial insurance	48 %	52 %
Blue Cross	26	23
Medicaid	22	24
Other third-party payors	4	1
Total	100 %	100 %

14. CONTRIBUTIONS

The composition of contributions as of June 30, 2019 and 2018, is as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Direct marketing	$ 742,300,624	$ -	$ 742,300,624
Community development programs	18,201,401	-	18,201,401
Public support—other-than-direct mail	299,118,381	228,650	299,347,031
Radiothons	61,307,689	-	61,307,689
Federated fund raising agencies	3,836,869	-	3,836,869
Corporate and foundation gifts	93,886,634	54,000,295	147,886,929
Memorials	32,231,687	832	32,232,519
Sporting events	49,421,123	-	49,421,123
Annuity contracts	-	6,662,755	6,662,755
Total	$ 1,300,304,408	$ 60,892,532	$ 1,361,196,940

	2018		
	Without Donor Restrictions	With Donor Restrictions	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 fund raising 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	$ 5,796,426	$ 1,182,825,007

ALSAC receives gift-in-kind contributions in the form of public service announcements ("PSA"), which are used to promote the mission of the Hospital. In accordance with ASC 958, when this type of transaction occurs, ALSAC should record these gift-in-kind contributions as Contribution Revenue at fair market value, and the related expense should be recorded by function at the time the expense is recognized based on the nature of the contributed item. ALSAC has received an increase in the number of these type of gift-in-kind contributions and therefore is in the process of tracking and determining an appropriate value to apply to these PSA campaigns in accordance with GAAP. ALSAC has preliminarily estimated these PSA gift-in-kind contributions to be in the range of $40,000,000 to $80,000,000 a year. ALSAC expects to finalize its process to track and value these PSA contributions in the coming year.

15. 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 $26,200,000 and $23,800,000 for the years ended June 30, 2019 and 2018, 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 $8,167,000 and $7,439,000 to the plan during the years ended June 30, 2019 and 2018, respectively.

16. 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, 2019 and 2018.

17. 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 $1,800,000 and $2,400,000 as of June 30, 2019 and 2018, respectively. The reserve is included in the combined statements 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, 2019 and 2018. The reserve is included in the combined statements 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 as of June 30, 2019 and 2018. The reserve is included in the combined statements 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 statements of activities 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, 2020, January 1, 2020, and December 31, 2019, respectively.

18. 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, 2019, consist of the following:

Years Ending June 30	
2020	$ 5,384,849
2021	4,733,621
2022	4,290,138
2023	3,632,611
2024	2,161,271
Thereafter	1,883,512
Total	$22,086,002

Rent expense for all operating leases was approximately $12,300,000 and $11,430,000 for the years ended June 30, 2019 and 2018, respectively.

19. 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% (3.4% at June 30, 2019); and expires on February 5, 2020. There were no amounts outstanding against the line as of June 30, 2019 and 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% (3.4% at June 30, 2019); and expires on January 30, 2020. There were no amounts outstanding against the line as of June 30, 2019 and 2018.

20. 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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