The Johns Hopkins Health System Corporation and Affiliates

Consolidated Financial Statements and Supplementary Information
June 30, 2018 and 2017

The Johns Hopkins Health System Corporation and Affiliates
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June 30, 2018 and 2017

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Report of Independent Auditors

To the Board of Trustees of
The Johns Hopkins Health System Corporation and Affiliates:

We have audited the accompanying consolidated financial statements of The Johns Hopkins Health System Corporation and Affiliates ("JHHS"), which comprise the consolidated balance sheets as of June 30, 2018 and 2017, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

PricewaterhouseCoopers LLP, 100 East Pratt Street, Suite 2600, Baltimore, MD 21202-1096
T: (410) 783 7600, F: (410) 783 7680, www.pwc.com/us

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Johns Hopkins Health System Corporation and Affiliates as of June 30, 2018 and 2017, and the results of their operations and changes in net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Baltimore, Maryland
September 27, 2018

The Johns Hopkins Health System Corporation and Affiliates
Consolidated Balance Sheets
June 30, 2018 and 2017
(in thousands)

ASSETS	2018	2017
Current assets:		
Cash and cash equivalents	$ 579,793	$ 566,331
Short-term investments	57,384	152,434
Assets whose use is limited - used for current liabilities	14,343	14,183
Patient accounts receivable, net of estimated uncollectibles of $107,397 and $106,622 as of June 30, 2018 and 2017, respectively	583,952	539,552
Due from others, current portion	106,747	93,437
Due from affiliates, current portion	35,292	30,917
Inventories of supplies	122,486	112,809
Estimated malpractice recoveries, current portion	44,395	44,653
Prepaid expenses and other current assets	46,434	69,741
Total current assets	1,590,826	1,624,057
Assets whose use is limited		
By donors or grantors for:		
Pledges receivable	30,826	34,912
Other	119,196	104,549
By Board of Trustees	570,316	626,180
Other	19,938	26,018
Total assets whose use is limited	740,276	791,659
Investments	2,984,149	2,740,332
Property, plant and equipment	5,230,722	4,971,701
Less: allowance for depreciation and amortization	(2,256,453)	(2,081,138)
Total property, plant and equipment, net	2,974,269	2,890,563
Due from affiliates, net of current portion	97,280	96,390
Estimated malpractice recoveries, net of current portion	34,042	37,392
Swap counterparty deposit	33,851	46,095
Other assets	22,768	37,124
Total assets	$ 8,477,461	$ 8,263,612

The accompanying notes are an integral part of these consolidated financial statements.

The Johns Hopkins Health System Corporation and Affiliates
Consolidated Balance Sheets, continued
June 30, 2018 and 2017
(in thousands)

LIABILITIES AND NET ASSETS	2018	2017
Current liabilities:		
Current portion of long-term debt and obligations under capital leases	$ 54,025	$ 542,775
Accounts payable and accrued liabilities	646,770	561,591
Medical claims reserve	118,184	119,631
Deferred revenue	140,826	129,124
Due to affiliates, current portion	10,125	12,905
Accrued vacation	80,394	78,272
Advances from third-party payors	114,096	139,507
Current portion of estimated malpractice costs	46,559	47,244
Total current liabilities	1,210,979	1,631,049
Long-term debt and obligations under capital leases, net of current portion	1,996,423	1,588,282
Estimated malpractice costs, net of current portion	128,253	130,057
Net pension liability	733,018	761,439
Other long-term liabilities	233,122	285,729
Total liabilities	4,301,795	4,396,556
Net assets:		
Unrestricted	4,009,562	3,683,545
Temporarily restricted	102,886	123,248
Permanently restricted	63,218	60,263
Total net assets	4,175,666	3,867,056
Total liabilities and net assets	$ 8,477,461	$ 8,263,612

The accompanying notes are an integral part of these consolidated financial statements.

The Johns Hopkins Health System Corporation and Affiliates
Consolidated Statements of Operations and Changes in Net Assets
For the Years Ended June 30, 2018 and 2017
(in thousands)

	2018	2017
Operating revenues:		
Net patient service revenue before provision for bad debts	$ 5,780,195	$ 5,471,917
Provision for bad debts	(102,127)	(100,796)
Net patient service revenue, less the provision for bad debts	5,678,068	5,371,121
Other revenue	801,295	693,717
Investment income	64,049	65,387
Net assets released from restrictions used for operations	15,080	22,786
Total operating revenues	6,558,492	6,153,011
Operating expenses:		
Salaries, wages and benefits	2,362,279	2,253,722
Purchased services	2,604,489	2,403,249
Supplies and other	1,055,690	1,017,610
Interest	59,992	49,761
Depreciation and amortization	286,160	275,512
Total operating expenses	6,368,610	5,999,854
Income from operations	189,882	153,157
Non-operating revenues and expenses:		
Interest expense on swap agreements	(20,511)	(24,405)
Change in fair value of interest rate swap agreements	48,207	80,794
Net realized and changes in unrealized gains on investments	134,767	195,103
Loss on advance refunding of debt	-	(15,530)
Other components of net periodic pension cost	(74,400)	(58,676)
Other non-operating expenses	(28,540)	(29,781)
Excess of revenues over expenses before noncontrolling interests	249,405	300,662
Noncontrolling interests	7,867	4,098
Excess of revenues over expenses	257,272	304,760
Contributions from affiliates	24,711	4,273
Change in funded status of defined benefit plans	23,267	72,873
Net assets released from restrictions used for purchases of property, plant, and equipment	24,663	14,392
Noncontrolling interests	(7,867)	(4,098)
Other	3,971	15,847
Increase in unrestricted net assets	326,017	408,047
Changes in temporarily restricted net assets:		
Gifts, grants and bequests	21,938	42,427
Net assets released from restrictions used for purchases of property, plant, and equipment	(24,663)	(14,392)
Net assets released from restrictions used for operations	(15,080)	(22,786)
Other	(2,557)	(2,651)
(Decrease) increase in temporarily restricted net assets	(20,362)	2,598
Changes in permanently restricted net assets:		
Gifts, grants and bequests	2,955	2,340
Increase in permanently restricted net assets	2,955	2,340
Increase in net assets	308,610	412,985
Net assets at beginning of year	3,867,056	3,454,071
Net assets at end of year	$ 4,175,666	$ 3,867,056

The accompanying notes are an integral part of these consolidated financial statements.

The Johns Hopkins Health System Corporation and Affiliates
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017
(in thousands)

	2018	2017
Operating activities:		
Change in net assets	$ 308,610	$ 412,985
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	284,958	273,860
Provision for bad debts	102,127	100,796
Net realized and changes in unrealized gains on investments	(134,767)	(195,103)
Change in fair value of interest rate swap agreements	(48,207)	(80,794)
Change in funded status of defined benefit plans	(23,267)	(72,873)
Restricted contributions and investment income received	(17,240)	(37,717)
Return on equity investments	(5,542)	(11,869)
Advance refunding of debt	-	15,530
Contributions attributable to noncontrolling interests	(24,711)	(10,010)
Other operating activities	125	(4,974)
Change in assets and liabilities:		
Patient accounts receivable	(146,526)	(24,212)
Inventories of supplies, prepaid expenses and other current assets	479	(23,542)
Due from affiliates, net	(6,132)	2,158
Pledges receivable	4,324	2,380
Other assets	17,833	124,699
Accounts payable, accrued liabilities and accrued vacation	62,176	(31,184)
Medical claims reserve	(1,447)	24,521
Deferred revenue	11,467	117,440
Advances from third-party payors	(16,390)	(19,967)
Accrued pension benefit costs	2,507	36,540
Estimated malpractice costs	(3,372)	2,189
Other long-term liabilities	(1,911)	(5,065)
Net cash and cash equivalents provided by operating activities	365,094	595,788
Investing activities:		
Purchases of property, plant and equipment	(348,742)	(340,029)
(Investment in) return of equity investments	(5,553)	(22,986)
Purchases of investment securities	(1,537,617)	(2,205,910)
Sales of investment securities	1,586,016	1,585,300
Payments received on Affiliate notes	15,593	17,703
Advances on Affiliate notes	(16,737)	(4,252)
Other investing activities	(219)	350
Net cash and cash equivalents used in investing activities	(307,259)	(969,824)
Financing activities:		
Restricted contributions and investment income received	17,240	37,717
Proceeds from long-term borrowings	355,646	667,348
Repayment of long-term debt and obligations under capital lease	(442,824)	(202,876)
Contributions attributable to noncontrolling interests	24,711	10,010
Other financing activities	854	2,367
Net cash and cash equivalents (used in) provided by financing activities	(44,373)	514,566
Change in cash and cash equivalents	13,462	140,530
Cash and cash equivalents at beginning of year	566,331	425,801
Cash and cash equivalents at end of year	$ 579,793	$ 566,331
Supplemental disclosure of cash flow information:		
Purchases of property and equipment in accounts payable	$ 33,888	$ 21,077
Assets acquired under capital leases	7,144	13,869
Interest paid	82,545	73,513

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization. The Johns Hopkins Health System Corporation ("JHHSC") is incorporated in the State of Maryland to, among other things, formulate policy among and provide centralized management for JHHSC and Affiliates ("JHHS"). In addition, it provides certain shared services including finance, human resources, payroll, accounts payable, purchasing, patient financial services, legal, and other functions. JHHS is organized and operated for the purpose of promoting health by functioning as a parent holding company of affiliates whose combined mission is to provide patient care in the treatment and prevention of human illness which compares favorably with that rendered by any other institution in this country or abroad.

JHHSC is the sole member of The Johns Hopkins Hospital ("JHH"), an academic medical center, Johns Hopkins Bayview Medical Center, Inc. ("JHBMC"), a community based teaching hospital, Howard County General Hospital, Inc. ("HCGH"), a community based hospital, Suburban Hospital, Inc. ("SHI"), a community based hospital, Sibley Memorial Hospital ("SMH"), a community based hospital, Johns Hopkins All Children's Hospital, Inc. ("JHACH"), an academic children's hospital, Suburban Hospital Healthcare System, Inc. ("SHHS"), a diverse healthcare system, All Children's Health System ("ACHS"), a diverse healthcare system, Johns Hopkins Community Physicians ("JHCP"), a community based physician practice group, The Johns Hopkins Medical Services Corporation ("JHMSC"), the contracting entity for the Uniformed Services Family Health Plan ("USFHP) contract, and the HCGH OB/GYN Associates Series, LLC ("HCOB"), a taxable community based obstetrics and gynecology practice. JHHSC is also the sole shareholder of Howard County Health Services, Inc. ("HCSI"), a taxable entity organized to hold interests in various health care enterprises, Johns Hopkins Medical Management Corp. ("JHMMC"), a taxable entity that provides temporary nursing and clerical staffing, promotes ambulatory care arrangements in support of JHHS, and houses commercial supply chain business units, and Johns Hopkins Employer Health Programs, Inc. ("EHP"), a taxable third-party administrator for employee health benefit plans self-funded by the constituent employee sponsors. JHHSC owns a 99.8% interest in Ophthalmology Associates, LLC ("OA"), a taxable professional services organization which operates an ophthalmology center at Green Spring Station. JHHSC and the Johns Hopkins University (the "University") each own a 50% membership interest in Johns Hopkins HealthCare LLC ("JHHC"), a taxable managed care entity supporting JHHS and the University in cooperative strategies by which patient care, education, and research may be advanced. JHHSC consolidates JHHC. These entities are collectively known as the "Affiliates."

The University is a privately endowed institution that provides education and related services to students and others, research and related services to sponsoring organizations, and professional medical services to patients. The University is a separate legal entity from JHHSC with its own Board of Trustees. The University does not assume any responsibility or liability for the financial obligations of JHHS. The University owns membership interests in some of the affiliates of JHHS. Professional clinical services are also provided by members of the University's faculty to patients at JHHS hospitals.

Use of estimates. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by management include the estimated net realizable value of patient receivables, valuation of alternative investments, the actuarially determined pension and other postretirement benefits, medical claims reserve, and malpractice and self-insurance reserves.

Basis of presentation. The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Principles of consolidation. The consolidated financial statements include the accounts of JHHSC and all Affiliates after elimination of all significant intercompany accounts and transactions.

Cash and cash equivalents. Cash and cash equivalents include amounts invested in accounts with depository institutions which are readily convertible to cash, with original maturities of three months or less. Total deposits maintained at these institutions at times exceed the amount insured by federal agencies and therefore, bear a risk of loss. JHHS has not experienced such losses on these funds.

Through arrangements with banks, excess operating cash is invested daily. This investment is considered a cash equivalent in the accompanying Consolidated Balance Sheets. JHHS earns interest on these funds at a rate that is based upon the bank's Federal Funds rate. The interest is recorded in the Consolidated Statements of Operations and Changes in Net Assets as investment income.

Due from others. Due from others balances primarily include receivables related to the hospital discharge pharmacies.

Due from affiliates. Due from affiliates balances primarily include loans and other receivable balances from certain affiliates that do not consolidate within JHHS.

Inventories of supplies. Inventories of supplies are composed of medical supplies, drugs, linen, and parts inventory for repairs. Inventories of supplies are recorded at lower of cost or net realizable value using a first in, first out method.

Assets whose use is limited. Assets whose use is limited ("AWUIL") or restricted by the donor are recorded at fair value at the date of donation. Investment income or losses on investments of temporarily or permanently restricted assets is recorded as an increase or decrease in temporarily or permanently restricted net assets to the extent restricted by the donor or law. The cost of securities sold is based on the specific identification method.

Assets whose use is limited include assets held by trustees under debt agreements, assets restricted by the board of trustees for future capital improvements, pledges receivable, beneficial interest remainder trusts, and net assets set aside pursuant to their temporarily and permanently restricted nature. The carrying amounts reported in the Consolidated Balance Sheets represent fair value.

Investments and investment income. Investments in equity securities with readily determinable fair values and all investments in debt securities are classified as trading and are recorded at fair value in the Consolidated Balance Sheets. Debt and equity securities traded on a national securities and international exchange are valued as of the last reported sales price on the last business day of the fiscal year; investments traded on the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and ask prices.

Investments include managed funds, which include hedge funds, private partnerships and other investments (collectively "alternative investments") which do not have readily ascertainable fair values and may be subject to withdrawal restrictions. The income or loss from these alternative investments is included in the Consolidated Statements of Operations and Changes in Net Assets as an unrealized gain or loss above excess of revenues over expenses.

Alternative investments are less liquid than other types of investments held by JHHS. These instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of oversight, dependence upon key individuals, emphasis on speculative investments, and nondisclosure of portfolio composition.

Investment income earned on cash and investment balances (interest and dividends) is reported in the operating income section of the Consolidated Statements of Operations and Changes in Net Assets under 'Investment income'. Realized gains or losses related to the sale of investments, and changes in unrealized gains or losses on investments are included in the non-operating section of the Consolidated Statements of Operations and Changes in Net Assets included in excess of revenues over expenses unless the income or loss is restricted by donor or law. Investments classified as non-current on the Consolidated Balance Sheets include investments that are not expected to be converted to cash within one year.

Participation in Joint Ventures. JHHS participates in several joint ventures which JHHS has determined are central to its operations and mission. These investments are recorded in long-term investments on the Consolidated Balance Sheets. Investments in companies in which JHHS does not have control, but has the ability to exercise significant influence over operating and financial policies, are accounted for using the equity method of accounting, and operating results flow through other revenue on the Consolidated Statements of Operations and Changes in Net Assets. Dividends received are recorded as a reduction of the carrying amount of the investment. Investments in companies in which JHHS does not have control, nor has the ability to exercise significant influence over operating and financial policies, are accounted for using the cost method of accounting. Investments are originally recorded at cost, with dividends received being recorded as other revenue.

Property, plant and equipment. Property, plant and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of lease term or estimated useful life of the equipment. Estimated useful lives assigned by JHHS range from 2 to 25 years for land improvements, 3 to 45 years for buildings and improvements, 2 to 25 years for fixed and movable equipment, and 2 to 20 years for leasehold improvements (using the lesser of the lease term or the useful life of the improvement). Interest costs incurred on borrowed funds, net of income earned, during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets. Repair and maintenance costs are expensed as incurred. When property, plant and equipment are retired, sold or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operating income.

Capitalized costs of software include payment to vendors for the purchase of software and assistance in its installation, payroll costs of employees directly involved in the software installation, and capitalized interest costs of the software project. Preliminary costs to document system requirements, vendor selection, and any costs incurred before the software purchase are expensed. Capitalization of costs ends when the project is completed and is ready to be used. Where implementation of the project is in phases, only those costs incurred which further the development of the project are capitalized. Costs incurred to maintain the system are expensed.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. 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. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expiration of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment of long-lived assets. Long-lived assets are reviewed for impairment when events and circumstances indicate that the carrying amount of an asset may not be recoverable. JHHS' policy is to record an impairment loss when it is determined that the carrying amount of the asset exceeds the sum of the expected undiscounted future cash flows resulting from use of the asset and its eventual disposition. Impairment losses are measured as the amount by which the carrying amount of the asset exceeds its fair value. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No material impairment charges were recorded in 2018 or 2017.

Medical claims reserve. JHHC's medical claims reserve is an estimate of payments to be made for reported claims and losses incurred but not reported. The estimate was developed using actuarial methods based upon historical data for payment patterns, cost trends, and other relevant factors. The estimate is continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operating income.

Deferred revenue. JHHC's capitated receipts received in advance for future services to be provided are recorded as deferred revenue.

Accrued vacation. JHHS records a liability for amounts due to employees for future absences which are attributable to services performed in the current and prior periods.

Advances from third-party payors. JHHS receives advances from some of its third-party payors so that those payors can receive the stated prompt pay discount allowed in the State of Maryland. Advances are recorded as a current liability in the Consolidated Balance Sheets.

Estimated malpractice costs. The provision for estimated medical malpractice claims includes estimates of the ultimate gross costs for both reported claims and claims incurred but not reported. Additionally, an insurance recovery has been recorded representing the amount expected to be recovered from the self-insured captive insurance company.

Swap agreements. JHHS follows accounting guidance on derivative financial instruments that are based on whether the derivative instrument meets the criteria for designation as cash flow or fair value hedges. All of JHHS' derivative financial instruments are interest rate swap agreements without hedge accounting designation. JHHS does not hold derivative instruments for the purpose of managing credit risk and limits the amount of credit exposure to any one counterparty and enters into derivative transactions with high quality counterparties. JHHS recognizes gains and losses from changes in fair values of interest rate swap agreements as a non-operating revenue or expense within excess of revenues over expenses on the Consolidated Statements of Operations and Changes in Net Assets.

The value of the interest rate swap agreements entered into by JHHS are adjusted to fair value monthly at the close of each accounting period based upon quotations from market makers. The change in fair value, if any, is recorded in the non-operating section of the Consolidated Statements of Operations and Changes in Net Assets. Entering into interest rate swap agreements involves, to varying degrees, elements of credit, default, prepayment, market and documentation risk in excess of the amounts recognized on the Consolidated Balance Sheets. Such risks involve the possibility that there will be no liquid market for these agreements. The counterparty to these agreements may default on its obligation to perform and there may be unfavorable changes in interest rates.

Noncontrolling interests. JHHC is owned by JHHSC and the University, each member having a 50% interest. JHHC's profits are divided between the members based on product line. Based on control via majority voting interest, JHHSC consolidates JHHC and records noncontrolling interests for the profits attributable to the University. Additionally, JHHC owns a 50% interest in Priority Partners Managed Care Organization, Inc. ("Priority Partners"), a for-profit joint venture approved by the State of Maryland to operate as an authorized Medicaid managed care organization. Based on controlling financial interest, JHHC consolidates Priority Partners and records noncontrolling interests for 50% of the profits.

Temporarily and permanently restricted net assets. Temporarily restricted net assets are those whose use has been limited by donors or law to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. Income generated from these assets is available as restricted by the donor or for general program support.

Donor restricted gifts. Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Unconditional promises to give cash to JHHS greater than one year are discounted using a rate of return that a market participant would expect to receive at the date the pledge is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the condition is satisfied. The gifts are reported as either temporarily or permanently restricted support 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 for the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the Consolidated Statements of Operations and Changes in Net Assets as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received and unrestricted contributions are reported as other revenue in the Consolidated Statements of Operations and Changes in Net Assets.

Grants. JHHS receives various grants from individuals and agencies of the Federal and State Governments for the purpose of furthering its mission of providing patient care. Grants are recognized as support and the related project costs are recorded as expenses when services related to grants are incurred. Grant receivables are included in due from others in the Consolidated Balance Sheets and grant income is included in other revenue in the Consolidated Statements of Operations and Changes in Net Assets.

Other revenue. Other revenue contains ancillary services such as discharge pharmacies, lab services, and community programs, as well as the equity share of income/(loss) from joint ventures, revenue from grants, and revenue from shared services provided to non-consolidating affiliates.

Excess of revenues over expenses. The Consolidated Statements of Operations and Changes in Net Assets include excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include, among other items, change in funded status of defined benefit plans, permanent transfers of assets to and from affiliates for other than goods or services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Non-operating revenues and expenses. For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenues and expenses. Peripheral or incidental transactions are reported as non-operating revenues and expenses. For the years ended June 30, 2018 and 2017, non-operating revenues and expenses are composed primarily of interest paid and changes in market value on interest rate swap agreements, realized and changes in unrealized gains (losses) on investments, other non-service cost components of net periodic pension cost, and non-operating services.

Income taxes. JHHSC and Affiliates, except JHMMC, EHP, HCSI, OA, HCOB, and JHHC are not-for-profit organizations that qualify under Section 501(c)(3) of the Internal Revenue Code, and are therefore not subject to tax under current income tax regulations.

JHHC is classified as a partnership for Federal and State income tax purposes and accordingly, there is no provision for income taxes in the accompanying consolidated financial statements. Taxable income or loss passes through to and is reported by the members in their respective tax returns. Taxable subsidiaries of Affiliates account for income taxes in accordance with Financial Accounting Standards Board (“FASB”) guidance on accounting for income taxes. Deferred income taxes are recognized for the tax consequences in future years for differences between the tax basis of assets and liabilities and their financial reporting amounts at each year end. Affiliate subsidiaries otherwise exempt from Federal and State taxation are nonetheless subject to taxation at corporate tax rates at both the Federal and State levels on their unrelated business income. Total taxes paid to Federal and State tax authorities during the years ended June 30, 2018 and 2017 amounted to $33.4 million and $30.7 million, respectively.

FASB’s guidance on accounting for uncertainty in income taxes clarifies the accounting for uncertainty of income tax positions. This guidance defines the threshold for recognizing tax return positions in the financial statements as “more likely than not” that the position is sustainable, based on its technical merits. The guidance also provides guidance on the measurement, classification and disclosure of tax return positions in the financial statements. There was no impact on JHHS’ consolidated financial statements during the years ended June 30, 2018 and 2017.

New accounting standards. In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers”. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2017.

In July 2015, the FASB issued ASU 2015-11, “Simplifying the Measurement of Inventory”. The core principle of the standard is that an entity should measure inventory at the "lower of cost and net realizable value" and options that currently exist for "market value" will be eliminated. The standard defines net realizable value as the "estimated selling prices in the ordinary course of business, less reasonably predictable cost of completion, disposal, and transportation." The guidance is effective for years beginning after December 15, 2016.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities". ASU 2016-01 addresses accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. Entities that are not considered public business entities will no longer be required to disclose the fair value of financial instruments carried at amortized cost. The amendments in ASU 2016-01 are effective for years beginning after December 15, 2018, and early adoption is permitted. JHHS early adopted the provisions of this standard for the fiscal year ended June 30, 2018 that no longer requires disclosure of the fair value of financial instruments carried at amortized cost.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)". ASU 2016-02 will require organizations that lease assets—referred to as "lessees"—to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The accounting by organizations that own the assets leased by the lessee—also known as lessor accounting— will remain largely unchanged from current Generally Accepted Accounting Principles (Topic 840 in the Accounting Standards Codification). The guidance is effective for fiscal years beginning after December 15, 2018 for JHHS, and early adoption is permitted.

In August 2016, the FASB issued ASU 2016-14, "Presentation of Financial Statements for Not-for-Profit Entities". The new guidance requires improved presentation and disclosures to help not-for-profits provide more relevant information about their resources to donors, grantors, creditors and other users. The standard is effective for fiscal years beginning after December 15, 2017.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments", which adds or clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows with the intent to alleviate diversity in practice. The update is effective for fiscal years beginning after December 15, 2018, with early adoption permitted.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash", which clarifies the classification and presentation of changes in restricted cash in the statement of cash flows. The guidance requires reporting entities to explain the changes in the combined total of restricted and unrestricted cash and cash equivalent balances in the statement of cash flows. The update is effective for fiscal years beginning after December 15, 2018, with early adoption permitted.

In June 2018, the FASB issued ASU 2018-08, "Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made". The new standard applies to all entities that receive or make contributions. The guidance clarifies the definition of transactions accounted for as an exchange transaction subject to ASU 2014-09 or other applicable guidance, and transactions that should be accounted for as contributions (non-exchange) subject to the contribution accounting model. Further, the guidance provides criteria for evaluating whether contributions are unconditional or conditional. Conditional contributions must specify a barrier that the recipient must overcome and a right of return that releases the donor from its obligation if the barrier is not achieved, otherwise the contribution is unconditional. The update is effective for fiscal years beginning after June 15, 2018, with early adoption permitted.

2. Net Patient Service Revenue

JHHS has agreements with third-party payors that provide for payments to JHHS at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Adjustments mandated by the Health Services Cost Review Commission ("Commission" or "HSCRC") are also included in contractual adjustments, a portion of which are also included in established rates.

The State of Maryland has been granted a waiver by the federal government exempting the State from national Medicare and Medicaid reimbursement principles. JHH, JHBMC, HCGH and SHI charges for inpatient as well as outpatient and emergency services performed at the hospitals are regulated by the HSCRC. JHHS' management has made all submissions required by the HSCRC and believes JHHS is in compliance with HSCRC requirements. Phase II of the agreement was approved in July of 2018 and will extend the waiver through December 31, 2023.

Effective January 1, 2014, with retroactive application to revenues generated by services provided after June 30, 2013, the HSCRC and the Center for Medicare and Medicaid Services entered into a new demonstration model for the Maryland waiver. The new demonstration model moved from a Medicare per admission methodology to a per capita population health based methodology. The methodology also includes a waiver test, under which growth in revenue per capita is limited to a rate of 3.58% for the State of Maryland in total. To facilitate the goals of the new demonstration model, the HSCRC and Maryland hospitals entered into Global Budget Revenue Agreements ("GBR"). The agreements set a hospital's revenue base annually under a global budget arrangement, whereby revenue would be fixed regardless of changes in volume and patient mix for Maryland residents. Hospital revenue for Maryland residents receiving care at Maryland hospitals is subject to this global budget. However, JHH and JHBMC have the opportunity to receive additional rate authority for any growth in the volume of out of state patients receiving care at those hospitals. When the hospitals' out of state volume exceeds a revenue floor established by the HSCRC, the hospitals will be allowed to recognize incremental revenues at a 50% variable cost factor. This variable cost factor can then increase to 75% when that out of state revenue increases to a certain level. For HCGH and SHI, out of state volume is currently included in their global budget; therefore, all in state and out of state volumes are subject to their global budget.

Under the HSCRC reimbursement methodology, amounts collected for services to patients under the Medicare and Medicaid programs are computed at approximately 94% of HSCRC approved charges. Other payors are eligible to receive up to a 2.25% discount on prompt payment of claims.

SMH and JHACH operate outside of the State of Maryland, and are paid prospectively based upon negotiated rates for commercial insurance carriers, and predetermined rates per discharge for Medicaid and Medicare program beneficiaries.

JHACH's Medicaid interim rates are based on the Medicaid cost report which has been audited by the fiscal intermediary for the cost report years 2009, 2010, 2011, 2012, 2013, 2014 and 2015. The cost reports for 2016 and 2017 are in the process of being audited by the fiscal intermediary as of June 30, 2018. Final audited rates for 2009, 2010, 2011, 2012, 2013 and 2014 have been issued by Medicaid as of June 30, 2018. Estimated impacts of the anticipated changes in interim rates after audit of the cost reports are recorded at year end. Substantial time may elapse between receipt of a final audited cost report and the actual processing of the audited rates by the State of Florida ("State") Agency for Health Care Administration ("AHCA").

Effective July 1, 2017, AHCA implemented a new outpatient payment method utilizing Enhanced Ambulatory Patient Groups ("EAPGs") for Florida Medicaid. EAPGs are an outpatient visit-based patient classification available for all outpatient services and settings. Hospital rates will be set and adjusted on a prospective basis without requiring cost report settlements.

During the year ended June 30, 2018, SMH received final audits for Medicare cost report years 2015 and 2016. As of June 30, 2018, SMH has Medicare cost report years 2010, 2011, 2013 and 2014 open.

Managed care revenues include premium revenue recognized during the period in which JHHC or Priority Partners is obligated to provide services to its enrollees. For the years ended June 30, 2018 and 2017, premium revenue recognized was $1.937 billion and $1.785 billion, respectively. Global contract revenue is based on global rate agreements with various third-party payors who, based on medical procedures, pay contractual packaged prices. Management fees represent payments for management services from the University, JHMSC, and EHP, are recognized when obligated to provide the service, and are included in other revenue in the Consolidated Statements of Operations and Changes in Net Assets.

JHMSC entered into a contract with the Department of Defense to provide the TRICARE Prime benefit to eligible beneficiaries enrolled in the USFHP. Under the USFHP contract, JHMSC provides services covered under the TRICARE Designated Provider Contract to enrollees for a monthly capitation fee. Revenues generated under the contract were $412.4 million and $398.1 million for the years ended June 30, 2018 and 2017, respectively. The current sole source commercial contract was awarded for the period commencing October 1, 2013 through September 30, 2023, with a Base Year and nine one-year Option Periods to be exercised at the Government's discretion. The Base Year was exercised and the fifth Option Period will begin on October 1, 2018.

JHHS' not-for-profit Affiliates provide care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Such patients are identified based on information obtained from the patient and subsequent analysis. Because the Affiliates do not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Direct and indirect costs for these services amounted to $59.0 million and $47.8 million for the years ended June 30, 2018 and 2017, respectively. The costs of providing charity care services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on JHHS' total expenses divided by gross patient service revenue.

Patient accounts receivable are reported net of estimated allowances for uncollectible accounts and contractual adjustments in the accompanying consolidated financial statements. The provision for bad debts is based upon a combination of the payor source, the aging of receivables and management's assessment of historical and expected net collections, trends in health insurance coverage, and other collection indicators. The provision for bad debts related to patient service revenue is presented as a deduction from patient service revenue on the face of the Consolidated Statements of Operations and Changes in Net Assets. For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Hospitals uninsured patients will be unable or unwilling to pay for the services provided. Thus, a significant provision for bad debts is recorded related to uninsured patients in the period services are provided. Management continuously assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience and payment trends by payor classification.

Patient service revenue, net of contractual allowances (but before the provision for bad debts), recognized in the year ending June 30, 2018 from these major payor sources is as follows:

	Third-Party Payors	Self-pay	Total All Payors
Patient service revenue (net of contractual allowances)	$ 5,722,066	$ 58,129	$ 5,780,195

Patient service revenue, net of contractual allowances (but before the provision for bad debts), recognized in the year ending June 30, 2017 from these major payor sources is as follows:

	Third-Party Payors	Self-pay	Total All Payors
Patient service revenue (net of contractual allowances)	$ 5,427,070	$ 44,847	$ 5,471,917

The following table depicts the mix of gross accounts receivable from patients and third-party payors as of June 30, 2018 and 2017:

	2018	2017
Medicare	16.5%	18.5%
Medicaid	10.6%	10.7%
Blue Cross and Blue Shield	12.5%	12.2%
Medicaid managed care organizations	13.7%	12.3%
Self pay	10.7%	10.3%
Other third-party payors	36.0%	36.0%
Total	100.0%	100.0%

3. Pledges Receivable

As of June 30, 2018 and 2017, the value of pledges receivable before discounts was $33.4 million and $42.3 million, respectively. Pledges receivable have been discounted at rates ranging from 0.11% to 5.00% and consist of the following (in thousands):

As of June 30, 2018	1 Year	2 –5 Years	5 Years or Greater	Totals
Departmental campaigns	$ 3,999	$ 7,511	$ 15	$ 11,525
Future campus development	3,795	5,889	9,617	19,301
	$ 7,794	$ 13,400	$ 9,632	$ 30,826

As of June 30, 2017	1 Year	2 –5 Years	5 Years or Greater	Totals
Departmental campaigns	$ 3,810	$ 11,134	$ 330	$ 15,274
Future campus development	3,816	6,109	9,713	19,638
	$ 7,626	$ 17,243	$ 10,043	$ 34,912

Pledges are deemed to be fully collectible and therefore, no significant allowance for uncollectible pledges has been recorded.

4. Fair Value Measurements

FASB's guidance on the fair value option for financial assets and financial liabilities permits companies to choose to measure many financial assets and liabilities, and certain other items at fair value. This guidance requires a company to record unrealized gains and losses on items for which the fair value option has been elected in its performance indicator. The fair value option may be applied on an instrument by instrument basis. Once elected, the fair value option is irrevocable for that instrument. The fair value option can be applied only to entire instruments and not to portions thereof. JHHS has not elected fair value accounting for any asset or liability that is not currently required to be measured at fair value.

JHHS follows the guidance on fair value measurements, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. This guidance applies to other accounting pronouncements that require or permit fair value measurements and, accordingly, this guidance does not require any new fair value measurements.

This guidance discusses valuation techniques such as the market approach, cost approach and income approach. The guidance establishes a three-tier level hierarchy for fair value measurements based upon the transparency of inputs used to value an asset or liability as of the measurement date. The three-tier hierarchy prioritizes the inputs used in measuring fair value as follows:

- Level 1 – Observable inputs such as quoted market prices for identical assets or liabilities in active markets;
- Level 2 – Observable inputs for similar assets or liabilities in an active market, or other than quoted prices in an active market that are observable either directly or indirectly; and

- Level 3 – Unobservable inputs in which there is little or no market data that require the reporting entity to develop its own assumptions. There are no instruments requiring Level 3 classification.

The financial instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Interest rate swap agreements are valued using the income approach, while each of the remaining financial instruments below have been valued utilizing the market approach.

The following table presents the financial instruments carried at fair value as of June 30, 2018 grouped by hierarchy level:

Assets	Total Fair Value	Level 1	Level 2
Cash and cash equivalents (1)	$ 627,880	$ 627,880	$ -
Commercial paper (1)	89,719	-	89,719
Certificates of deposit (1)	6,893	-	6,893
U.S. Treasuries (2)	344,462	-	344,462
Corporate bonds (2)	438,581	-	438,581
Asset backed securities (2)	328,829	-	328,829
Equities and equity funds (3)	1,286,312	1,286,312	-
Fixed income funds (4)	220,886	220,886	-
Totals	$ 3,343,562	$ 2,135,078	$ 1,208,484
Liabilities			
Interest rate swap agreements (5)	$ 171,879	$ -	$ 171,879

The following table presents the financial instruments carried at fair value as of June 30, 2017 grouped by hierarchy level:

Assets	Total Fair Value	Level 1	Level 2
Cash and cash equivalents (1)	$ 620,978	$ 620,978	$ -
Commercial paper (1)	99,832	-	99,832
Certificates of deposit (1)	6,833	-	6,833
U.S. Treasuries (2)	445,477	-	445,477
Corporate bonds (2)	526,901	-	526,901
Asset backed securities (2)	358,793	-	358,793
Equities and equity funds (3)	1,144,969	1,144,969	-
Fixed income funds (4)	186,940	186,940	-
Totals	$ 3,390,723	$ 1,952,887	$ 1,437,836
Liabilities			
Interest rate swap agreements (5)	$ 220,089	$ -	$ 220,089

(1) Cash equivalents, commercial paper, money market funds, and overnight investments include investments with original maturities of three months or less. Certificates of deposit and commercial paper are carried at amortized cost. Certificates of deposit and commercial paper that have original maturities greater than three months, but less than one year are

considered short-term investments. Cash and cash equivalents, money market funds, and overnight investments are rendered level 1 due to their frequent pricing and ease of converting to cash. Computed prices and frequent evaluation versus fair value render commercial paper and the certificates of deposit level 2.

(2) For investments in U.S. Treasuries (notes, bonds, and bills), corporate bonds, and asset backed securities, fair value is based on quotes for similar securities; therefore these investments are rendered level 2. These investments fluctuate in value based upon changes in interest rates.

(3) Equities include individual equities and investments in mutual funds. The individual equities and mutual funds are valued based on the closing price on the primary market and are rendered level 1.

(4) Fixed income funds are investments in mutual funds. The underlying fixed investments are principally U.S. Treasuries, corporate bonds, commercial paper, and mortgage backed securities. The mutual funds are valued based on the closing price on the primary market and are rendered level 1.

(5) The interest rate swap agreements, discussed further in footnote 9 “Derivative Financial Instruments,” are valued using a swap valuation model that utilizes an income approach using observable market inputs including long-term interest rates, LIBOR swap rates, and credit default swap rates.

During 2018 and 2017, there were no significant transfers between level 1 and 2.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while JHHS believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value as of the reporting date.

JHHS holds investments that are not traded on national exchanges or over-the counter markets. These investments are valued utilizing the NAV provided by the underlying investment companies unless management determines some other valuation is more appropriate. There are no unfunded commitments related to JHHS’ investments measured using NAV as a practical expedient.

The following table displays information by strategy for investments measured using NAV as a practical expedient as of June 30, 2018 (in thousands):

	Fair Value	Redemption Frequency	Notice Period
Absolute return hedge funds (1)	$ 187,078	Monthly	5 to 14 days
Equity long/short hedge funds (2)	121,059	Monthly or quarterly	5 to 60 days
Hedge Fund of Funds (3)	64,515	Quarterly	45 to 70 days
Commingled Equity Funds (4)	213,987	Daily or monthly	1 to 10 days
Commingled Fixed Income (5)	87,857	Daily or monthly	1 to 5 days
Event driven hedge funds (6)	31,471	Quarterly	60 days
Total	$ 705,967		

The following table displays information by strategy for investments measured at NAV as a practical expedient as of June 30, 2017 (in thousands):

	Fair Value	Redemption Frequency	Notice Period
Absolute return hedge funds (1)	$ 154,498	Daily or monthly	5 days
Equity long/short hedge funds (2)	76,005	Monthly or quarterly	5 to 60 days
Hedge Fund of Funds (3)	60,658	Quarterly	45 to 70 days
Commingled Equity Funds (4)	163,947	Daily or monthly	1 to 30 days
Commingled Fixed Income (5)	85,611	Daily or monthly	1 to 5 days
Event driven hedge funds (6)	20,100	Quarterly	60 days
Total	$ 560,819		

(1) Absolute return hedge funds: Investment managers who seek low correlation to global equity markets. Strategies have the ability to identify opportunities across multiple sectors, asset classes, and geographic regions.

(2) Equity long/short hedge funds: Investment Managers who maintain positions both long and short in primarily equity and equity derivative securities. Strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure and leverage employed.

(3) Hedge Fund of Funds: Invest with multiple hedge fund managers to create a diversified portfolio of hedge funds. Hedge Fund of Funds strategies serve to dampen volatility within the overall investment portfolio, while offering the investor more frequent liquidity terms and lower capital requirements as compared to investing with an individual hedge fund manager. The Fund of Funds manager has discretion in choosing the individual investment strategies for the portfolio. A manager may allocate funds to numerous managers within a single strategy, or with numerous managers across multiple strategies.

(4) Commingled equity funds: Long-only equity strategies that invest exclusively in publicly traded companies, though the funds are not traded on a public exchange.

(5) Commingled fixed income: Fixed income strategies that invest in publicly-issued debt instruments, though the funds are not traded on a public exchange.

(6) Event-Driven hedge funds: Investment Managers who maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments.

5. Cash and Cash Equivalents, Investments, and Assets Whose Use is Limited

Cash and cash equivalents and investments (short and long-term) as of June 30 consisted of the following (in thousands):

	2018 Carrying Amount	2017 Carrying Amount
Cash and cash equivalents measured at fair value	$ 627,880	$ 620,978
Cash and cash equivalents included in AWUIL	(48,087)	(54,647)
Total cash and cash equivalents	$ 579,793	$ 566,331
U.S. Treasuries	273,061	362,684
Commercial paper	89,719	99,832
Certificates of deposit	6,893	6,833
Corporate bonds	337,385	394,011
Asset backed securities	255,600	277,994
Fixed income funds	193,474	159,887
Equities and equity funds	907,621	773,269
Short and long-term investments measured at fair value	2,063,753	2,074,510
Investments in affiliates	275,484	261,129
Investments measured at NAV as a practical expedient	702,296	557,127
Total short and long-term investments	$ 3,041,533	$ 2,892,766

Assets whose use is limited as of June 30 consisted of the following (in thousands):

	2018 Carrying Amount	2017 Carrying Amount
U.S. Treasuries	$ 71,401	$ 82,793
Corporate bonds	101,196	132,890
Asset backed securities	73,229	80,799
Fixed income funds	27,412	27,053
Equities and equity funds	378,691	371,700
Assets whose use is limited measured at fair value	651,929	695,235
Cash in AWUIL reported as cash and cash equivalents on leveling table	48,087	54,647
Investments measured at NAV as a practical expedient	3,671	3,692
Pledges receivable	30,826	34,912
Beneficial interest remainder trust	17,752	16,617
Other	2,354	739
Total assets whose use is limited	$ 754,619	$ 805,842

The investment and assets whose use is limited balances noted above include amounts invested in pooled accounts shared by the affiliates of JHHS. The amounts held within the liquid, intermediate and other investment pools were $249.6 million, $697.9 million, and $1.3 billion, respectively, as of June 30, 2018. The amounts held within the liquid, intermediate and other investment pools were $272.5 million, $956.4 million, and $1.1 billion, respectively, as of June 30, 2017.

Realized and unrealized gains on investments for the years ended June 30, included in the non-operating revenues and expenses section of the Consolidated Statement of Operations and Changes in Net Assets consisted of the following (in thousands):

	2018	2017
Realized gains on investments	$ 45,977	$ 27,436
Changes in unrealized gains on investments	88,790	167,667
Total	$ 134,767	$ 195,103

Investments recorded under the cost or equity method as of June 30 consisted of the following (in thousands):

Investment	Cost / Equity	%	2018	2017
Johns Hopkins Medicine International, LLC (“JHI”)	Equity	50.00%	$ 63,631	$ 57,460
Johns Hopkins Home Care Group, Inc. (“JHHCG”)	Equity	50.00%	12,320	10,119
FSK Land Corporation	Equity	50.00%	12,509	11,810
Mt. Washington Pediatric Hospital and Foundation	Equity	50.00%	47,781	41,396
JHMI Utilities, LLC	Equity	50.00%	19,166	16,384
Sibley-Suburban Home Health Agency, Inc.	Equity	50.00%	5,438	6,009
West County, LLC	Equity	50.00%	6,945	6,699
Medbridge Healthcare	Equity	25.00%	3,606	6,612
Baltimore County Dialysis, LLC	Equity	49.00%	-	11,442
JH Surgery Center	Equity	50.00%	16,450	8,060
MCIC Bermuda	Cost	10.00%	65,263	64,467
Other			22,375	20,671
			$ 275,484	$ 261,129

Summarized below are the aggregate assets, liabilities, revenues and expenses for JHI, Mt. Washington Pediatric Hospital and Foundation, and JHMI Utilities, LLC as of and for the year ended June 30, 2018 and 2017 (in thousands):

	2018	2017
Assets	$ 618,761	$ 601,900
Liabilities	343,828	365,727
Revenues	308,217	307,407
Expenses	284,995	280,820

JHHS consolidates certain affiliates that it owns 50% or more, but less than 100%, because JHHS has control over those affiliates. The unrestricted net asset activity attributable to the noncontrolling interests consisted of the following as of June 30, (in thousands):

	2018	2017
Net assets attributable to noncontrolling interests at beginning of period	$ 54,435	$ 48,523
Losses attributable to noncontrolling interests	(7,867)	(4,098)
Contributions attributable to noncontrolling interests	24,711	10,010
Other	2,739	-
Net assets attributable to noncontrolling interests at end of period	$ 74,018	$ 54,435

6. Property, Plant and Equipment

Property, plant and equipment and accumulated depreciation and amortization consisted of the following as of June 30 (in thousands):

	2018		2017	
	Cost	Accumulated Depreciation and Amortization	Cost	Accumulated Depreciation and Amortization
Land and land improvements	$ 175,677	$ 23,753	$ 172,840	$ 17,426
Buildings and improvements	2,481,198	1,009,216	2,406,928	928,269
Fixed and moveable equipment	2,083,862	1,110,624	1,966,474	1,000,594
Capitalized software	138,499	112,845	170,856	134,849
Construction in progress	351,486	15	254,603	-
	$ 5,230,722	$ 2,256,453	$ 4,971,701	$ 2,081,138

Accruals for purchases of property, plant and equipment as of June 30, 2018 and 2017 amounted to $33.9 million and $21.1 million, respectively, and are included in accounts payable and accrued liabilities in the Consolidated Balance Sheets. Depreciation and amortization expense for the years ended June 30, 2018 and 2017 amounted to $286.2 million and $275.5 million, respectively.

During the year ended June 30, 2018 and 2017, JHHS retired long-lived assets determined to have no future value. During 2018, the original cost and corresponding accumulated depreciation of these long-lived assets was $113.4 million and $110.3 million, respectively. During 2017, the original cost and corresponding accumulated depreciation of these long-lived assets was $104.2 million and $103.4 million, respectively. No proceeds from retirement were received in 2018 or 2017.

7. Medical Claims Reserves

JHHC's activity related to its liability for unpaid health claims for the years ended June 30 are summarized in the table below (in thousands):

	2018	2017
Balance, July 1	$ 161,207	$ 126,705
Incurred related to:		
Current year	1,433,884	1,317,798
Prior year	(30,048)	(28,199)
Total incurred	1,403,836	1,289,599
Paid related to:		
Current year	1,276,257	1,156,591
Prior year	131,159	98,506
Total paid	1,407,416	1,255,097
Balance, June 30	$ 157,627	$ 161,207

The medical claims reserve is inherently subject to a number of highly variable circumstances, including changes in payment patterns, cost trends and other relevant factors. Consequently, the actual experience may vary materially from the original estimate. The above medical claims reserves include intercompany activity that is eliminated in consolidation.

8. Debt

Debt as of June 30 is summarized as follows (in thousands):

	Interest Rate(s)	Final Maturity	Renewal Date	Issued Amount	2018	2017
Tax Exempt Maryland Health and Higher Education Facilities Authority ("MHHEFA") Bonds and Notes:						
1985 Series A and B – Pooled Loan Program Issue (JHHSC)	1.00%	2035	8/27/2019	$ -	$ 2,268	$ 2,507
1990 Series - Revenue Bonds (JHH)	7.30% to 7.35%	2019	N/A	90,169	16,867	24,573
2004 – Commercial Paper Revenue Notes Series B (JHBMC)	0.74%	2025	9/9/2019	101,990	52,880	57,995
2011 Series A - Revenue Bonds (JHH)	2.00% to 5.00%	2026	N/A	74,615	57,575	64,510
2012 Series B - Revenue Bonds (JHH)	2.00% to 5.00%	2033	N/A	97,560	81,665	85,000
2012 Series C – Revenue Bonds (JHH)	1.66%	2038	N/A	84,610	-	82,830
2012 Series D – Revenue Bonds (JHH)	1.66%	2038	N/A	85,060	-	82,995
2012 Series E – Floating Rate Note (JHH)	1.60%	2029	N/A	100,000	-	100,000
2013 Series A – Revenue Bonds (JHHSC)	1.58%	2046	N/A	88,250	-	88,250
2013 Series B – Revenue Bonds (JHHSC)	1.56%	2029	N/A	61,850	-	52,800
2013 Series C – Revenue Bonds (JHHSC)	3.00% to 5.00%	2043	N/A	238,000	231,415	232,965
2015 Series A - Revenue Bonds (JHHSC)	2.00% to 5.00%	2040	N/A	134,735	128,735	130,820
2015 Series B - Revenue Bonds (JHHSC)	1.50%	2048	N/A	48,245	-	48,245
2016 Series A - Revenue Bonds (JHHSC)	1.43%	2023	5/31/2023	48,565	44,170	47,635
2016 Series B - Revenue Bonds (JHHSC)	1.46%	2042	5/31/2023	48,245	48,245	48,245
2017 Series B - Revenue Bonds (JHHSC)	1.78%	2038	10/1/2024	165,825	164,920	-
2012E/2017C Series - Revenue Bonds (JHHSC)	1.60%	2057	11/1/2022	100,000	100,000	-
2018 Series A - Revenue Bonds (JHHSC)	1.93%	2048	6/1/2023	48,245	48,245	-
2018 Series B - Revenue Bonds (JHHSC)	1.97%	2046	6/1/2023	88,250	88,250	-
Tax Exempt City of St. Petersburg Health Facilities Authority Revenue						
2012 Series A – Revenue Refunding Bonds (JHACH)	2.14%	2034	6/1/2022	102,400	91,900	93,800
Taxable Revenue Bonds:						
2013 Series – Taxable Bonds (JHHSC)	1.42% to 2.77%	2023	N/A	148,165	100,000	148,165
2016 Series – Taxable Bonds (JHHSC)	3.84%	2046	N/A	500,000	500,000	500,000
2017 Series A - Taxable Revenue Bonds (JHHSC)	2.31%	2027	1/25/2027	165,200	164,223	164,973
2018 Series - Taxable Revenue Bonds (JHHSC)	2.56%	2029	6/1/2029	50,320	50,320	-
Other debt:						
Note Payable (JHHC)	3.41%	2022	12/18/2022	3,006	2,728	-
Johns Hopkins Endowment (JHHSC)	6.00%	2018	N/A	6,100	-	513
					1,974,406	2,056,821
Unamortized premiums and discounts, net					18,823	21,686
Unamortized debt issuance costs					(6,790)	(8,047)
Obligations under capital leases					64,009	60,597
					2,050,448	2,131,057
Current maturities of long-term debt and capital leases					(54,025)	(542,775)
Total long-term debt and obligations under capital leases, net of current portion					$ 1,996,423	$ 1,588,282

Financing expenses. Financing expenses incurred in connection with the issuance of debt are presented in the Consolidated Balance Sheet as a direct deduction from the carrying value of the associated debt. The expenses are being amortized over the terms of the related debt issues using the effective interest method. The total amount expensed for the period ended June 30, 2018 and 2017 was $1.3 million and $0.9 million, respectively.

Obligated Group

The Johns Hopkins Health System Obligated Group ("JHHS Obligated Group") consists of JHH, JHBMC, HCGH, SHI, SHHS, SMH, JHACH and JHHSC. All of the debt of JHH, JHBMC, HCGH, SHI, SHHS, SMH, JHACH and JHHSC is parity debt, and as such is jointly and separately liable through a claim on and a security interest in all of JHH's, JHBMC's, HCGH's, SHI's, SHHS', SMH's, JHACH's, and JHHSC's receipts as defined in the Master Loan Agreement with MHHEFA. JHH, JHBMC, HCGH, SHI, SHHS, SMH, JHACH and JHHSC are required to achieve a defined minimum debt service coverage ratio each year. The outstanding JHHS Obligated Group parity debt was $2.0 billion and $2.1 billion as of June 30, 2018 and 2017, respectively.

2018 Series Taxable Revenue Bonds - JHHS

In May 2018, JHHSC closed the Series 2018 taxable revenue bonds issuance of $50.3 million to refund its JHHS Series 2013B tax-exempt bonds. The Series 2018 taxable bonds mature in June 2029 and pay principal annually and interest monthly based on a spread over a floating base rate.

2018B Series Tax-Exempt Revenue Bonds - JHHS

In May 2018, JHHSC closed the Series 2018B tax-exempt revenue bonds issuance of $88.3 million to refund its JHHS Series 2013A tax-exempt bonds. The Series 2018B bonds are subject to mandatory purchase in June 2023. The bonds pay interest monthly based on a spread over a floating base rate.

2018A Series Tax-Exempt Revenue Bonds - JHHS

In April 2018, JHHSC closed the Series 2018A tax-exempt revenue bonds issuance of $48.2 million to refund its JHHS Series 2015B tax-exempt bonds. The Series 2018A bonds are subject to mandatory purchase in June 2023. The bonds pay interest monthly based on a spread over a floating base rate.

2012E/2017C Series Tax-Exempt Revenue Bonds – JHHS

In November 2017, JHHSC closed on a transaction that amended certain terms relating to the Series 2012E Bonds pursuant to which the 2012E Bonds were re-designated as the 2012E/2017C Bond. The principal amount outstanding of the 2012E/2017C Bond shall not at any one time exceed the principal amount of $100.0 million. The Series 2012E/2017C Bond is subject to mandatory purchase in November 2022. The bonds pay interest monthly based on a spread over a floating base rate.

2017B Series Tax-Exempt Revenue Bonds - JHHS

In October 2017, JHHSC closed the Series 2017B tax-exempt bond issuance of $165.8 million to refund its JHH 2012C and JHH 2012D series revenue bonds. The Series 2017B bond is subject to mandatory purchase in October 2024. The bonds pay principal annually and interest monthly based on a spread over a floating base rate.

2012A Series Tax-Exempt Revenue Bonds - JHACH

On June 1, 2017, JHACH closed on the conversion of $93.8 million of the JHACH 2012A tax exempt bonds to a new index rate period. The JHACH 2012A bonds had an initial index rate period with a mandatory purchase on June 1, 2017. The holder of the bonds elected to retain the JHACH 2012A bonds for a new index rate period that runs through June 1, 2022. The bonds pay interest monthly based on a floating rate equal to 70% of one-month Libor plus 0.45%, and the underlying principal amortizes through 2034.

2017A Series Taxable Revenue Bonds - JHHSC

In January 2017, JHHSC closed the Series 2017A taxable bond issuance of $165.2 million to advance refund its JHH 2010 Series revenue bonds. The Series 2017A bonds mature in 2047 and pay principal and interest monthly. Interest payments are based on a floating rate equal to one month LIBOR plus 84 basis points. The advance refunding created a charge of $15.5 million that is included in the non-operating section of the Consolidated Statements of Operations and Changes in Net Assets.

2016 Series Taxable Bonds - JHHSC

On November 3, 2016, JHHS successfully priced the Johns Hopkins Health System Series 2016 taxable bond issuance with a total par amount of $500 million, structured as a 30-year bullet, maturing in 2046, with a coupon rate of 3.837% (“2016 Bonds”). The transaction closed on November 10, 2016, at which time the net proceeds of $497.7 million were received by JHHS.

2012 Series E Bonds - JHH
On July 1, 2016, JHH made a $2.8 million principal payment related to the scheduled maturity of its 2012 Series E bonds. In connection with this principal payment, in April 2017, JHH issued an additional $2.8 million of bonds to replace the matured principal amount. On July 1, 2015, JHH made a $9.0 million principal payment related to the scheduled maturity of its 2012 Series E bonds. In connection with this principal payment, in February 2016, JHH issued an additional $9.0 million of bonds to replace the matured principal amount. The additional bonds are subject to the same terms and conditions of the original 2012 Series E bonds.

Letters of Credit & Intermediate Financing Vehicles
In connection with the 2004 MHHEFA Commercial Paper Revenue Notes, JHBMC has a $52.9 million line of credit agreement with Wells Fargo to provide for payment of such commercial paper at maturity, subject to certain conditions described therein. This agreement expires on September 9, 2019 subject to extension or earlier termination. No amounts were outstanding as of June 30, 2018 or 2017.

JHHS utilizes public floating rate notes and bank direct purchase facilities as the core component of its variable-rate debt structure. These vehicles provide intermediate-term financing, typically 3 – 10 years, as a means to finance longer-lived assets. These variable-rate notes are structured with a mandatory purchase at the end of their term, at which time JHHS is required to purchase the bonds back from the investors. Due to the long-term nature of the underlying assets financed, JHHS has historically refunded all intermediate-term debt prior to the mandatory purchase dates. The table above notes the renewal dates for the outstanding variable-rate notes.

For the debt of JHHS and Affiliates, total maturities of debt and sinking fund requirements, excluding capital leases, during the next five fiscal years and thereafter are as follows as of June 30, 2018 (in thousands):

2019	$ 49,755
2020	60,395
2021	45,441
2022	49,072
2023	151,578
Thereafter	1,618,165
	$ 1,974,406

For the debt of JHHS and Affiliates described above, interest costs on debt and interest rate swaps incurred, paid and capitalized in the years ended June 30 are as follows (in thousands):

	2018	2017
Net interest costs:		
Capitalized	$ 8,054	$ 4,513
Expensed	80,503	74,166
Allocated to others	55	55
	$ 88,612	$ 78,734
Interest costs paid	$ 82,545	$ 73,513

Capital Leases

SHHS has a lease agreement with an unrelated party for the lease of real property. The leased property consists of land and a building, located in north Bethesda, Maryland, which is known as the Suburban Outpatient Medical Center ("SOMC"). The lease term began on August 1, 2001 and will continue through December 31, 2026. The base rent escalates 2.25% per year, in accordance with the lease agreement. The lease contains four optional renewal periods for five years each. The SOMC lease has been recorded as a capital lease.

JHHSC has a lease agreement with an unrelated party for the lease of real property. The leased property consists of land and building, located in Baltimore, Maryland, which is known as the Science and Technology Park at Johns Hopkins. The lease commenced in June 2016 and will continue through June 2031. The base rent escalates 2.5% per year, in accordance with the lease agreement. JHHSC has recorded this as a capital lease.

JHBMC has a lease agreement with an unrelated party for the lease of real property. The leased property consists of a building, located in Baltimore, Maryland, which is known as 5500 Lombard Street. The lease term began on May 1, 2017 and will continue through April 30, 2032. The base rent escalates 2.5% per year, in accordance with the lease agreement. JHBMC has recorded this as a capital lease.

JHACH has a lease agreement with an unrelated party for the lease of real property. The leased property consists of land and building, located in St. Petersburg, FL, which is known as the Bayfront Medical Plaza. The lease commenced in December 2017 and will continue through November 2027. The base rent escalates 3% per year, in accordance with the lease agreement. JHACH has recorded this as a capital lease.

The total leased property of $74.6 and $70.6 million is reflected in property, plant and equipment as of June 30, 2018 and 2017, respectively. Accumulated depreciation on the leased assets was $28.0 and $25.7 million as of June 30, 2018 and 2017, respectively. Depreciation expense on these leased assets is included within depreciation expense in the Consolidated Statements of Operations and Changes in Net Assets.

The future minimum lease payments required under JHHS capital leases are as follows as of June 30, 2018 (in thousands):

	Capital Lease Payments
2019	$ 7,781
2020	7,920
2021	8,104
2022	8,104
2023	8,234
2024 and thereafter	46,648
Minimum lease payments	86,791
Interest on capital lease obligations	(22,782)
Net minimum payments	64,009
Current portion of capital lease obligation	(4,270)
Capital lease obligation, less current	$ 59,739

9. Derivative Financial Instruments

JHHS' primary objective for holding derivative financial instruments is to manage interest rate risk. Derivative financial instruments are recorded at fair value and are included in other long-term liabilities. The total notional amount of interest rate swap agreements was $1.024 billion and $1.036 billion as of June 30, 2018 and 2017, respectively.

Each swap agreement has certain collateral thresholds whereby, on a daily basis, if the fair value of the swap agreement declines such that its devaluation exceeds the threshold, cash must be deposited by JHHS with the swap counterparty for the difference between the threshold amount and the fair value. As of June 30, 2018 and 2017, the amount of required collateral was $33.9 and $46.1 million, respectively.

Swap Novation

In February 2017, JHHSC closed two swap novation contracts with PNC Bank, N.A. (PNC) and Goldman Sachs. The two existing $150 million swaps with Goldman Sachs were split into four $150 million swaps—two swaps with ten year terms and two forward-starting swaps with longer terms. PNC became the counterparty on the two ten-year term swaps each with effective dates from February 2017 through December 2026. Goldman Sachs remains the counterparty on the two forward-starting swaps, with effective dates from December 2026 through May 2039 and May 2040, respectively. JHHSC and PNC executed the agreements on the two current swaps without a credit support annex. As a result, $63.1 million of swap collateral, equivalent to the mark-to-market value of the two swaps with PNC, was returned to JHHSC upon execution of the swap novation contracts. The two swaps with PNC carry fixed rates of 4.122% and 4.133% respectively, for the receipt of a floating interest rate of 67% of one-month LIBOR. The two swaps with Goldman Sachs carry fixed rates of 3.911% and 3.922% respectively, for the receipt of a floating interest rate of 67% of one-month LIBOR.

The following table summarizes JHHSC interest rate swap agreements (in thousands):

Swap Type	Expiration Date	Counterparty	JHHS Pays	JHHS Receives	Notional Amount at June 30 2018	2017
Fixed	2022	J.P. Morgan	3.3290%	67% of 1-Month LIBOR	$ 46,670	$ 47,635
Fixed	2025	Bank of America	3.3265%	67% of 1-Month LIBOR	52,880	57,995
Fixed	2021	J.P. Morgan	3.9190%	68% of 1-Month LIBOR	15,725	19,830
Fixed	2034	Royal Bank of Canada	3.6235%	62.2% of 1-Month LIBOR + 0.27%	14,280	14,345
Fixed	2034	Citibank, N.A.	3.6235%	62.2% of 1-Month LIBOR + 0.27%	23,820	23,930
Fixed	2026	PNC	4.1220%	67% of 1-Month LIBOR	150,000	150,000
Fixed	2026	PNC	4.1330%	67% of 1-Month LIBOR	150,000	150,000
Fixed	2039	Goldman Sachs Capital Markets, L.P.	3.9110%	67% of 1-Month LIBOR	150,000	150,000
Fixed	2040	Goldman Sachs Capital Markets, L.P.	3.9220%	67% of 1-Month LIBOR	150,000	150,000
Fixed	2039	Goldman Sachs Capital Markets, L.P.	3.9460%	67% of 1-Month LIBOR	40,000	40,000
Fixed	2038	Goldman Sachs Capital Markets, L.P.	3.8190%	67% of 1-Month LIBOR	81,550	82,025
Fixed	2038	Merrill Lynch Capital Services	3.8091%	67% of 1-Month LIBOR	81,950	82,425
Fixed	2025	Goldman Sachs Capital Markets, L.P.	3.6910%	67% of 1-Month LIBOR	7,070	7,715
Fixed	2047	Citibank, N.A.	3.8505%	61.8% of 1-Month LIBOR + 0.25%	60,000	60,000
					$ 1,023,945	$ 1,035,900

Fair value of derivative instruments as of June 30 (in thousands):

	Derivatives Reported as Liabilities			
	2018		**2017**	
	Balance Sheet Caption	**Fair Value**	**Balance Sheet Caption**	**Fair Value**
Interest rate swaps not designated as hedging instruments	Other long-term liabilities	$ 171,879	Other long-term liabilities	$ 220,089

Derivatives not designated as hedging instruments as of June 30 (in thousands):

Classification of Derivative Loss in Statement of Operations	**Amount of Gain (loss) Recognized in Change in Unrestricted Net Assets**	
	2018	**2017**
Interest rate swaps:		
Non-operating expense	$ 48,207	$ 80,794

10. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets as of June 30 (in thousands) are restricted to:

	2018	**2017**
Purchase of property, plant, and equipment	$ 24,882	$ 41,948
Health care services	48,178	57,511
Health education and counseling	6,325	6,142
Indigent care	3,068	2,282
Restricted Pledge Fund	20,433	15,365
	$ 102,886	$ 123,248

Permanently restricted net assets as of June 30 (in thousands) are restricted to:

	2018	**2017**
Health care services	$ 48,720	$ 47,055
Health education and counseling	14,498	13,208
	$ 63,218	$ 60,263

The JHHS endowments do not include amounts designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of JHHS has interpreted UPMIFA in the State of Maryland, the State of Florida, and the District of Columbia as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, JHHS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

11. Pension Plans

The Affiliates sponsor a variety of defined benefit pension plans (the “Plans”) covering most of their employees. The retirement income benefits are based on a combination of years of service and compensation at various points of service. The FASB’s guidance on employer’s accounting for defined benefit pension and other postretirement plans requires that the funded status of defined benefit postretirement plans be recognized on JHHS’ Consolidated Balance Sheets, and changes in the funded status be reflected as a change in net assets. Changes in unrestricted net assets during the year ended June 30, 2018 reflect an adjustment of $65.8 million related to a special benefit liability. During the year ended June 30, 2018, the SMH board of trustees approved the termination of the SMH plan. The plan termination is expected to take up to eighteen months to settle all liabilities.

The funding policy of all Affiliates is to make sufficient contributions to meet the Internal Revenue Service minimum funding requirements. Assets in the Plans as of June 30, 2018 and 2017 consisted of cash and cash equivalents, equities and equity funds, fixed income funds, and alternative investments. All assets are managed by external investment managers, consistent with the Plans’ investment policy.

The change in benefit obligation, plan assets, and funded status of the Plans is shown below (in thousands):

Change in benefit obligation	2018	2017
Benefit obligation as of beginning of year	$ 2,289,041	$ 2,186,513
Service cost	78,509	77,666
Interest cost	95,246	87,225
Special benefit liability	65,829	-
Actuarial gain	(54,815)	(3,474)
Benefits paid	(72,302)	(58,889)
Benefit obligation as of June 30	$ 2,401,508	$ 2,289,041

Change in plan assets	2018	2017
Fair value of plan assets as of beginning of year	$ 1,536,263	$ 1,397,403
Actual return on plan assets	53,505	97,392
Employer contribution	151,949	100,357
Benefits paid	(72,302)	(58,889)
Fair value of plan assets as of June 30	$ 1,669,415	$ 1,536,263

Funded Status as of June 30	2018	2017
Fair value of plan assets	$ 1,669,415	$ 1,536,263
Projected benefit obligation	(2,401,508)	(2,289,041)
Unfunded status	$ (732,093)	$ (752,778)

Amounts recognized in the Consolidated Balance Sheets consist of (in thousands):

	2018	2017
Net pension asset (SMH - included in other assets)	$ 925	$ 8,661
Net pension liability	(733,018)	(761,439)
Net amount recognized	$ (732,093)	$ (752,778)

Aside from the SMH plan, the projected benefit obligation is greater than the fair value of plan assets for all plans that are aggregated with these statements.

Amounts not yet recognized in net periodic benefit cost and included in unrestricted net assets consist of (in thousands):

	2018	2017
Actuarial net loss	$ 739,136	$ 828,106
Prior service cost	108	234
	$ 739,244	$ 828,340
Accumulated benefit obligation	$ 2,125,116	$ 2,107,606

Net Periodic Pension Cost

Components of net periodic pension cost (in thousands):

	2018	2017
Service cost	$ 78,509	$ 77,666
Interest cost	95,246	87,225
Expected return on plan assets	(105,434)	(103,905)
Amortization of prior service cost	126	76
Recognized net actuarial loss	83,545	73,987
Settlement loss recognized	2,539	1,849
Net periodic pension cost	$ 154,531	$ 136,898

Other Changes in Plan Assets and Benefit Obligations Recognized in Unrestricted Net Assets

	2018	2017
Net (gain) loss	$ (2,886)	$ 3,039
Amortization of net loss	(86,084)	(75,836)
Amortization of prior service cost	(126)	(76)
	(89,096)	(72,873)
Special benefit liability	65,829	-
Total recognized in unrestricted net assets	$ (23,267)	$ (72,873)
Total loss recognized in net periodic benefit cost and unrestricted net assets	$ 131,264	$ 64,025

The estimated net loss and prior service cost that will be amortized from unrestricted net assets into net periodic pension cost over the next fiscal year are $89.1 million and $108.0 thousand, respectively.

The assumptions used in determining net periodic pension cost for all plans, except the SMH plan where noted, are as follows for the years ended June 30:

	2018	2017
Discount rate - service cost	4.32%	4.26%
Discount rate - benefit obligation	4.11%	4.05%
Expected return on plan assets	7.50%	7.60%
Rate of compensation increase - ultimate	2.50%	2.50%

The SMH plan utilized a rate of return on assets of 6.00% for the years ended June 30, 2018 and 2017, respectively, due to the nature of the plan being frozen and management's future expectations surrounding this plan.

The assumptions used in determining the benefit obligations for all plans, except the SMH plan where noted, are as follows as of July 1:

	2018	2017
Discount rate	4.41%	4.11%
Expected return on plan assets	7.50%	7.60%
Rate of compensation increase - ultimate	2.50%	2.50%

The SMH plan utilized an expected rate of return on assets of 5.50% and 6.00% for the years ended June 30, 2018 and 2017 due to the nature of the plan being frozen and management's future expectations surrounding this plan.

The expected rate of return on plan assets assumption, excluding SMH, was developed based on historical returns for the major asset classes. This review also considered both current market conditions and projected future conditions.

Plan Assets
Pension plan weighted average asset allocations as of June 30 by asset class are as follows:

Asset Class	2018	2017
Cash and cash equivalents	1.28%	2.69%
Equities and equity funds	8.82%	10.13%
Fixed income funds	32.14%	35.21%
Investments measured at NAV as a practical expedient	57.76%	51.97%
Total	100.00%	100.00%

The Plans assets are invested among and within various asset classes in order to achieve sufficient diversification in accordance with JHHS' risk tolerance. This is achieved through the utilization of asset managers and systematic allocation to investment management style(s), providing a broad exposure to different segments of the fixed income and equity markets. The Plans, except the SMH plan, strive to allocate assets between equity securities (including global asset allocation) and debt securities at a target rate of approximately 75% and 25% respectively. During the year ended June 30, 2018, the SMH plan adjusted its investment allocation to mostly fixed income to reduce the risk of market volatility as it moves towards terminating the plan.

Fair Value of Plan Assets

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three-tier hierarchy prioritizes the inputs used in measuring fair value as follows:

- Level 1 – Observable inputs such as quoted market prices for identical assets or liabilities in active markets;
- Level 2 – Observable inputs for similar assets or liabilities in an active market, or other than quoted prices in an active market that are observable either directly or indirectly; and
- Level 3 – Unobservable inputs in which there is little or no market data that require the reporting entity to develop its own assumptions.

The following table presents the plan assets carried at fair value as of June 30, 2018 grouped by hierarchy level (in thousands):

Assets	Fair Value	Level 1	Level 2
Cash equivalents (1)	$ 21,329	$ 21,329	$ -
Equities and equity funds (2)	147,222	147,222	-
Fixed income funds (3)	536,474	435,501	100,973
	705,025	604,052	100,973
Investments measured at NAV as a practical expedient	964,390		
Total plan assets	$ 1,669,415		

The following table presents the plan assets carried at fair value as of June 30, 2017 grouped by hierarchy level (in thousands):

Assets	Fair Value	Level 1	Level 2
Cash equivalents (1)	$ 41,332	$ 41,332	$ -
Equities and equity funds (2)	155,692	155,692	-
Fixed income funds (3)	540,990	457,990	83,000
	738,014	655,014	83,000
Investments measured at NAV as a practical expedient	798,249		
Total plan assets	$ 1,536,263		

(1) Cash and cash equivalents and money market funds include investments with original maturities of three months or less, and are rendered level 1 due to their frequent pricing and ease of converting to cash.

(2) Equities include individual equities and investments in mutual funds. The individual equities and mutual funds are valued based on the closing price on the primary market and are rendered level 1.

(3) Fixed income funds are investments in mutual funds and fixed income instruments. The underlying fixed investments are principally U.S. Treasuries, corporate bonds, commercial paper, and mortgage backed securities. For the fixed income instruments, fair value is based on quotes for similar securities; therefore these investments are rendered level 2.

There are no unfunded commitments related to the Plans' investments measured at NAV as a practical expedient.The following table displays information by strategy for investments measured at NAV as a practical expedient as of June 30, 2018 (in thousands):

	Fair Value	Redemption Frequency	Notice Period
Absolute return hedge funds (1)	$ 270,855	Monthly	5 to 30 days
Equity long/short hedge funds (2)	98,176	Monthly or quarterly	15 to 60 days
Event driven hedge funds (3)	77,198	Quarterly	60 to 65 days
Relative value hedge funds (4)	32,673	Quarterly	95 days
Commingled Equity Funds (5)	221,826	Daily or monthly	3 to 15 days
Commingled Fixed Income (6)	263,662	Daily or monthly	10 to 30 days
Total	$ 964,390		

The following table displays information by strategy for investments measured at NAV as a practical expedient as of June 30, 2017 (in thousands):

	Fair Value	Redemption Frequency	Notice Period
Absolute return hedge funds (1)	$ 226,824	Monthly	5 to 30 days
Equity long/short hedge funds (2)	93,565	Monthly or quarterly	15 to 60 days
Event driven hedge funds (3)	75,065	Quarterly	60 to 65 days
Relative value hedge funds (4)	30,626	Quarterly	95 days
Commingled Equity Funds (5)	151,802	Daily or monthly	3 to 15 days
Commingled Fixed Income (6)	220,367	Daily or monthly	10 to 15 days
Total	$ 798,249		

(1) Absolute return hedge funds: Investment managers who seek low correlation to global equity markets. Strategies have the ability to identify opportunities across multiple sectors, asset classes, and geographic regions.

(2) Equity long/short hedge funds: Investment Managers who maintain positions both long and short in primarily equity and equity derivative securities. Strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure and leverage employed.

(3) Event-Driven hedge funds: Investment Managers who maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments.

(4) Relative Value hedge funds: Investment Managers with an investment thesis predicated on realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment theses, and security types can range broadly across equity, fixed income, derivative or other security types.

(5) Commingled equity funds: Long-only equity strategies that invest exclusively in publicly traded companies, though the funds are not traded on a public exchange.

(6) Commingled fixed income: Fixed income strategies that invest in publicly-issued debt instruments, though the funds are not traded on a public exchange.

Contributions and Estimated Future Benefit Payments
JHHS expects to contribute $182.8 million to its pension plans in the fiscal year ending June 30, 2018.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid in each of the following fiscal years as of June 30, 2018 (in thousands):

2019	$	183,041
2020		81,814
2021		89,172
2022		96,714
2023		104,179
Next five years		623,648

The fiscal 2019 expected benefit payments includes $105.9 million due to the expected settlement of all participant pension liabilities pursuant to Sibley's plan termination.

12. Professional and General Liability Insurance

The University and JHHS participate in an agreement with four other medical institutions to provide a program of professional and general liability insurance for each member institution. As part of this program, the participating medical institutions have formed a risk retention group ("RRG") and a captive insurance company to provide self-insurance for a portion of their risk.

JHH and the University each have a 10% ownerships interest in the RRG and the captive insurance company, which is included in investments on the Consolidated Balance Sheets. The medical institutions obtain primary and excess liability insurance coverage from commercial insurers and the RRG. The primary coverage is written by the RRG, and a portion of the risk is reinsured with the captive insurance company. Commercial excess insurance and reinsurance is purchased under a claims-made policy by the participating institutions for claims in excess of primary coverage retained by the RRG and the captive. Primary retentions range between $1.0 million and $5.0 million per incident. Primary coverage is insured under a retrospectively rated claims-made policy; premiums are accrued based upon an estimate of the ultimate cost of the experience to date of each participating member institution. The basis for loss accruals for unreported claims under the primary policy is an actuarial estimate of asserted and unasserted claims including reported and unreported incidents and includes costs associated with settling claims. Projected losses were discounted using 1.60% and 1.10% as of June 30, 2018 and 2017, respectively.

JHHS applies the provisions of ASU 2010-24, "Presentation of Insurance Claims and Related Insurance Recoveries", which clarifies that health care entities should not net insurance recoveries against the related claims liabilities. JHHS recorded an increase in its assets and liabilities in the accompanying Consolidated Balance Sheet as of June 30, 2018 and 2017 as follows:

Caption on Consolidated Balance Sheet		2018		2017
Estimated malpractice recoveries, current portion	$	44,395	$	44,653
Estimated malpractice recoveries, net of current		34,042		37,392
Total assets	$	78,437	$	82,045
Current portion of estimated malpractice costs	$	44,395	$	44,653
Estimated malpractice costs, net of current portion		34,042		37,392
Total liabilities	$	78,437	$	82,045

The assets and liabilities represent JHHS' estimated self-insured captive insurance recoveries for claims reserves and certain claims in excess of self-insured retention levels. The insurance recoveries and liabilities have been allocated between short-term and long-term assets and liabilities based upon the expected timing of the claims payments.

Professional and general liability insurance expense incurred by JHHS was $55.4 and $53.5 million for the years ended June 30, 2018 and 2017, respectively. Reserves were $174.8 million and $177.3 million as of June 30, 2018 and 2017, respectively.

13. Related Party Transactions

During the years ended June 30, 2018 and 2017, JHHS and its Affiliates engaged in various related party transactions. These transactions were not eliminated because these entities are not consolidated. The following is a summary of the significant related party transactions and balances for the year ended June 30:

(Expense) transactions (in thousands):

		2018		2017
Pharmacy management and patient discharge planning costs to JHHCG	$	(35,121)	$	(32,617)
Security and management of housekeeping and parking garage services provided by Broadway Services, Inc		(22,117)		(21,856)
Utility, telecommunication and clinical application services provided by JHMI Utilities, LLC		(107,907)		(103,280)

Due from/(to) related party balances as of June 30 (in thousands):

	2018	2017
Note receivable - JHMI Utilities, LLC	$ 15,834	$ 11,294
Note receivable - JHI	3,317	3,145
Note receivable - FSK Land Corporation	1,454	$ -
Due from other affiliates, net	4,562	3,573
Due from affiliates, current portion, net	$ 25,167	$ 18,012
Note receivable - JHMI Utilities, LLC	$ 65,429	$ 80,684
Note receivable - JHI	7,197	10,516
Note receivable - FSK Land Corporation	17,986	$ -
Due from other affiliates	6,668	5,190
Due from affiliates, net of current portion	$ 97,280	$ 96,390

Affiliate Notes Receivable:

JHHS has made loans to certain non-controlled affiliates that do not consolidate within JHHS. The loans to these affiliates do not eliminate in consolidation. The short-term portion of these notes receivable are included in Due from affiliates, current portion, and the long-term portion is included in Due from affiliates, net of current portion in the Consolidated Balance Sheets.

JHH and JHHSC have affiliate notes receivable with JHMI Utilities, LLC. JHH's note receivable has a balance of $5.0 million as of June 30, 2018 and 2017. JHHSC's note receivable has a balance of $60.4 million and $87.0 million as of June 30, 2018 and 2017, respectively. The JHH note receivable has an initial repayment date of December 1, 2019, accrues interest in the initial period at a fixed rate of 6.0%, with interest payments paid monthly. The JHHSC note receivable is due in April 2023, accrues interest at a fixed rate of 5.85%, with principal and interest payments paid monthly.

JHH has an affiliate note receivable with JHI. JHH's note receivable has a balance of $10.5 million and $13.7 million as of June 30, 2018 and 2017, respectively. The note is due in June 2021, accrues interest in the initial period at a fixed rate of 5.4%, with principal payments paid quarterly and interest payments paid monthly.

14. Contracts, Commitments and Contingencies

There are several lawsuits pending in which JHHS has been named as a defendant. In the opinion of JHHS' management, after consultation with legal counsel, the potential liability, in the event of adverse settlement, will not have a material impact on JHHS' financial position.

In one case, on April 1, 2015, a complaint was filed against the University, its Bloomberg School of Public Health and its School of Medicine, JHHSC and JHH (collectively the "Johns Hopkins Defendants"), as well as another institution and a pharmaceutical company. The claims arise from human experiments conducted in Guatemala between 1946 and 1948 (the "Study") under the auspices of the United States Public Health Service, the Guatemala government, and the Pan American Sanitary Bureau. The plaintiffs' third amended complaint alleges that physicians and scientists employed by defendants "approved, encouraged, and directed nonconsensual and nontherapeutic human experiments in Guatemala" in which research subjects were intentionally exposed to and infected with venereal diseases without informed consent, and that the individuals were not told about the consequences of the experiments or given follow-up care, treatment, or education. The third amended complaint alleges claims under both the Guatemala civil code and the federal Alien Tort Statute (the "ATS"), and seeks compensatory damages in excess of $75,000 and punitive damages of $1 billion. The Johns Hopkins Defendants dispute both the factual allegations and legal claims in the complaint. The Johns Hopkins Defendants did not initiate, pay for, direct, or conduct the Study. In 2010, the United States government accepted responsibility for the Study and apologized to all who were affected by it. A prior lawsuit against officials of the United States government for the same injuries alleged in the suit against the Johns Hopkins Defendants was dismissed by the U.S. District Court for the District of Columbia.

On August 30, 2016, the Court issued a memorandum decision dismissing all of plaintiffs' Guatemala law claims, but denying defendants' motion to dismiss the third amended complaint with respect to the ATS claims. On May 16, 2018, defendants filed a motion for judgment on the pleadings based upon the Supreme Court's decision in *Jesner v. Arab Bank, PLC*, 138 S. Ct.1386 (2018), which holds that the ATS does not authorize federal courts to create federal common law causes of action against foreign corporations, as doing so would usurp Congress's role and violate the separation of powers. Defendants argue that although the Supreme Court's formal holding applied to foreign corporations—the only type of corporation that was a party to the case—the Supreme Court's reasoning should apply to domestic corporations as well. Although a hearing was originally set for July 26, 2018, the judge assigned to the case retired suddenly, and the case was reassigned to the Honorable Theodore D. Chuang. The hearing has not yet been rescheduled. In the meantime, discovery is underway. The Johns Hopkins Defendants intend to vigorously defend this lawsuit.

JHHS

JHHS has agreements with the University, under which the University provides medical administration and educational services, conducts medical research programs, provides patient care medical services, provides resident physicians who furnish services at JHHS hospitals, and provides certain other administrative and technical support services through the physicians employed by The Johns Hopkins University School of Medicine ("JHUSOM"). Compensation for providing medical administration and educational services is paid to the University by JHHS; funding for services in conducting medical research is paid from grant funds and by JHHS; compensation for patient care medical care services is derived from billings to patients (or third-party payors) by the University; and compensation for other support services is paid to the University by JHHS. The aggregate amount of purchased services incurred by JHHS under these agreements was $339.4 million and $319.9 million for the years ended June 30, 2018 and 2017, respectively.

Commitments for leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred. The following is a schedule by year of future minimum lease payments under operating leases as of June 30, 2018, that have initial or remaining lease terms in excess of one year (in thousands).

2019	$	29,272
2020		25,540
2021		23,050
2022		20,217
2023		18,422

Rental expense for all operating leases for the years ended June 30, 2018 and 2017 amounted to $53.9 million and $41.3 million, respectively.

The Johns Hopkins Hospital
In 2005, JHH and the University created a Limited Liability Company (JHMI Utilities, LLC) to provide utility and telecommunication services for their East Baltimore Campus. Each member owns 50% of the LLC and shares equally in the governance of the LLC. The LLC has also assumed the liability for the JHH's 1985 Pooled Loan obligation of $8.5 million. The cost of acquiring and upgrading the existing utility facilities, the construction of a new power plant and an upgrade of the telecommunication system have been financed through the issuance of tax exempt bonds by MHHEFA and the proceeds of the Pooled Loan program sponsored by MHHEFA. JHH and the University have guaranteed the total debt issued by MHHEFA. As of June 30, 2018, the amount of the debt guarantee by JHH was $98.8 million. JHH accounts for this investment under the equity method of accounting.

JHH has pledged investments, having an aggregate market value of $28.9 million and $25.9 million as of June 30, 2018 and 2017, for JHHS compliance with regulations of the Workers Compensation Commission and the Department of Economic and Employment Development's Unemployment Insurance Fund. These investments are included in assets whose use is limited by board of trustees in the Consolidated Balance Sheet.

15. Functional Expenses

JHHS provides general health care services to residents within its geographic location as well as to national and international patients. Expenses related to providing these services for the years ended June 30 consisted of the following (in thousands):

	2018	2017
Health care services	$ 5,062,180	$ 4,799,216
General and administrative services	1,284,624	1,182,344
Fundraising	7,218	6,797
Program service	14,588	11,497
Total operating expenses	$ 6,368,610	$ 5,999,854

16. The Johns Hopkins Hospital Endowment Fund, Incorporated

The Endowment Corporation was organized for the purpose of holding and managing the endowment and certain other funds transferred from and for the benefit of JHHS. The affairs of the Endowment Corporation are managed by a Board of Trustees, comprised of Trustees who are self-perpetuating. Neither JHHS nor any Affiliate holds legal title to any Endowment Corporation funds. The Board of Trustees may, in its discretion, award funds from the Endowment Corporation to organizations other than JHHS if the Board of Trustees determines that doing so is for the support, benefit of, or in furtherance of the mission of JHHS. Accordingly, these amounts are not presented in the consolidated financial statements of JHHS and its Affiliates until they are subsequently distributed to JHHS and its affiliates from the Endowment Corporation. The Endowment Corporation's net assets were $702.3 million and $676.2 million as of June 30, 2018 and 2017, respectively. The Endowment Corporation's distributions from net assets to JHHS and its affiliates were $13.2 million and $11.6 million for the years ended June 30, 2018 and 2017, respectively, and were recorded as other revenue.

17. Subsequent Events

JHHS has performed an evaluation of subsequent events through September 27, 2018, which is the date the financial statements were issued.

Supplementary Information

Report of Independent Auditors

To the Board of Trustees of
The Johns Hopkins Health System Corporation and Affiliates

We have audited the consolidated financial statements of The Johns Hopkins Health System Corporation and Affiliates as of June 30, 2018 and 2017 and for the years then ended and our report thereon appears on pages 1 and 2 of this document. Those audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and changes in net assets and cash flows of the individual companies and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations and changes in net assets and cash flows of the individual companies.

PricewaterhouseCoopers LLP

September 27, 2018

The Johns Hopkins Health System Corporation and Affiliates
Supplementary Consolidating Balance Sheets
June 30, 2018
(in thousands)

	The Johns Hopkins Hospital	Johns Hopkins Bayview Medical Center, Inc.	Howard County General Hospital, Inc.	Suburban Hospital, Inc. and Consolidated Entities	Sibley Memorial Hospital	Sibley Other Affiliates	Johns Hopkins All Children's Hospital, Inc.	The Johns Hopkins Health System Corporation	Suburban Hospital Healthcare System, Inc.	Eliminations	Johns Hopkins Health System Obligated Group Subtotal	Johns Hopkins HealthCare LLC and Subsidiaries	Johns Hopkins HealthCare Imaging	Howard Hospital Foundation	Johns Hopkins All Children's Foundation, Inc.	Other	Eliminations	Consolidated Johns Hopkins Health System Corporation and Affiliates
ASSETS																		
Current assets:																		
Cash and cash equivalents	$ 80,848	$ 20,060	$ 10,414	$ 10,424	$ 28,692	$ 3,617	$ 31,561	$ 200,154	$ 87	$ -	$ 385,857	$ 134,719	$ 14,395	$ 1,153	$ 4,970	$ 38,699	$ -	$ 579,793
Short-term investments	-	150	49	407	772	170	100	55,407	200	-	57,255	-	-	-	129	-	-	57,384
Assets whose use is limited - used for curr liabs	12,864	-	-	1,479	-	-	-	-	-	-	14,343	-	-	-	-	-	-	14,343
Patient accounts receivables, net of estimated uncollectibles of $107,397	291,818	58,492	30,409	36,467	39,363	-	81,735	-	152	-	538,436	60,994	-	-	-	18,871	(34,349)	583,952
Due from others, current portion	49,253	6,999	906	3,810	4,690	111	3,445	4,343	294	-	73,851	23,350	1,907	19	137	7,483	-	106,747
Due from affiliates, current portion	16,333	320	359	963	-	-	1,187	80,535	178	(59,543)	40,332	22,911	3,779	-	4	44,415	(76,149)	35,292
Inventories of supplies	69,999	10,510	5,012	10,958	7,078	-	10,597	7,863	194	-	122,211	-	-	-	-	275	-	122,486
Estimated malpractice recoveries, current portion	25,469	2,760	1,109	921	1,881	-	6,810	-	-	-	38,950	992	-	-	-	4,453	-	44,395
Prepaid expenses and other current assets	12,714	1,512	936	4,155	4,242	33	5,249	2,562	138	-	31,541	13,089	15	12	34	1,743	-	46,434
Total current assets	559,298	100,803	49,194	69,584	86,718	3,931	140,684	350,864	1,243	(59,543)	1,302,776	256,055	20,096	1,184	5,274	115,939	(110,498)	1,590,826
Assets whose use is limited																		
By donors or grantors for:																		
Pledges receivable	875	186	-	7,777	-	11,971	205	-	-	-	21,014	-	-	3,963	5,849	-	-	30,826
Other	6,584	7,824	-	24,389	4,372	49,573	6,255	-	-	-	98,997	-	-	3,400	16,799	-	-	119,196
By Board of Trustees	68,086	54,243	20,046	-	73,447	337,980	15,801	-	-	-	569,603	-	-	-	713	-	-	570,316
Other	2,318	964	18,406	111	-	-	70,058	15,990	222	-	108,069	200	-	-	-	-	(88,331)	19,938
Total assets whose use is limited	77,863	63,217	38,452	32,277	77,819	399,524	92,319	15,990	222	-	797,683	200	-	7,363	23,361	-	(88,331)	740,276
Investments	1,059,366	62,064	144,754	325,097	409,315	14,011	393,193	253,515	22,841	-	2,684,156	235,146	-	9,339	116,316	32,240	(93,048)	2,984,149
Property, plant and equipment	2,289,910	534,021	285,162	346,063	676,881	198	648,617	157,115	80,279	-	5,018,246	59,410	20,420	519	23,318	108,809	-	5,230,722
Less: allowance for depreciation and amort	(1,024,887)	(330,268)	(136,309)	(156,788)	(146,506)	(43)	(209,534)	(85,793)	(43,102)	-	(2,133,230)	(21,763)	(13,111)	(67)	(4,044)	(84,238)	-	(2,256,453)
Total property, plant and equipment, net	1,265,023	203,753	148,853	189,275	530,375	155	439,083	71,322	37,177	-	2,885,016	37,647	7,309	452	19,274	24,571	-	2,974,269
Due from affiliates, net of current portion	131,464	-	2,985	1,529	-	-	-	1,392,637	-	(1,396,012)	132,603	-	-	-	-	1,197	(36,520)	97,280
Estimated malpractice recoveries, net of current portion	19,529	2,116	850	706	1,443	-	5,222	-	-	-	29,866	761	-	-	-	3,415	-	34,042
Swap counterparty deposit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33,851	-	33,851
Other assets	6,947	-	31	-	3,488	-	-	1,457	1,792	-	13,715	5	7,446	-	-	1,602	-	22,768
Total assets	$ 3,119,490	$ 431,953	$ 385,119	$ 618,468	$ 1,109,158	$ 417,621	$ 1,070,501	$ 2,085,785	$ 63,275	$ (1,455,555)	$ 7,845,815	$ 529,814	$ 34,851	$ 18,338	$ 164,225	$ 212,815	$ (328,397)	$ 8,477,461
LIABILITIES AND NET ASSETS																		
Current liabilities:																		
Current portion of long-term debt and obligations under capital leases	$ 19,879	$ 6,295	$ -	$ -	$ -	$ -	$ 2,520	$ 22,526	$ 1,962	$ -	$ 53,182	$ -	$ 843	$ -	$ -	$ -	$ -	$ 54,025
Accounts payable and accrued liabilities	188,422	47,182	18,258	37,083	40,545	6,015	58,314	106,409	675	-	502,903	87,396	1,084	(1)	555	54,833	-	646,770
Medical claims reserve	-	-	-	-	-	-	-	-	-	-	-	157,627	-	-	-	-	(39,443)	118,184
Deferred revenue	2,711	5,804	461	89	1,292	-	1,057	375	-	-	11,789	127,209	-	2	-	1,826	-	140,826
Due to affiliates, current portion	29,897	7,062	9,614	6,686	17,672	56	41,152	3,028	545	(59,543)	56,169	14,152	1,610	51	1,505	7,693	(71,055)	10,125
Accrued vacation	21,398	6,373	6,700	8,012	9,625	79	4,067	16,811	83	-	73,148	12	162	-	-	7,072	-	80,394
Advances from third-party payors	81,956	14,878	10,189	7,073	-	-	-	-	-	-	114,096	-	-	-	-	-	-	114,096
Current portion of est malpractice costs	26,609	2,928	1,175	939	1,961	-	7,099	-	-	-	40,711	1,031	-	-	-	4,817	-	46,559
Total current liabilities	370,872	90,522	46,397	59,882	71,095	6,150	114,209	149,149	3,265	(59,543)	851,998	387,427	3,699	52	2,060	76,241	(110,498)	1,210,979
Long-term debt and obligations under capital leases, net of current portion	146,053	59,707	-	-	-	-	96,247	1,665,810	25,898	-	1,993,715	-	2,708	-	-	-	-	1,996,423
Est malpractice costs, net of current portion	72,670	9,926	3,910	1,572	5,963	-	19,211	-	-	-	113,252	2,573	-	-	-	12,428	-	128,253
Net pension liability	360,595	149,617	1,901	3,121	-	-	-	217,784	-	-	733,018	-	-	-	-	-	-	733,018
Other long-term liabilities	766,690	63,288	186,674	140,200	308,607	216	152,628	2,283	227	(1,396,012)	224,801	916	1,823	13	422	41,667	(36,520)	233,122
Total liabilities	1,716,880	373,060	238,882	204,775	385,665	6,366	382,295	2,035,026	29,390	(1,455,555)	3,916,784	390,916	8,230	65	2,482	130,336	(147,018)	4,301,795
Net assets:																		
Unrestricted	1,394,528	50,883	135,168	382,751	719,792	365,224	669,536	50,759	33,885	-	3,802,526	138,898	26,621	7,963	52,972	81,593	(101,011)	4,009,562
Temporarily restricted	8,082	3,486	7,669	18,983	1,856	34,121	4,836	-	-	-	79,033	-	-	6,910	81,375	886	(65,318)	102,886
Permanently restricted	-	4,524	3,400	11,959	1,845	11,910	13,834	-	-	-	47,472	-	-	3,400	27,396	-	(15,050)	63,218
Total net assets	1,402,610	58,893	146,237	413,693	723,493	411,255	688,206	50,759	33,885	-	3,929,031	138,898	26,621	18,273	161,743	82,479	(181,379)	4,175,666
Total liabilities and net assets	$ 3,119,490	$ 431,953	$ 385,119	$ 618,468	$ 1,109,158	$ 417,621	$ 1,070,501	$ 2,085,785	$ 63,275	$ (1,455,555)	$ 7,845,815	$ 529,814	$ 34,851	$ 18,338	$ 164,225	$ 212,815	$ (328,397)	$ 8,477,461

The Johns Hopkins Health System Corporation and Affiliates
Supplementary Consolidating Balance Sheets
June 30, 2017
(in thousands)

	The Johns Hopkins Hospital	Johns Hopkins Bayview Medical Center, Inc.	Howard County General Hospital, Inc.	Suburban Hospital, Inc. and Consolidated Entities	Sibley Memorial Hospital	Sibley Other Affiliates	Johns Hopkins All Children's Hospital, Inc.	The Johns Hopkins Health System Corporation	Suburban Hospital Healthcare System, Inc.	Eliminations	Johns Hopkins Health System Obligated Group Subtotal	Johns Hopkins HealthCare LLC and Subsidiaries	Johns Hopkins HealthCare Imaging	Howard Hospital Foundation	Johns Hopkins All Children's Foundation, Inc.	Other	Eliminations	Consolidated Johns Hopkins Health System Corporation and Affiliates
ASSETS																		
Current assets:																		
Cash and cash equivalents	$85,367	$6,828	$7,445	$11,202	$35,622	$1,525	$28,050	$216,326	$73	$0	$392,438	$121,804	$4,738	$1,106	$8,797	$37,448	$0	$566,331
Short-term investments	-	150	49	204	773	275	300	150,256	-	-	152,007	-	-	-	427	-	-	152,434
Assets whose use is limited - used for curr liabs	12,704	-	-	1,479	-	-	-	-	-	-	14,183	-	-	-	-	-	-	14,183
Patient accounts receivables, net of estimated uncollectibles of $106,622	305,228	57,155	30,675	30,007	27,785	-	53,520	-	38	-	504,408	56,495	79	-	-	17,881	(39,311)	539,552
Due from others, current portion	46,006	6,683	791	3,850	5,454	100	3,344	4,772	136	-	71,136	13,926	1,828	22	67	6,458	-	93,437
Due from affiliates, current portion	16,398	1,899	336	2,364	-	-	1,941	59,209	236	(38,794)	43,589	26,804	3,391	-	1	42,401	(85,269)	30,917
Inventories of supplies	64,250	10,695	4,661	10,297	5,315	-	12,326	4,899	162	-	112,605	-	-	-	-	204	-	112,809
Estimated malpractice recoveries, current portion	25,311	2,913	1,104	931	2,511	-	6,629	-	-	-	39,399	818	-	-	-	4,436	-	44,653
Prepaid expenses and other current assets	10,159	1,791	1,438	3,608	3,741	49	6,298	2,499	73	-	29,656	38,059	37	18	239	1,732	-	69,741
Total current assets	565,423	88,114	46,499	63,942	81,201	1,949	112,408	437,961	718	(38,794)	1,359,421	257,906	10,073	1,146	9,531	110,560	(124,580)	1,624,057
Assets whose use is limited																		
By donors or grantors for:																		
Pledges receivable	1,288	161	-	6,331	-	12,325	177	-	-	-	20,282	-	-	5,910	8,572	148	-	34,912
Other	853	7,752	-	21,312	4,419	44,802	7,059	-	-	-	86,197	-	-	3,400	14,952	-	-	104,549
By Board of Trustees	67,941	43,492	30,000	36,905	98,985	328,376	19,616	-	-	-	625,315	-	-	-	865	-	-	626,180
Other	9,311	930	18,212	281	-	-	69,619	14,973	190	-	113,516	200	-	-	-	-	(87,698)	26,018
Total assets whose use is limited	79,393	52,335	48,212	64,829	103,404	385,503	96,471	14,973	190	-	845,310	200	-	9,310	24,389	148	(87,698)	791,659
Investments	939,266	94,623	136,809	312,720	347,134	13,461	424,656	197,282	22,882	-	2,488,833	196,975	-	7,341	108,887	32,469	(94,173)	2,740,332
Property, plant and equipment	2,307,144	513,157	268,035	284,929	594,802	198	583,312	148,133	79,743	-	4,779,453	48,101	17,499	519	23,318	102,811	-	4,971,701
Less: allowance for depreciation and amort	(980,519)	(303,157)	(123,639)	(147,427)	(114,511)	(37)	(185,577)	(78,162)	(40,514)	-	(1,973,543)	(13,615)	(10,632)	(27)	(3,550)	(79,771)	-	(2,081,138)
Total property, plant and equipment, net	1,326,625	210,000	144,396	137,502	480,291	161	397,735	69,971	39,229	-	2,805,910	34,486	6,867	492	19,768	23,040	-	2,890,563
Due from affiliates, net of current portion	153,871	436	320	2,537	543	-	405	1,152,349	-	(1,165,125)	145,336	-	-	-	-	1,329	(50,275)	96,390
Estimated malpractice recoveries, net of current portion	21,131	2,432	921	777	2,096	-	5,535	-	-	-	32,892	796	-	-	-	3,704	-	37,392
Swap counterparty deposit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	46,095	-	46,095
Other assets	6,947	-	24	-	11,598	-	-	6,556	1,465	-	26,590	5	8,521	-	-	2,008	-	37,124
Total assets	$ 3,092,656	$ 447,940	$ 377,181	$ 582,307	$ 1,026,267	$ 401,074	$ 1,037,210	$ 1,879,092	$ 64,484	$ (1,203,919)	$ 7,704,292	$ 490,368	$ 25,461	$ 18,289	$ 162,575	$ 219,353	$ (356,726)	$ 8,263,612
LIABILITIES AND NET ASSETS																		
Current liabilities:																		
Current portion of long-term debt and obligations under capital leases	$ 285,464	$ 5,838	$ -	$ -	$ -	$ -	$ 1,900	$ 247,288	$ 1,706	$ -	$ 542,196	$ (9)	$ 588	$ -	$ -	$ -	$ -	$ 542,775
Accounts payable and accrued liabilities	168,460	46,894	20,399	32,986	29,446	6,245	41,596	102,185	501	-	448,712	57,402	1,365	1	390	53,721	-	561,591
Medical claims reserve	-	-	-	-	-	-	-	-	-	-	-	161,207	-	-	-	-	(41,576)	119,631
Deferred revenue	-	5,966	401	170	1,577	-	2,322	375	-	-	10,811	117,232	-	7	-	1,074	-	129,124
Due to affiliates, current portion	22,559	7,875	10,143	5,558	7,028	62	34,818	5,197	145	(38,794)	54,591	18,487	1,387	189	3,963	17,292	(83,004)	12,905
Accrued vacation	20,511	6,282	6,528	7,837	11,410	66	4,934	15,908	89	-	73,565	-	-	-	-	4,707	-	78,272
Advances from third-party payors	91,478	21,045	10,305	7,658	-	-	9,021	-	-	-	139,507	-	-	-	-	-	-	139,507
Current portion of est malpractice costs	26,640	3,086	1,171	949	2,597	-	7,984	-	-	-	42,427	-	-	-	-	4,817	-	47,244
Total current liabilities	615,112	96,986	48,947	55,158	52,058	6,373	102,575	370,953	2,441	(38,794)	1,311,809	354,319	3,340	197	4,353	81,611	(124,580)	1,631,049
Long-term debt and obligations under capital leases, net of current portion	165,241	65,995	-	-	-	-	91,900	1,236,503	27,860	-	1,587,499	-	783	-	-	-	-	1,588,282
Est malpractice costs, net of current portion	72,986	10,133	3,918	1,934	8,304	-	19,734	-	-	-	117,009	-	-	-	-	13,048	-	130,057
Net pension liability	382,682	161,234	1,649	4,487	-	-	-	211,387	-	-	761,439	-	-	-	-	-	-	761,439
Other long-term liabilities	552,859	66,803	194,074	141,871	314,821	-	162,036	8,302	219	(1,165,125)	275,860	3,207	2,456	13	372	54,096	(50,275)	285,729
Total liabilities	1,788,880	401,151	248,588	203,450	375,183	6,373	376,245	1,827,145	30,520	(1,203,919)	4,053,616	357,526	6,579	210	4,725	148,755	(174,855)	4,396,556
Net assets:																		
Unrestricted	1,277,176	38,876	116,246	351,214	647,260	351,763	642,152	49,499	33,964	-	3,508,150	132,842	18,882	6,178	48,245	69,599	(100,351)	3,683,545
Temporarily restricted	26,600	3,389	8,947	16,709	1,979	31,192	5,431	2,448	-	-	96,695	-	-	8,501	83,957	999	(66,904)	123,248
Permanently restricted	-	4,524	3,400	10,934	1,845	11,746	13,382	-	-	-	45,831	-	-	3,400	25,648	-	(14,616)	60,263
Total net assets	1,303,776	46,789	128,593	378,857	651,084	394,701	660,965	51,947	33,964	-	3,650,676	132,842	18,882	18,079	157,850	70,598	(181,871)	3,867,056
Total liabilities and net assets	$ 3,092,656	$ 447,940	$ 377,181	$ 582,307	$ 1,026,267	$ 401,074	$ 1,037,210	$ 1,879,092	$ 64,484	$ (1,203,919)	$ 7,704,292	$ 490,368	$ 25,461	$ 18,289	$ 162,575	$ 219,353	$ (356,726)	$ 8,263,612

The Johns Hopkins Health System Corporation and Affiliates
Supplementary Consolidating Statements of Operations and Changes in Net Assets
June 30, 2018
(in thousands)

	The Johns Hopkins Hospital	Johns Hopkins Bayview Medical Center, Inc.	Howard County General Hospital, Inc.	Suburban Hospital, Inc. and Consolidated Entities	Sibley Memorial Hospital	Sibley Other Affiliates	Johns Hopkins All Children's Hospital, Inc.	The Johns Hopkins Health System Corporation	Suburban Hospital Healthcare System, Inc.	Eliminations	Johns Hopkins Health System Obligated Group Subtotal	Johns Hopkins HealthCare LLC and Subsidiaries	Johns Hopkins HealthCare Imaging	Howard Hospital Foundation	Johns Hopkins All Children's Foundation, Inc.	Other	Eliminations	Consolidated Johns Hopkins Health System Corporation and Affiliates
Operating revenues:																		
Net patient service revenue before provision for bad debts	$2,074,422	$ 585,632	$ 274,894	$ 288,603	$ 350,640	$ -	$ 447,246	$ -	$ 2,991	$ -	$ 4,024,428	$ 2,042,605	$ -	$ -	$ -	$ 700,673	$ (987,511)	$ 5,780,195
Provision for bad debts	(33,103)	(15,665)	(6,768)	(6,872)	(12,581)	-	(11,474)	-	(15)	-	(86,478)	(5,878)	-	-	-	(9,771)	-	(102,127)
Net patient service revenue, less the provision for bad debts	2,041,319	569,967	268,126	281,731	338,059	-	435,772	-	2,976	-	3,937,950	2,036,727	-	-	-	690,902	(987,511)	5,678,068
Other revenue	365,931	55,293	5,409	20,397	35,813	1,173	57,263	408,219	9,303	(258,715)	700,086	84,805	45,659	864	7,662	199,337	(237,118)	801,295
Investment income	15,421	2,495	2,735	4,788	7,363	6,180	10,205	8,404	220	-	57,811	3,487	-	92	2,600	59	-	64,049
Net assets released from restrict used for operations	152	722	625	1,755	2,421	334	1,164	-	-	-	7,173	-	-	1,527	6,360	20	-	15,080
Total operating revenues	2,422,823	628,477	276,895	308,671	383,656	7,687	504,404	416,623	12,499	(258,715)	4,703,020	2,125,019	45,659	2,483	16,622	890,318	(1,224,629)	6,558,492
Operating expenses:																		
Salaries, wages and benefits	826,137	261,421	128,956	132,074	152,651	1,247	222,394	198,661	1,605	-	1,925,146	123,766	16,156	769	2,759	305,512	(11,829)	2,362,279
Purchased services	729,506	217,328	76,316	68,616	66,782	2,098	133,170	146,229	4,282	(216,443)	1,227,884	1,967,113	12,757	606	11,371	552,970	(1,168,212)	2,604,489
Supplies and other	634,638	104,354	39,376	75,207	94,890	71	76,831	2,121	1,895	-	1,029,383	5,280	3,809	32	423	25,941	(9,178)	1,055,690
Interest	20,107	3,379	6,028	3,111	10,632	-	4,110	51,426	2,540	(42,272)	59,061	541	215	-	72	240	(137)	59,992
Depreciation and amortization	129,216	31,095	12,711	16,184	36,527	6	26,874	12,141	2,914	-	267,668	8,159	4,515	40	494	5,284	-	286,160
Total operating expenses	2,339,604	617,577	263,387	295,192	361,482	3,422	463,379	410,578	13,236	(258,715)	4,509,142	2,104,859	37,452	1,447	15,119	889,947	(1,189,356)	6,368,610
Income from operations	83,219	10,900	13,508	13,479	22,174	4,265	41,025	6,045	(737)	-	193,878	20,160	8,207	1,036	1,503	371	(35,273)	189,882
Non-operating revenues and expenses:																		
Interest expense on swap agreements	(14,987)	(1,409)	(1,169)	(447)	-	-	(2,499)	-	-	-	(20,511)	-	-	-	-	-	-	(20,511)
Change in fair value of interest swap agreements	36,095	2,470	3,139	569	-	-	5,934	-	-	-	48,207	-	-	-	-	-	-	48,207
Net realized and changes in unrealized gains (losses) on investments	33,155	2,423	2,639	15,467	39,534	31,052	11,888	(5,565)	694	-	131,287	(1,456)	-	380	4,556	-	-	134,767
Loss on advance refunding of debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other components of net periodic pension cost	(41,731)	(13,562)	(837)	328	595	-	-	(10,139)	-	-	(65,346)	(3,312)	(468)	-	-	(5,274)	-	(74,400)
Other non-operating expenses	(10,311)	(11)	713	4	(2,201)	-	(12,440)	(5,775)	-	-	(30,021)	-	-	-	-	(194)	1,675	(28,540)
Excess of revenues over (under) expenses before noncontrolling interests	85,440	811	17,993	29,400	60,102	35,317	43,908	(15,434)	(43)	-	257,494	15,392	7,739	1,416	6,059	(5,097)	(33,598)	249,405
Noncontrolling interests	-	-	-	-	-	-	-	-	-	-	-	12,567	-	-	-	(1,833)	(2,867)	7,867
Excess of revenues over (under) expenses	85,440	811	17,993	29,400	60,102	35,317	43,908	(15,434)	(43)	-	257,494	27,959	7,739	1,416	6,059	(6,930)	(36,465)	257,272
Contributions (to) from affiliates	(17,000)	-	292	-	-	-	(16,524)	18,000	-	-	(15,232)	(9,336)	-	(649)	(1,209)	17,091	34,046	24,711
Change in funded status of defined benefit plans	28,314	10,195	244	733	(9,572)	-	-	(6,647)	-	-	23,267	-	-	-	-	-	-	23,267
Net assets released from restrictions used for purchases of property, plant, and equipment	20,598	1,001	393	1,404	146	-	-	1,121	-	-	24,663	-	-	-	-	-	-	24,663
Noncontrolling interests	-	-	-	-	-	-	-	-	-	-	-	(12,567)	-	-	-	1,833	2,867	(7,867)
Other	-	-	-	-	21,857	(21,857)	-	4,220	(36)	-	4,184	-	-	1,018	(123)	-	(1,108)	3,971
Increase (decrease) in unrestricted net assets	117,352	12,007	18,922	31,537	72,533	13,460	27,384	1,260	(79)	-	294,376	6,056	7,739	1,785	4,727	11,994	(660)	326,017
Changes in temporarily restricted net assets:																		
Gifts, grants and bequests	2,232	1,820	(260)	5,433	(32)	5,739	569	1,121	-	-	16,622	-	-	954	3,887	(93)	568	21,938
Net assets released from restrictions used for purchases of property, plant, and equipment	(20,598)	(1,001)	(393)	(1,404)	-	(146)	-	(1,121)	-	-	(24,663)	-	-	-	-	-	-	(24,663)
Net assets released from restrict used for operations	(152)	(722)	(625)	(1,755)	(92)	(2,663)	(1,164)	-	-	-	(7,173)	-	-	(1,527)	(6,360)	(20)	-	(15,080)
Other	-	-	-	-	-	-	-	(2,448)	-	-	(2,448)	-	-	(1,018)	(109)	-	1,018	(2,557)
(Decrease) increase in temporarily restricted net assets	(18,518)	97	(1,278)	2,274	(124)	2,930	(595)	(2,448)	-	-	(17,662)	-	-	(1,591)	(2,582)	(113)	1,586	(20,362)
Changes in permanently restricted net assets:																		
Gifts, grants and bequests	-	-	-	1,025	-	164	452	-	-	-	1,641	-	-	-	1,748	-	(434)	2,955
Increase in permanently restricted net assets	-	-	-	1,025	-	164	452	-	-	-	1,641	-	-	-	1,748	-	(434)	2,955
Increase (decrease) in net assets	98,834	12,104	17,644	34,836	72,409	16,554	27,241	(1,188)	(79)	-	278,355	6,056	7,739	194	3,893	11,881	492	308,610
Net assets at beginning of year	1,303,776	46,789	128,593	378,857	651,084	394,701	660,965	51,947	33,964	-	3,650,676	132,842	18,882	18,079	157,850	70,598	(181,871)	3,867,056
Net assets at end of year	$ 1,402,610	$ 58,893	$ 146,237	$ 413,693	$ 723,493	$ 411,255	$ 688,206	$ 50,759	$ 33,885	$ -	$ 3,929,031	$ 138,898	$ 26,621	$ 18,273	$ 161,743	$ 82,479	$ (181,379)	$ 4,175,666

The Johns Hopkins Health System Corporation and Affiliates
Supplementary Consolidating Statements of Operations and Changes in Net Assets
June 30, 2017
(in thousands)

	The Johns Hopkins Hospital	Johns Hopkins Bayview Medical Center, Inc.	Howard County General Hospital, Inc.	Suburban Hospital, Inc. and Consolidated Entities	Sibley Memorial Hospital	Sibley Other Affiliates	Johns Hopkins All Children's Hospital, Inc.	The Johns Hopkins Health System Corporation	Suburban Hospital Healthcare System, Inc.	Eliminations	Johns Hopkins Health System Obligated Group Subtotal	Johns Hopkins HealthCare LLC and Subsidiaries	Johns Hopkins HealthCare Imaging	Howard Hospital Foundation	Johns Hopkins All Children's Foundation, Inc.	Other	Eliminations	Consolidated Johns Hopkins Health System Corporation and Affiliates
Operating revenues:																		
Net patient service revenue before provision for bad debts	$ 2,042,462	$ 564,352	$ 265,216	$ 273,890	$ 291,224	$ -	$ 417,287	$ -	$ 7,260	$ -	$ 3,861,691	$ 1,886,493	$ -	$ -	$ -	$ 683,329	$ (959,596)	$ 5,471,917
Provision for bad debts	(40,121)	(9,710)	(5,379)	(6,072)	(10,402)	-	(8,931)	-	(16)	-	(80,631)	(6,069)	-	-	-	(14,096)	-	(100,796)
Net patient service revenue, less the provision for bad debts	2,002,341	554,642	259,837	267,818	280,822	-	408,356	-	7,244	-	3,781,060	1,880,424	-	-	-	669,233	(959,596)	5,371,121
Other revenue	323,315	52,722	5,698	21,330	31,451	1,331	49,710	324,424	8,239	(230,422)	587,798	73,942	32,036	140	6,021	162,812	(169,032)	693,717
Investment income	13,395	2,083	3,071	4,334	6,934	5,603	7,203	61,143	239	-	104,005	1,491	-	19	1,564	719	(42,411)	65,387
Net assets released from restrict used for operations	465	837	4,911	1,478	2,592	2,475	2,155	-	-	-	14,913	-	-	1,104	6,754	15	-	22,786
Total operating revenues	2,339,516	610,284	273,517	294,960	321,799	9,409	467,424	385,567	15,722	(230,422)	4,487,776	1,955,857	32,036	1,263	14,339	832,779	(1,171,039)	6,153,011
Operating expenses:																		
Salaries, wages and benefits	797,617	258,387	126,582	126,416	154,200	981	206,954	178,741	3,363	-	1,853,241	114,133	11,502	265	2,277	283,407	(11,103)	2,253,722
Purchased services	701,378	204,174	70,850	68,352	64,551	2,223	110,629	152,085	6,450	(198,761)	1,181,931	1,788,171	10,063	200	10,965	529,400	(1,117,481)	2,403,249
Supplies and other	610,171	105,421	42,707	72,493	76,964	20	69,583	3,103	2,237	-	982,699	4,829	3,382	23	503	26,174	-	1,017,610
Interest	18,124	3,138	5,758	1,726	9,530	-	4,464	35,597	2,679	(31,661)	49,355	207	102	-	93	48	(44)	49,761
Depreciation and amortization	131,045	28,568	12,524	13,298	29,862	7	26,603	14,261	3,014	-	259,182	5,890	4,042	21	498	5,879	-	275,512
Total operating expenses	2,258,335	599,688	258,421	282,285	335,107	3,231	418,233	383,787	17,743	(230,422)	4,326,408	1,913,230	29,091	509	14,336	844,908	(1,128,628)	5,999,854
Income from operations	81,181	10,596	15,096	12,675	(13,308)	6,178	49,191	1,780	(2,021)	-	161,368	42,627	2,945	754	3	(12,129)	(42,411)	153,157
Non-operating revenues and expenses:																		
Interest expense on swap agreements	(17,424)	(1,914)	(1,385)	(679)	-	-	(3,003)	-	-	-	(24,405)	-	-	-	-	-	-	(24,405)
Change in fair value of interest swap agreements	58,738	3,648	5,948	919	-	-	11,541	-	-	-	80,794	-	-	-	-	-	-	80,794
Net realized and changes in unrealized gains (losses) on investments	52,328	3,145	4,837	22,980	39,691	36,112	28,026	(874)	1,285	-	187,530	(943)	-	310	8,206	-	-	195,103
Loss on advance refunding of debt	(15,530)	-	-	-	-	-	-	-	-	-	(15,530)	-	-	-	-	-	-	(15,530)
Other components of net periodic pension cost	(31,443)	(12,232)	(607)	(383)	940	-	-	(8,653)	-	-	(52,378)	(2,110)	(246)	-	-	(3,942)	-	(58,676)
Other non-operating expenses	(9,302)	33	889	58	(106)	-	(12,439)	(4,983)	-	-	(25,850)	(4,193)	-	-	-	(113)	375	(29,781)
Excess of revenues over (under) expenses before noncontrolling interests	118,548	3,276	24,778	35,570	27,217	42,290	73,316	(12,730)	(736)	-	311,529	35,381	2,699	1,064	8,209	(16,184)	(42,036)	300,662
Noncontrolling interests	-	-	-	-	-	-	-	-	(22)	-	(22)	8,529	-	-	-	1,228	(5,637)	4,098
Excess of revenues over (under) expenses	118,548	3,276	24,778	35,570	27,217	42,290	73,316	(12,730)	(758)	-	311,507	43,910	2,699	1,064	8,209	(14,956)	(47,673)	304,760
Contributions from (to) affiliates	1,225	-	(822)	1,300	-	-	(16,335)	4,991	(2,300)	-	(11,941)	6,168	-	-	(9,278)	22,753	(3,429)	4,273
Change in funded status of defined benefit plans	67,429	25,840	285	2,652	(1,169)	-	-	(22,164)	-	-	72,873	-	-	-	-	-	-	72,873
Net assets released from restrictions used for purchases of property, plant, and equipment	3,840	103	84	623	8,070	-	1,584	88	-	-	14,392	-	-	-	-	-	-	14,392
Noncontrolling interests	-	-	-	-	-	-	-	-	22	-	22	(8,529)	-	-	-	(1,228)	5,637	(4,098)
Other	-	-	120	119	9,723	(9,723)	-	(11)	1,359	-	1,587	10,014	-	4,994	4,278	2,784	(7,810)	15,847
Increase (decrease) in unrestricted net assets	191,042	29,219	24,445	40,264	43,841	32,567	58,565	(29,826)	(1,677)	-	388,440	51,563	2,699	6,058	3,209	9,353	(53,275)	408,047
Changes in temporarily restricted net assets:																		
Gifts, grants and bequests	19,939	(193)	2,021	5,890	(6)	5,105	945	702	-	-	34,403	-	-	697	6,614	178	535	42,427
Net assets released from restrictions used for purchases of property, plant, and equipment	(3,840)	(103)	(84)	(623)	-	(8,070)	(1,584)	(88)	-	-	(14,392)	-	-	-	-	-	-	(14,392)
Net assets released from restrict used for operations	(465)	(837)	(4,911)	(1,478)	(2,592)	(2,475)	(2,155)	-	-	-	(14,913)	-	-	(1,104)	(6,754)	(15)	-	(22,786)
Other	-	-	(120)	-	2,889	(2,889)	-	2	-	-	(118)	-	-	(4,994)	(4,278)	(16)	6,755	(2,651)
Increase (decrease) in temporarily restricted net assets	15,634	(1,133)	(3,094)	3,789	291	(8,329)	(2,794)	616	-	-	4,980	-	-	(5,401)	(4,418)	147	7,290	2,598
Changes in permanently restricted net assets:																		
Gifts, grants and bequests	-	999	-	15	-	(1,432)	553	-	-	-	135	-	-	-	2,741	-	(536)	2,340
Increase (decrease) in permanently restricted net assets	-	999	-	15	-	(1,432)	553	-	-	-	135	-	-	-	2,741	-	(536)	2,340
Increase (decrease) in net assets	206,676	29,085	21,351	44,068	44,132	22,806	56,324	(29,210)	(1,677)	-	393,555	51,563	2,699	657	1,532	9,500	(46,521)	412,985
Net assets at beginning of year	1,097,100	17,704	107,242	334,789	606,952	371,895	604,641	81,157	35,641	-	3,257,121	81,279	16,183	17,422	156,318	61,098	(135,350)	3,454,071
Net assets at end of year	$ 1,303,776	$ 46,789	$ 128,593	$ 378,857	$ 651,084	$ 394,701	$ 660,965	$ 51,947	$ 33,964	$ -	$ 3,650,676	$ 132,842	$ 18,882	$ 18,079	$ 157,850	$ 70,598	$ (181,871)	$ 3,867,056

1. Basis of Presentation and Accounting

The Supplementary Consolidating Financial Statements presented on pages 43-46 were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial positions and changes in net assets of the individual companies within JHHS and are not a required part of the consolidated financial statements. The individual affiliates within JHHS as presented within the supplementary consolidating financial statements are disclosed within Note 1 to the consolidated financial statements.