Aurora Health Care®

Aurora Health Care, Inc.
and Affiliates

Unaudited Consolidated Financial Statements and Other Information
For the Period Ended September 30, 2015

AURORA HEALTH CARE, INC. AND AFFILIATES
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AURORA HEALTH CARE, INC. AND AFFILIATES
UNAUDITED CONSOLIDATED BALANCE SHEETS
(In thousands)

	September 30, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 184,780	$ 238,772
Investments	1,156,816	1,157,604
Assets whose use is limited or restricted	11,179	5,560
Patient accounts receivable — net of allowance for doubtful accounts of $154,644 and $151,242 in 2015 and 2014, respectively	702,133	613,971
Other receivables	88,552	74,490
Inventory	62,790	64,805
Prepaids and other current assets	57,252	44,255
Estimated third-party payor settlements	5,101	9,361
Total current assets	2,268,603	2,208,818
ASSETS WHOSE USE IS LIMITED OR RESTRICTED:		
Board-designated and other	152,165	160,407
Contractually-restricted	134,514	132,567
Donor restricted	53,257	56,139
Debt service reserve	31,990	31,890
Total assets whose use is limited or restricted	371,926	381,003
PROPERTY, PLANT, AND EQUIPMENT — Net	1,912,135	1,869,492
OTHER ASSETS:		
Intangible assets — net	18,058	18,884
Investments in unconsolidated entities	73,190	66,135
Deferred financing costs — net	14,196	15,739
Other	40,629	37,114
Total other assets	146,073	137,872
TOTAL	$ 4,698,737	$ 4,597,185

(Continued)

AURORA HEALTH CARE, INC. AND AFFILIATES
UNAUDITED CONSOLIDATED BALANCE SHEETS
(In thousands)

	September 30, 2015	December 31, 2014
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current installments of long-term debt	$ 136,353	$ 56,882
Accounts payable	181,250	201,593
Accrued salaries and wages	255,158	310,848
Other accrued expenses	194,982	179,804
Estimated third-party payor settlements	24,068	22,446
Total current liabilities	791,811	771,573
LONG-TERM DEBT — Less current installments	1,438,729	1,573,091
OTHER LIABILITIES:		
Pension and other employee benefit liabilities	203,127	282,442
Self-insured liabilities	65,376	63,934
Deferred gain	43,238	47,364
Other	65,235	67,360
Total other liabilities	376,976	461,100
Total liabilities	2,607,516	2,805,764
NET ASSETS:		
Unrestricted:		
Controlling interest	1,944,518	1,639,621
Noncontrolling interest in subsidiaries	85,758	86,631
Total unrestricted net assets	2,030,276	1,726,252
Temporarily restricted	42,475	46,697
Permanently restricted	18,470	18,472
Total net assets	2,091,221	1,791,421
TOTAL	$ 4,698,737	$ 4,597,185

See accompanying notes to unaudited consolidated financial statements.

(Concluded)

AURORA HEALTH CARE, INC. AND AFFILIATES
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS
(In thousands)

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014
REVENUE:		
Patient service revenue (net of contractual allowances and discounts)	$ 1,128,346	$ 1,100,344
Less provision for bad debts	31,092	15,007
Net patient service revenue less provision for bad debts	1,097,254	1,085,337
Other revenue	98,779	100,926
Total revenue	1,196,033	1,186,263
EXPENSES:		
Salaries and wages	562,492	543,862
Fringe benefits	83,031	60,695
Professional fees	19,344	18,758
Supplies	234,054	202,312
Depreciation and amortization	39,838	48,142
Interest	14,095	16,061
Maintenance and service contracts	27,245	23,479
Building and equipment rental	18,303	19,819
Hospital tax assessment	24,000	23,300
Utilities	12,281	12,544
Purchased services	29,226	27,861
Other expenses	37,529	40,216
Total expenses	1,101,438	1,037,049
OPERATING INCOME	94,595	149,214
NONOPERATING INCOME (LOSS):		
Investment loss	(16,360)	(4,750)
Other nonoperating (loss) income — net	(4,462)	240
Total nonoperating loss — net	(20,822)	(4,510)
EXCESS OF REVENUE OVER EXPENSES	73,773	144,704
PENSION-RELATED CHANGES OTHER THAN PERIODIC PENSION COST	2,570	1,593
NET ASSETS RELEASED FROM RESTRICTION FOR PURCHASE OF PROPERTY AND EQUIPMENT	722	291
DISTRIBUTIONS TO NONCONTROLLING INTERESTS	(5,881)	(7,249)
OTHER - NET	(82)	—
INCREASE IN UNRESTRICTED NET ASSETS	$ 71,102	$ 139,339

See accompanying notes to unaudited consolidated financial statements.

AURORA HEALTH CARE, INC. AND AFFILIATES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS

(In thousands)

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
REVENUE:		
Patient service revenue (net of contractual allowances and discounts)	$ 3,384,626	$ 3,178,944
Less provision for bad debts	67,131	38,334
Net patient service revenue less provision for bad debts	3,317,495	3,140,610
Other revenue	295,321	270,517
Total revenue	3,612,816	3,411,127
EXPENSES:		
Salaries and wages	1,639,265	1,558,339
Fringe benefits	261,564	227,799
Professional fees	58,833	54,495
Supplies	678,739	587,574
Depreciation and amortization	144,492	151,194
Interest	43,518	47,570
Maintenance and service contracts	83,124	75,641
Building and equipment rental	54,725	58,255
Hospital tax assessment	70,647	71,186
Utilities	35,727	35,700
Purchased services	95,819	81,192
Other expenses	108,875	112,596
Total expenses	3,275,328	3,061,541
OPERATING INCOME	337,488	349,586
NONOPERATING INCOME (LOSS):		
Investment (loss) income	(5,896)	25,485
Other nonoperating (loss) income — net	(2,245)	662
Total nonoperating (loss) income — net	(8,141)	26,147
EXCESS OF REVENUE OVER EXPENSES	329,347	375,733
PENSION-RELATED CHANGES OTHER THAN PERIODIC PENSION COST	7,709	4,779
NET ASSETS RELEASED FROM RESTRICTION FOR PURCHASE OF PROPERTY AND EQUIPMENT	1,343	647
DISTRIBUTIONS TO NONCONTROLLING INTERESTS	(34,390)	(38,439)
OTHER - NET	15	337
INCREASE IN UNRESTRICTED NET ASSETS	$ 304,024	$ 343,057

See accompanying notes to unaudited consolidated financial statements.

AURORA HEALTH CARE, INC. AND AFFILIATES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
THREE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014
(In thousands)

	Controlling Interest Unrestricted	Noncontrolling Interest Unrestricted	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
NET ASSETS — June 30, 2014	$ 1,472,568	$ 69,992	$ 1,542,560	$ 46,050	$ 18,339	$ 1,606,949
Excess of revenue over expenses	133,860	10,844	144,704	—	—	144,704
Pension-related changes other than net periodic pension costs	1,593	—	1,593	—	—	1,593
Change in unrealized gains and losses on investments	—	—	—	(1,630)	—	(1,630)
Contributions	—	—	—	2,574	25	2,599
Investment income	—	—	—	1,159	—	1,159
Change in beneficial interests in assets held by others and remainder trusts				1,171		1,171
Net assets released from restrictions for operations	—	—	—	(2,006)	—	(2,006)
Net assets released from restrictions for purchase of property and equipment	291	—	291	(291)	—	—
Distributions to noncontrolling interest	—	(7,249)	(7,249)	—	—	(7,249)
Other — net	—	—	—	(2,069)	—	(2,069)
Increase (decrease) in net assets	135,744	3,595	139,339	(1,092)	25	138,272
NET ASSETS — September 30, 2014	$ 1,608,312	$ 73,587	$ 1,681,899	$ 44,958	$ 18,364	$ 1,745,221
NET ASSETS — June 30, 2015	1,877,454	81,720	1,959,174	48,037	18,472	2,025,683
Excess of revenue over expenses	63,854	9,919	73,773	—	—	73,773
Pension-related changes other than net periodic pension costs	2,570		2,570	—	—	2,570
Change in unrealized gains and losses on investments	—	—	—	(4,386)	—	(4,386)
Contributions	—	—	—	1,764	(2)	1,762
Investment income	—	—	—	233	—	233
Net assets released from restrictions for operations	—	—	—	(2,408)	—	(2,408)
Net assets released from restrictions for purchase of property and equipment	722	—	722	(722)	—	—
Distributions to noncontrolling interest	—	(5,881)	(5,881)	—	—	(5,881)
Other — net	(82)	—	(82)	(43)	—	(125)
Increase (decrease) in net assets	67,064	4,038	71,102	(5,562)	(2)	65,538
NET ASSETS — September 30, 2015	$ 1,944,518	$ 85,758	$ 2,030,276	$ 42,475	$ 18,470	$ 2,091,221

See accompanying notes to unaudited consolidated financial statements.

AURORA HEALTH CARE, INC. AND AFFILIATES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE NINE MONTHS ENDED September 30, 2015 AND 2014
(In thousands)

	Controlling Interest Unrestricted	Noncontrolling Interest Unrestricted	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total
NET ASSETS — December 31, 2013	$ 1,261,395	$ 77,447	$ 1,338,842	$ 42,033	$ 18,338	$ 1,399,213
Excess of revenue over expenses	341,154	34,579	375,733	—	—	375,733
Pension-related changes other than net periodic pension costs	4,779	—	4,779	—	—	4,779
Change in unrealized gains and losses on investments	—	—	—	(333)	—	(333)
Contributions	—	—	—	7,732	26	7,758
Investment income	—	—	—	1,414	—	1,414
Change in beneficial interests in assets held by others and remainder trusts	—	—	—	143		143
Net assets released from restrictions for operations	—	—	—	(3,279)	—	(3,279)
Net assets released from restrictions for purchase of property and equipment	647	—	647	(647)	—	—
Distributions to noncontrolling interest	—	(38,439)	(38,439)	—	—	(38,439)
Other — net	337	—	337	(2,105)	—	(1,768)
Increase (decrease) in net assets	346,917	(3,860)	343,057	2,925	26	346,008
NET ASSETS — September 30, 2014	1,608,312	73,587	1,681,899	44,958	18,364	1,745,221
NET ASSETS — December 31, 2014	$ 1,639,621	$ 86,631	$ 1,726,252	$ 46,697	$ 18,472	1,791,421
Excess of revenue over expenses	295,830	33,517	329,347	—	—	329,347
Pension-related changes other than net periodic pension costs	7,709	—	7,709	—	—	7,709
Change in unrealized gains and losses on investments	—	—	—	(3,797)	—	(3,797)
Contributions	—	—	—	4,906	(2)	4,904
Investment income	—	—	—	678	—	678
Net assets released from restrictions for operations	—	—	—	(4,725)	—	(4,725)
Net assets released from restrictions for purchase of property and equipment	1,343	—	1,343	(1,343)	—	—
Distributions to noncontrolling interest	—	(34,390)	(34,390)	—	—	(34,390)
Other — net	15	—	15	59	—	74
Increase (decrease) in net assets	304,897	(873)	304,024	(4,222)	(2)	299,800
NET ASSETS — September 30, 2015	$ 1,944,518	$ 85,758	$ 2,030,276	$ 42,475	$ 18,470	2,091,221

See accompanying notes to unaudited consolidated financial statements.

AURORA HEALTH CARE, INC. AND AFFILIATES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Nine Months Ended September 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 299,800	$ 346,008
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Restricted contributions and investment income	(42)	(12)
Pension-related changes other than net periodic pension cost	(7,709)	(4,779)
Realized and unrealized losses (gains) on investments, net	36,945	(11,199)
Gain on sale of property, plant, and equipment	(2,312)	(684)
Loss on early extinguishment of debt	(543)	—
Impairment of long-lived assets	—	2,436
Amortization of intangible assets and other items	3,142	5,397
Amortization of deferred gains	(4,125)	(4,125)
Depreciation and amortization	144,492	151,194
Provision for bad debts	67,131	38,334
Distribution to noncontrolling interest	34,390	38,439
Increase in accounts receivable	(155,293)	(96,414)
Decrease in accounts payable and accrued expenses	(92,832)	(174,653)
Increase (decrease) in estimated third-party payor settlements	5,882	(10,894)
Decrease in pension and other employee benefit liabilities	(71,606)	(35,763)
Increase (decrease) in self-insured liabilities	1,442	(1,649)
Other changes in assets and liabilities, net	(35,914)	(11,739)
Net cash provided by operating activities	222,848	229,897
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(158,693)	(105,077)
Proceeds from sales of property, plant, and equipment	5,848	684
Investment in unconsolidated entities	(7,782)	(44,372)
Distributions from unconsolidated entities	3,578	2,328
Purchases of investments	(454,657)	(490,160)
Sales of investments	421,957	428,506
Net cash used in investing activities	(189,749)	(208,091)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	40,000	—
Repayments of long-term debt, capital leases, and financing arrangements	(92,743)	(49,530)
Distribution to noncontrolling interest	(34,390)	(38,439)
Restricted contributions and investment income	42	12
Net cash used in financing activities	(87,091)	(87,957)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(53,992)	(66,151)
CASH AND CASH EQUIVALENTS:		
Beginning of period	238,772	310,076
End of period	$ 184,780	$ 243,925

See notes to accompanying unaudited consolidated financial statements.

1. DESCRIPTION OF BUSINESS

Aurora Health Care, Inc. and its affiliates (collectively, "Aurora", "we", "our" or "us") constitute an integrated health care system providing health care services to communities throughout eastern Wisconsin and northern Illinois. Aurora provides a variety of health care related activities, education, philanthropic, medical research and other benefits to the communities in which they operate. Health care services include primary and specialty care, pharmacies, behavioral health care, emergency care, rehabilitation, home care, and end-of-life care.

Aurora Health Care, Inc. (the Corporation) is a Wisconsin nonstock, not-for-profit corporation. The Corporation is the parent corporation of a group of nonprofit and for profit corporations and other organizations that own and operate 14 acute-care hospital campuses, one psychiatric hospital, a network of approximately 160 physician clinic facilities, home health services, over 70 retail pharmacies, and other health care and related services.

The accompanying unaudited consolidated financial statements include the Corporation and its wholly owned or controlled affiliates. All intercompany accounts and transactions have been eliminated in the preparation of the unaudited consolidated financial statements.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited consolidated financial statements of Aurora as of September 30, 2015, and for the three and nine months ended September 30, 2015 and 2014, include all adjustments that management considers necessary to present such information on a basis consistent with that of the audited consolidated financial statements. Certain adjustments have been made to the unaudited consolidated financial statements as of and for the three and nine month periods ended September 30, 2014 to conform with the presentation in the unaudited consolidated financial statements as of and for the three and nine month periods ended September 30, 2015. The adjustments decreased other revenue and fringe benefits expense each by $10.3 million and $29.1 million for the three and nine month periods ended September 30, 2014, respectively, and had no impact on operating income or the excess of revenue over expenses.

The unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim reporting, and accordingly, do not include all of the disclosures required in annual financial statements. As such, these unaudited consolidated financial statements should be read in conjunction with the information included under Management's Discussion and Analysis of Results of Operations and Financial Position, and the audited consolidated financial statements as of and for the years ended December 31, 2014 and 2013, and the related notes.

The results of operations for the nine months ended September 30, 2015, are not necessarily indicative of the operating results to be expected for the entire year ending December 31, 2015.

The preparation of consolidated financial statements in conformity 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, liabilities, revenues, and expenses as of the date and period of the consolidated financial statements. Actual results could differ from those estimates.

Recent Accounting Pronouncements - In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. This ASU requires the presentation of debt issuance costs related to a recognized debt liability in the balance sheet to be recorded as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This ASU is effective for Aurora as of January 1, 2016. This ASU would reduce long-term debt by $14.2 million for the reclassification of deferred financing costs which are currently reported within assets in the accompanying unaudited consolidated balance sheets.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance, and requires significantly expanded disclosures about revenue recognition. The core principal of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. This ASU is effective for Aurora as of January 1, 2018. Management of Aurora is currently in the process of evaluating the impact of this new guidance on its consolidated financial position, results of operations and cash flows.

3. ACQUISITIONS AND DIVESTITURES

On August 19, 2014, Aurora acquired a 49% minority interest in Bay Area Medical Center ("BAMC"), a 99 bed general acute care hospital located in Marinette, Wisconsin, for $49.5 million, consisting of cash consideration of $43.0 million and $6.5 million of other consideration. Aurora’s investment in Bay Area Medical Center is accounted for under the equity method of accounting and is presented within investments in unconsolidated entities in the accompanying unaudited consolidated balance sheets. Aurora's investment in BAMC as of September 30, 2015 and December 31, 2014, is $47.4 million and $49.8 million, respectively. The carrying amount of Aurora’s investment in BAMC is $40.4 million and $28.7 million less than the underlying equity in the net assets of BAMC as of September 30, 2015 and December 31, 2014, respectively. This difference represents a contingent gain which would be recognized in the event of dissolution of BAMC or if Aurora’s interest in BAMC were to change requiring BAMC to be included in the consolidated financial statements of Aurora.

In August of 2015, Aurora and BAMC combined their medical group practices in Marinette, Wisconsin and its surrounding communities to form Aurora Bay Area Medical Group ("ABAMG"). ABAMG provides inpatient, outpatient and other necessary professional medical services. Aurora holds a 27% direct ownership interest in ABAMG based on an initial cash contribution of $1.8 million. Aurora's investment in ABAMG is accounted for under the equity method and is presented within investments in unconsolidated entities in the accompanying unaudited consolidated balance sheets. In conjunction with the formation of ABAMG, Aurora sold its surgery center in the Marinette market to BAMC for cash of $9.9 million and recorded a gain on the sale of assets of $9.2 million, presented in other non-operating (loss) income in the accompanying unaudited consolidated statement of operations and changes in unrestricted net assets. Additionally, as part of this transaction, Aurora began leasing employees and buildings to ABAMG. Aurora’s investment in ABAMG was $1.0 million as of September 30, 2015.

In June of 2015, Aurora acquired a 6.25% interest in StartUp Health Holdings, Inc., ("StartUp Health") for cash consideration of $5.0 million. StartUp Health is a global health innovation company with more than 100 digital health portfolio companies. Aurora's goal is to help accelerate the review and adoption of innovations aimed at transforming the delivery of care. Aurora’s investment in StartUp Health was $5.0 million as of September 30, 2015, and is accounted for under the equity method of accounting within investments in unconsolidated entities in the accompanying unaudited consolidated balance sheets.

The summarized financial position and results of operations for the entities accounted for under the equity method as of and for the nine month period ended September 30, 2015 and as of and for the year ended December 31, 2014, is as follows (in thousands):

	As of and For the Nine Months Ended September 30, 2015	As of and For the Year Ended December 31, 2014
Total assets	$ 251,643	$ 220,250
Total liabilities	72,512	60,110
Total net assets	179,131	160,140
Total revenue	74,687	104,399
Excess of revenue over expenses	(6,314)	5,981

4. PATIENT SERVICE REVENUE AND PATIENT RECEIVABLES

Wisconsin assesses a fee or tax on gross patient service revenue. The revenues from this assessment are used to increase payments made to hospitals for services provided to Medicaid and other medically indigent patients. Aurora's patient service revenue reflects this increase in payment for services to Medicaid and other medically indigent patients, and hospital tax assessment expense reflects the fees assessed by the State. For the nine months ended September 30, 2015 and 2014, patient service revenue includes $76.7 million and $77.3 million, respectively, related to this program, and expenses include $70.6 million and $71.2 million, respectively, of tax assessment fees.

The composition of patient service revenue, net of contractual allowances and discounts (before the provision for bad debts), by payor is as follows for the nine months ended September 30, 2015 and 2014:

	September 30, 2015	September 30, 2014
Managed care and all other	64%	61%
Medicare	27	30
Medicaid	8	9
Self-pay	1	—
	100%	100%

[(1)]The self-pay revenue above includes only revenue from patients without insurance. The revenue related to amounts due from patients for co-insurance and deductibles is included with the primary insurance coverage.

Laws and regulations governing government and other payment programs are complex and subject to interpretation. As a result, there is a reasonable possibility that recorded estimated third-party settlements could change by a material amount. Changes in estimates relating to prior years increased patient service revenue by approximately $4.6 million and $17.4 million for the nine months ended September 30, 2015 and 2014, respectively.

Aurora has filed formal appeals relating to the settlement of certain prior-year Medicare cost reports. The outcome of other appeals cannot be determined at this time.

Aurora's allowance for doubtful accounts decreased from 20% of gross accounts receivable less contractual allowances at December 31, 2014, to 18% of gross accounts receivable less contractual allowances at September 30, 2015. The decrease in the allowance for doubtful accounts as a percent of gross accounts receivable less contractual allowances is due to an improvement in the collection of the portion of the balance which is the patient's responsibility after insurance. Self-pay accounts, those for which the patient does not have insurance, were reserved 100% at September 30, 2015 and December 31, 2014.

The composition of patient accounts receivable, net of contractual allowances (before the allowance for doubtful accounts) is summarized as follows as of September 30, 2015 and December 31, 2014:

	September 30, 2015	**December 31, 2014**
Managed care and all other	46%	48%
Medicare	18	17
Medicaid	5	5
Self-pay[1]	31	30
	100%	100%

[1] The self-pay patient accounts receivable above includes amounts due from patients for co-insurance, deductibles, and amounts due from patients without insurance.

5. FAIR VALUE

Financial instruments consist of primarily cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, estimated third-party settlements, and long-term debt. Except for long-term debt, the fair values of these instruments approximate their carrying amounts, due to their short-term maturities, at September 30, 2015 and December 31, 2014. The estimated fair value of long-term debt, based on discounted cash flows at estimated current borrowing rates, was $1,388.8 million and $1,434.0 million at September 30, 2015 and December 31, 2014, respectively, and was categorized as Level 2 within the fair value hierarchy.

The fair values of financial assets and liabilities that are measured by the level of significant input as of September 30, 2015 and December 31, 2014 are as follows (in thousands):

	September 30, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Recurring fair value measurements:				
Cash equivalents	$ 27,627	$ 18,359	$ 9,268	$ —
Fixed-income securities:				
U.S. Treasury	87,171	—	87,171	
Corporate bonds and other debt securities	224,335	—	224,335	—
Federal agency	103,156	—	103,156	—
Fixed income mutual funds	702,357	702,357	—	—
Domestic equity securities:				
Large-cap	15,635	15,635	—	—
Mid-cap	10,763	10,763	—	—
Small-cap	21,174	21,174	—	—
Real estate	289	289	—	—
Equity mutual funds and exchange-traded funds	220,694	220,694	—	—
Real estate investment trust	11,849	—	—	11,849
International equity securities	102,944	102,944	—	—
International equity limited partnership	7,865	—	7,865	—
Other	5,425	5,176	—	249
Total recurring fair value measurements	$1,541,284	$1,097,391	$ 431,795	$ 12,098
Cash	183,417			
Total cash and cash equivalents, investments and assets whose use is limited	$1,724,701			
Nonrecurring fair value measurements:				
Long-lived asset held for use	$ 1,985	$ —	$ 1,985	$ —
Long-lived assets held for sale	5,554	—	5,554	—
Total nonrecurring fair value measurements	$ 7,539	$ —	7,539	$ —
Liabilities				
Recurring fair value measurements:				
Other noncurrent liabilities — interest rate swap agreement	$ (2,437)	$ —	$ (2,437)	$ —

Assets	December 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring fair value measurements:				
Cash equivalents	$ 82,065	$ 20,953	$ 61,112	$ —
Fixed-income securities:				
U.S. Treasury	81,179	—	81,179	—
Corporate bonds and other debt securities	217,598	—	217,047	551
Federal agency	106,355	—	106,355	—
Fixed income mutual funds	894,656	894,656	—	—
Domestic equity securities:				
Large-cap	20,533	19,985	548	—
Mid-cap	10,977	10,977	—	—
Small-cap	21,794	21,794	—	—
Real estate	332	332	—	—
Equity mutual funds and exchange-traded funds	80,435	80,435	—	—
Real estate investment trust	11,042	—	—	11,042
International equity securities	52,730	52,730	—	—
International equity limited partnership	9,691	—	9,691	—
Other	4,653	4,419	—	234
Total recurring fair value measurements	$1,594,040	$1,106,281	$ 475,932	$ 11,827
Cash	186,434			
Accrued interest	2,465			
Total cash and cash equivalents, investments and assets whose use is limited	$1,782,939			
Nonrecurring fair value measurements:				
Long-lived asset held for use	$ 1,985	$ —	$ 1,985	$ —
Long-lived assets held for sale	8,996	—	8,996	—
Total nonrecurring fair value measurements	$ 10,981	$ —	$ 10,981	$ —
Liabilities				
Recurring fair value measurements:				
Other noncurrent liabilities — interest rate swap agreement	$ (2,589)	$ —	$ (2,589)	$ —

Aurora categorizes assets and liabilities measured at fair value in the consolidated financial statements based upon whether the inputs used to determine their fair values are observable or unobservable. Observable inputs are inputs which are based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about pricing the asset or liability, based on the best information available under the circumstances.

The fair value of all assets and liabilities recognized or disclosed at fair value are classified based on the lowest level of significant inputs. Assets and liabilities that are measured at fair value are disclosed and classified in one of the three categories. Category inputs are defined as follows:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities on the reporting date. Investments in this level generally include exchange-traded equity securities, futures, pooled short-term investment funds, options, and exchange-traded mutual funds.

Level 2 — Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Investments in this level generally include fixed income securities, including fixed income government obligations; asset-backed securities; certificates of deposit; derivatives; as well as certain U.S. and international equities, which are not traded on an active exchange.

Level 3 — Inputs that are unobservable for the asset or liability.

Aurora believes its valuation methods and classification in fair value levels are appropriate and consistent with other market participants based on information readily available from its service providers. Transfers between fair value levels are only done when new or additional information regarding the observability of pricing inputs is received that could result in a different classification as of the reporting date. Aurora measures the transfer between fair value levels as of the end of the reporting period, December 31. There were no significant transfers between fair value levels during the nine months ended September 30, 2015 or 2014.

The Level 2 and 3 instruments listed in the fair value tables above utilize the following valuation techniques and inputs:

Cash Equivalents — Cash equivalents are comprised primarily of money market funds, which are valued based upon a net asset value of $1.

Fixed-Income Securities — The fair value of fixed-income securities is primarily determined with techniques consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications.

Real Estate Investment Trust — The fair value of the real estate investment trust is determined using the calculated net asset value provided by the fund. The fair value of the underlying real estate properties held in the trust is determined giving consideration to the income, cost and sales comparison approaches of estimating property value.

International Equity Securities — The fair value of international equity securities is primarily determined using prices from the non-NASD (National Association of Securities Dealers) over-the-counter markets.

International Equity Limited Partnership — The fair value of this fund is determined using the calculated net asset value provided by the fund.

Interest Rate Swap Instrument — The fair value of the interest rate swap instrument was determined using an industry standard valuation model, which is based on a market approach.

Aurora holds interests in a real estate investment trust and an international equity limited partnership where the fair value of the investment held is estimated based on the net asset value of the fund. The following table summarizes the attributes relating to the nature and risk of such investments at September 30, 2015 and December 31, 2014 (dollars in thousands):

	Fair Value September 30, 2015	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Real estate investment trust	$ 11,849	$0	Quarterly	90 days
International equity limited partnership	$ 7,865	$0	Monthly	15 days

	Fair Value December 31, 2014	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Real estate investment trust	$ 11,042	$0	quarterly	90 days
International equity limited partnership	$ 9,691	$0	monthly	15 days

The real estate investment trust is a core return, fully specified, open-end commingled equity real estate fund diversified by property type and location designed to provide stable, income-driven rate of return over the long term with potential for growth of net investment income and appreciation of value. The objective of the real estate investment trust is to achieve long term aggregate annual return on invested equity of 8% to 10%, gross of fees, by investing in real estate and real estate-related investments, broadly defined, with the majority of the return being realized from income, with modest appreciation, and using leverage when appropriate.

The international equity limited partnership's investment objective is long-term total return. The fund pursues its investment objective primarily by investing in equity securities of non-U.S. emerging market companies.

The following table presents additional information about Level 3 assets measured at fair value on a recurring basis as of September 30, 2015 (dollars in thousands):

	Corporate Bonds and Other Debt	Real Estate Investment Trust	Other	Total
Balance at December 31, 2014	$551	$11,042	$234	$11,827
Purchases	—	—	—	—
Interest and dividend income	—	—	—	—
Unrealized gain (loss)	—	807	15	822
Sales and other settlements	—	—	—	—
Transfers to other levels	(551)	—	—	(551)
Balance at September 30, 2015	$—	$11,849	$249	$12,098

6. LONG-TERM DEBT

Long-term debt at September 30, 2015 and December 31, 2014 is summarized as follows (in thousands):

	September 30, 2015	December 31, 2014
Wisconsin Health and Educational Facilities Authority (WHEFA) fixed-rate bonds:		
Series 1993 (5.25% weighted average coupon for 2015 and 2014)	$ 81,220	$ 86,295
Series 2009A (5.12% weighted average coupon for 2015 and 5.04% for 2014)	23,650	24,550
Series 2009B (3.22% weighted average coupon for 2015 and 3.42% for 2014)	132,475	132,475
Series 2010A (5.47% weighted average coupon for 2015 and 5.45% for 2014)	166,780	210,980
Series 2010B (5.00% weighted average coupon for 2015 and 2014)	80,640	98,340
Series 2012A (4.77% weighted average coupon for 2015 and 4.74% for 2014)	212,015	214,875
Series 2013A (5.19% weighted average coupon for 2015 and 2014)	115,750	115,750
Total fixed-rate bonds	812,530	883,265
WHEFA variable-rate bonds:		
Series 1999C (0.04% effective rate for 2015 and 0.05% for 2014)	50,000	50,000
Series 2008A (0.11% effective rate for 2015 and 0.15% for 2014)	80,000	80,000
Series 2008B (0.12% effective rate for 2015 and 0.16% for 2014)	80,000	80,000
Series 2010C (0.11% effective rate for 2015 and 0.12% for 2014)	102,905	103,080
Series 2012B (0.03% effective rate for 2015 and 0.04% for 2014)	39,350	40,950
Series 2012C (0.03% effective rate for 2015 and 0.04% for 2014)	39,350	40,950
Series 2012D (0.05% effective rate for 2015 and 0.05% for 2014)	59,150	61,745
Total variable-rate bonds	450,755	456,725
Unamortized original issue premium, net	13,062	13,984
Total WHEFA debt	1,276,347	1,353,974
Capital lease obligations and financing arrangements	241,516	256,526
Taxable Bond Series 2015A (0.62% effective rate for 2015)	40,000	—
Term note	10,467	11,075
Notes payable	6,752	8,398
Total long-term debt	1,575,082	1,629,973
Current Installments	(68,878)	—
Long-term rate bonds classified as current	(67,475)	(56,882)
Long-term debt — net of current portion	$ 1,438,729	$ 1,573,091

Under the terms of a Master Trust Indenture (the "Aurora Indenture"), Aurora's Obligated Group has issued revenue bonds through WHEFA. All outstanding debt under the Aurora Indenture represents general, joint, and several obligations of the members of the Obligated Group. Of the total fixed-rate WHEFA bonds, $47.4 million is collateralized by bond insurance.

On April 15, 2015, Aurora redeemed $40.0 million of Series 2010A Fixed Rate Revenue Bonds with the proceeds of its Aurora Health Care, Inc. Taxable Bonds (the "2015A Bonds"). The 2015A Bonds were directly placed with Northern Trust Company. The 2015A Bonds bear interest at a taxable, variable rate and are subject to a mandatory tender on April 15, 2018.

The variable-rate demand bonds ("VRDBs") are collateralized by $468.1 million of irrevocable direct-pay letters of credit issued by commercial banks, which provide interim financing to Aurora in the event that remarketing efforts fail for tendered bonds and are drawn upon in the period to pay scheduled debt service on the bonds. The letters of credit expire at various dates through 2018 and have various repayment terms. For $328.1 million of the letters of credit, principal payments are due quarterly, beginning the earlier of one year from the date of the advance or two months after the expiration date of the letter of credit and shall amortize over a three-year period, not to exceed three years from the letter of credit's stated expiration date. For the remaining $139.9 million letters of credit, principal payments are due quarterly, beginning the earlier of one year from the date of the advance or two months after the expiration date of the letter of credit and shall amortize over a two-year period, not to exceed two years from the letter of credit's stated expiration date. At September 30, 2015 and December 31, 2014, no draws were outstanding under the letters of credit.

At September 30, 2015 and December 31, 2014, Aurora had outstanding $132.5 million of long-term rate bonds. The long-term rate bonds bear interest at fixed rates for specified periods, and are subject to mandatory tender at the end of such periods, on the date and in the principal amounts below as of September 30, 2015 and December 31, 2014 (dollars in thousands):

Series	**Principal Amount**	**Mandatory Tender Date**
Series 2009B-1	$65,000	August 15, 2017
Series 2009B-2	67,475	August 15, 2016
Total	$132,475	

There is no liquidity facility in effect with respect to the long-term rate bonds to pay the purchase price on the mandatory tender dates. At September 30, 2015, $67.5 million of the long-term rate bonds were classified as current due to the bond holder's requirement to put the bonds on the mandatory tender date to Aurora without a liquidity facility dedicated to these bonds. The remainder of the long-term rate bonds are classified as long-term at September 30, 2015.

At September 30, 2015 and December 31, 2014, Aurora had a $60.0 million line of credit with a commercial bank, bearing interest at either the commercial bank floating rate or LIBOR plus 1.00%, based upon the option of Aurora. As of September 30, 2015 and December 31, 2014, two letters of credit issued under the line of credit totaling $37.2 million and $36.3 million, respectively, were outstanding. There were no outstanding draws on the line of credit or letters of credit as of September 30, 2015 or December 31, 2014.

7. EMPLOYEES' BENEFIT PLANS

Aurora has a defined benefit pension plan (the Pension Plan) covering substantially all of its employees, hired before January 1, 2013, with at least 1,000 hours of work in a calendar year. The Pension Plan was frozen on December 31, 2012. Benefits are based on years of service and the employees' final average earnings, as defined. Aurora funds the Pension Plan based on the amount calculated by the Pension Plan's actuaries to meet the minimum Employee Retirement Income Security Act (ERISA) funding requirements. During the nine months ended September 30, 2015, Aurora contributed $72.3 million to the Pension Plan. The Pension Plan assets and obligations are measured at December 31.

Estimated amounts of the components of net periodic pension (income) cost for the nine months ended September 30, 2015 and 2014 were as follows (in thousands):

	September 30, 2015	September 30, 2014
Interest cost on projected benefit obligation	$ 50,784	$ 50,585
Expected return on plan assets	(61,779)	(54,868)
Net amortization and deferral	7,709	4,779
Net periodic pension (income) cost	$ (3,286)	$ 496

The amount of net periodic pension (income) cost will be adjusted at year-end to reflect actual results, based upon the final annual actuarial valuation.

The net actuarial loss not yet recognized as a component of periodic pension (income) cost was $411.7 million and $419.4 million as of September 30, 2015 and December 31, 2014, and is included in unrestricted nets assets in the accompanying unaudited consolidated balance sheets.

Assumptions used to determine the net periodic pension (income) cost for nine months ended September 30, 2015 and 2014 were as follows:

	2015	2014
Discount rate	4.32%	5.22%
Expected long-term rate of return on assets	6.25%	6.25%

The discount rate used by Aurora is based on a hypothetical portfolio of high-quality bonds with cash flows matching the Pension Plan's expected benefit payments.

The expected long-term rate of return is based on the total portfolio of the Pension Plan's investments rather than the accumulation of returns on individual asset categories. Aurora's investment objective is to achieve its targeted long-term rate of return while avoiding excessive risk. Risk is effectively managed through diversification, which is achieved by employing various investment managers and mutual funds to direct investments over a broad spectrum of assets, including domestic equities, international equities, and fixed-income securities. These investments are readily marketable and can be sold to fund benefit payment obligations as they become payable.

The asset allocation of the Pension Plan assets at September 30, 2015 and December 31, 2014, was as follows:

	September 30, 2015		December 31, 2014	
	Strategic Target	**Actual**	**Strategic Target**	**Actual**
Equity securities	33%	28%	33%	30%
Fixed-income securities	64%	63%	64%	66%
Real estate	3%	2%	—%	2%
Cash and cash equivalents	—%	7%	3%	2%
Total	100%	100%	100%	100%

Aurora and certain affiliates sponsor defined contribution and retirement savings plans (the Defined Contribution Plans), whereby Aurora contributes a percentage of participants' qualifying compensation up to certain limits as outlined in the Defined Contribution Plans or other amounts as designated by the affiliates' board of directors. Included in fringe benefits expense in the accompanying unaudited consolidated statements of operations and changes in unrestricted net assets for the nine months ended September 30, 2015 and 2014 is $103.4 million and $96.4 million, respectively, for contributions to the Defined Contribution Plans.

Aurora also sponsors a noncontributory Section 457(b) defined contribution plan (the "457(b) Plan") covering select employees, where participants may contribute a percentage of qualifying compensation up to certain limits as defined by the 457(b) Plan. The 457(b) Plan assets and liabilities, totaling $80.6 million and $77.2 million at September 30, 2015 and December 31, 2014, respectively, are included in long-term assets whose use is limited or restricted and pension and other employee benefit liabilities, respectively, in the accompanying unaudited consolidated balance sheets. The assets of this 457(b) Plan are subject to the claims of the general creditors of Aurora. Investment income under the 457(b) Plan was a loss of $4.0 million and income of $2.5 million for the nine months ended September 30, 2015 and 2014, respectively. Net investment income (loss) from the 457(b) Plan is included in other operating revenue with an equal offsetting expense in fringe benefits in the accompanying unaudited consolidated statements of operations and changes in unrestricted net assets.

8. GENERAL AND PROFESSIONAL LIABILITY INSURANCE

Aurora formed Aurora Liability Assurance, Ltd. (ALA) to assume its primary professional and general liability risks. Commercial insurance companies have issued policies covering these liabilities and ceded the risks back to ALA through reinsurance agreements. Aurora's professional and general liability insurance is on an occurrence basis, while managed care errors and omissions liability risks are written on a claims-made basis.

Aurora's hospitals, clinics, surgery centers, physicians and certified registered nurse anesthetist providers that provide health care in Wisconsin are qualified health care providers as defined by Wisconsin state statute, and have separate professional liability limits of $1,000,000 per claim and $3,000,000 annual aggregate applied to each qualified provider. Losses in excess of these amounts are fully covered through mandatory participation in the State of Wisconsin Injured Patients and Families Compensation Fund (the "Fund").

Aurora also has professional liability coverage for its providers and affiliates that do not qualify for the Fund coverage, as well as general liability for all of its entities. These coverages provide a number of shared professional liability limits and shared general liability limits totaling $2,000,000 per occurrence and $4,000,000 annual aggregate for most providers. Losses in excess of these amounts are covered by Aurora's umbrella/excess insurance.

Independent actuaries evaluate the required provision for outstanding losses related to the professional liability, general liability, and managed care errors and omissions policies whose risk is ceded back to ALA. At September 30, 2015 and December 31, 2014, Aurora has recorded a liability for outstanding losses, including those incurred but not reported, discounted at 4.0%, totaling $39.6 million and $39.2 million, respectively. Of this amount, a portion of the liability for outstanding losses was included in accrued expenses and a portion was included in self-insured liabilities in the accompanying unaudited consolidated balance sheets. In the opinion of management, the ultimate disposition of claims incurred to date will not have a material adverse effect on Aurora's consolidated financial position or results of operations.

ALA maintains a reinsurance trust account, which in total represents security required by the reinsurance agreement between ALA and the insurance companies. The reinsurance trust account is included within assets whose use is limited or restricted in the accompanying unaudited consolidated balance sheets.

9. SUBSEQUENT EVENTS

For the nine months ended September 30, 2015, Aurora evaluated events and transactions for potential recognition and disclosure through November 25, 2015, the date of financial statement issuance.

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SUPPLEMENTARY CONSOLIDATING INFORMATION

AURORA HEALTH CARE, INC. AND AFFILIATES

UNAUDITED CONSOLIDATING BALANCE SHEET INFORMATION
(In thousands)

	September 30, 2015				December 31, 2014			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated
ASSETS								
CURRENT ASSETS:								
Cash and cash equivalents	$ (1,948)	$ 190,528	$ (3,800)	$ 184,780	$ 11,415	$ 230,749	$ (3,392)	$ 238,772
Investments	1,156,816	—	—	1,156,816	1,157,604	—	—	1,157,604
Assets whose use is limited or restricted	5,001	6,178	—	11,179	—	5,560	—	5,560
Patient accounts receivable — net	503,876	195,970	2,287	702,133	452,627	167,018	(5,674)	613,971
Due from affiliates	352	108,594	(108,946)	—	—	138,784	(138,784)	—
Other receivables	59,757	28,795	—	88,552	39,527	34,963	—	74,490
Inventory	36,485	26,305	—	62,790	36,796	28,009	—	64,805
Prepaids and other current assets	59,147	15,222	(17,117)	57,252	48,867	11,560	(16,172)	44,255
Estimated third-party payor settlements	4,581	520	—	5,101	8,943	418	—	9,361
Total current assets	1,824,067	572,112	(127,576)	2,268,603	1,755,779	617,061	(164,022)	2,208,818
ASSETS WHOSE USE IS LIMITED OR RESTRICTED	114,233	257,693	—	371,926	114,047	266,956	—	381,003
PROPERTY, PLANT AND EQUIPMENT — Net	1,584,082	312,777	15,276	1,912,135	1,561,863	292,760	14,869	1,869,492
OTHER ASSETS:								
Intangible assets — net	5,658	13,729	(1,329)	18,058	5,054	15,229	(1,399)	18,884
Investments in unconsolidated entities	200,391	15,741	(142,942)	73,190	221,409	4,412	(159,686)	66,135
Deferred financing costs — net	14,193	3	—	14,196	15,734	5	—	15,739
Other	246,569	53,792	(259,732)	40,629	264,249	54,211	(281,346)	37,114
Total other assets	466,811	83,265	(404,003)	146,073	506,446	73,857	(442,431)	137,872
TOTAL	$ 3,989,193	$ 1,225,847	$ (516,303)	$ 4,698,737	$ 3,938,135	$ 1,250,634	$ (591,584)	$ 4,597,185

(Continued)

AURORA HEALTH CARE, INC. AND AFFILIATES

UNAUDITED CONSOLIDATING BALANCE SHEET INFORMATION
(In thousands)

	September 30, 2015				December 31, 2014			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES:								
Current installments of long-term debt	$ 123,270	$ 21,555	$ (8,472)	$ 136,353	$ 53,375	$ 11,979	$ (8,472)	$ 56,882
Accounts payable	144,544	36,706	—	181,250	164,116	37,477	—	201,593
Accrued salaries and wages	198,984	56,174	—	255,158	241,877	68,971	—	310,848
Other accrued expenses	171,263	25,292	(1,573)	194,982	166,302	24,289	(10,787)	179,804
Due to Affiliates	108,594	352	(108,946)	—	138,784	—	(138,784)	—
Estimated third-party payor settlements	20,828	3,240	—	24,068	19,717	2,729	—	22,446
Total current liabilities	767,483	143,319	(118,991)	$ 791,811	784,171	145,445	(158,043)	771,573
LONG-TERM DEBT — Less current installments	1,416,114	67,364	(44,749)	$ 1,438,729	1,538,234	88,079	(53,222)	1,573,091
OTHER LIABILITIES:								
Pension and other employee benefit liabilities	181,696	21,431	—	203,127	259,899	22,543	—	282,442
Self-insured liabilities	32,369	34,080	(1,073)	65,376	28,941	35,968	(975)	63,934
Deferred gain	43,238	—	—	43,238	47,364	—	—	47,364
Other	52,266	20,026	(7,057)	65,235	55,889	17,470	(5,999)	67,360
Total other liabilities	309,569	75,537	(8,130)	376,976	392,093	75,981	(6,974)	461,100
Total liabilities	2,493,166	286,220	(171,870)	2,607,516	2,714,498	309,505	(218,239)	2,805,764
NET ASSETS:								
Unrestricted:								
Controlling interest	1,227,923	850,024	(133,429)	1,944,518	943,723	845,631	(149,733)	1,639,621
Noncontrolling interest in subsidiaries	84,493	1,265	—	85,758	83,736	2,895	—	86,631
Total unrestricted net assets	1,312,416	851,289	(133,429)	2,030,276	1,027,459	848,526	(149,733)	1,726,252
Temporarily restricted	170,154	64,855	(192,534)	42,475	182,720	69,212	(205,235)	46,697
Permanently restricted	13,457	23,483	(18,470)	18,470	13,458	23,391	(18,377)	18,472
Total net assets	1,496,027	939,627	(344,433)	2,091,221	1,223,637	941,129	(373,345)	1,791,421
TOTAL	$ 3,989,193	$ 1,225,847	$ (516,303)	$ 4,698,737	$ 3,938,135	$ 1,250,634	$ (591,584)	$ 4,597,185

(Concluded)

AURORA HEALTH CARE, INC. AND AFFILIATES

UNAUDITED CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS INFORMATION
FOR THE PERIODS ENDED SEPTEMBER 30, 2015 AND 2014
(In thousands)

	Three Months Ended September 30, 2015				Three Months Ended September 30, 2014			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated
REVENUES:								
Patient service revenue (net of contractual allowances and discounts)	$ 823,119	$ 314,375	$ (9,148)	$ 1,128,346	$ 808,838	$ 302,784	$ (11,278)	$ 1,100,344
Less provision for bad debts	22,978	8,114	—	31,092	12,087	2,920	—	15,007
Net patient service revenue less provision for bad debts	800,141	306,261	(9,148)	1,097,254	796,751	299,864	(11,278)	1,085,337
Other revenue	39,678	84,900	(25,799)	98,779	65,994	67,777	(32,845)	100,926
Total revenue	839,819	391,161	(34,947)	1,196,033	862,745	367,641	(44,123)	1,186,263
EXPENSES:								
Salaries and wages	427,294	143,494	(8,296)	562,492	408,129	141,898	(6,165)	543,862
Fringe benefits	50,065	31,826	1,140	83,031	46,638	25,398	(11,341)	60,695
Professional fees	13,153	6,237	(46)	19,344	13,506	5,318	(66)	18,758
Supplies	153,533	80,521	—	234,054	133,109	69,203	—	202,312
Depreciation and amortization	33,355	6,483	—	39,838	40,206	7,936	—	48,142
Interest	12,354	1,741	—	14,095	15,357	704	—	16,061
Maintenance and service contracts	24,576	2,742	(73)	27,245	21,349	2,213	(83)	23,479
Building and equipment rental	11,873	8,125	(1,695)	18,303	12,945	8,512	(1,638)	19,819
Hospital tax assessment	19,431	4,569	—	24,000	18,848	4,452	—	23,300
Utilities	9,259	3,040	(18)	12,281	9,431	3,130	(17)	12,544
Purchased services	20,938	8,149	139	29,226	18,477	7,587	1,797	27,861
Other expenses	(7,613)	54,431	(9,289)	37,529	614	49,317	(9,715)	40,216
Total expenses	768,218	351,358	(18,138)	1,101,438	738,609	325,668	(27,228)	1,037,049
Operating income (loss)	71,601	39,803	(16,809)	94,595	124,136	41,973	(16,895)	149,214
NONOPERATING INCOME (LOSS):								
Investment income	(5,867)	(10,493)		(16,360)	(209)	(4,541)	—	(4,750)
Other nonoperating income (loss)	(1,511)	(2,951)		(4,462)	255	(15)	—	240
Total nonoperating income (loss) — net	(7,378)	(13,444)	—	(20,822)	46	(4,556)	—	(4,510)
EXCESS OF REVENUES OVER EXPENSES	64,223	26,359	(16,809)	73,773	124,182	37,417	(16,895)	144,704
PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	2,570	—	—	2,570	1,593	—	—	1,593
NET ASSETS RELEASED FROM RESTRICTIONS FOR PURCHASE OF PROPERTY AND EQUIPMENT	722	—	—	722	291	—	—	291
DISTRIBUTIONS TO NONCONTROLLING INTERESTS	(5,881)	—	—	(5,881)	(7,249)	—	—	(7,249)
OTHER — Net	(82)	—	—	(82)	—	—	—	—
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ 61,552	$ 26,359	$ (16,809)	$ 71,102	$ 118,817	$ 37,417	$ (16,895)	$ 139,339

AURORA HEALTH CARE, INC. AND AFFILIATES

UNAUDITED CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS INFORMATION

FOR THE PERIODS ENDED SEPTEMBER 30, 2015 AND 2014

(In thousands)

	Nine Months Ended September 30, 2015				Nine Months Ended September 30, 2014			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated
REVENUES:								
Patient service revenue (net of contractual allowances and discounts)	$ 2,461,072	$ 952,747	$ (29,193)	$ 3,384,626	$ 2,311,726	$ 903,231	$ (36,013)	$ 3,178,944
Less provision for bad debts	44,758	22,373	—	67,131	24,908	13,426	—	38,334
Net patient service revenue less provision for bad debts	2,416,314	930,374	(29,193)	3,317,495	2,286,818	889,805	(36,013)	3,140,610
Other revenue	176,044	243,940	(124,663)	295,321	169,653	199,000	(98,136)	270,517
Total revenue	2,592,358	1,174,314	(153,856)	3,612,816	2,456,471	1,088,805	(134,149)	3,411,127
EXPENSES:								
Salaries and wages	1,239,370	422,404	(22,509)	1,639,265	1,161,573	413,124	(16,358)	1,558,339
Fringe benefits	202,666	101,333	(42,435)	261,564	181,268	82,803	(36,272)	227,799
Professional fees	41,451	17,536	(154)	58,833	40,191	14,465	(161)	54,495
Supplies	436,004	242,735	—	678,739	379,899	207,675	—	587,574
Depreciation and amortization	119,935	24,557	—	144,492	125,110	26,084	—	151,194
Interest	40,702	2,816	—	43,518	46,120	1,450	—	47,570
Maintenance and service contracts	75,409	7,950	(235)	83,124	69,553	6,285	(197)	75,641
Building and equipment rental	35,552	24,283	(5,110)	54,725	37,831	25,372	(4,948)	58,255
Hospital tax assessment	57,122	13,525	—	70,647	57,889	13,297	—	71,186
Utilities	26,854	8,925	(52)	35,727	26,440	9,313	(53)	35,700
Purchased services	69,230	25,309	1,280	95,819	55,090	21,758	4,344	81,192
Other expenses	(22,269)	161,318	(30,174)	108,875	(766)	141,531	(28,169)	112,596
Total expenses	2,322,026	1,052,691	(99,389)	3,275,328	2,180,198	963,157	(81,814)	3,061,541
Operating income (loss)	$ 270,332	$ 121,623	$ (54,467)	$ 337,488	$ 276,273	$ 125,648	$ (52,335)	$ 349,586
NONOPERATING INCOME:								
Investment income	(1,164)	(4,732)	—	(5,896)	18,606	6,879	—	25,485
Other nonoperating income (loss) — net	850	(3,095)	—	(2,245)	666	(4)	—	662
Total nonoperating income — net	(314)	(7,827)	—	(8,141)	19,272	6,875	—	26,147
EXCESS OF REVENUES OVER EXPENSES	270,018	113,796	(54,467)	329,347	295,545	132,523	(52,335)	375,733
PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	7,709	—	—	7,709	4,779	—	—	4,779
NET ASSETS RELEASED FROM RESTRICTIONS FOR PURCHASE OF PROPERTY AND EQUIPMENT	1,343	—	—	1,343	647	—	—	647
DISTRIBUTIONS TO NONCONTROLLING INTERESTS	(34,390)	—	—	(34,390)	(38,439)	—	—	(38,439)
OTHER — Net	15	—	—	15	337	—	—	337
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ 244,695	$ 113,796	$ (54,467)	$ 304,024	$ 262,869	$ 132,523	$ (52,335)	$ 343,057

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

This quarterly report includes the consolidated financial statements and analysis for Aurora Health Care, Inc., a Wisconsin nonstock, nonprofit corporation (the "Corporation"), and its affiliates. References to "Aurora", "we", "our" and "us" in this document are to the Corporation and all of the affiliates and subsidiaries consolidated with it pursuant to accounting principles generally accepted in the United States of America ("GAAP"). References to the Corporation are references only to the parent corporation, and should not be read to include any of the Corporation's affiliates and subsidiaries.

We recommend that you read this discussion together with our unaudited consolidated financial statements and related notes included elsewhere in this quarterly report, as well as the audited consolidated financial statements of Aurora as of and for the year ended December 31, 2014. The audited consolidated financial statements are available from the Municipal Securities Rulemaking Board (the "MSRB") on its Electronic Municipal Market Access ("EMMA") system, found at http://emma.msrb.org.

Certain statements included in this quarterly report constitute forward-looking statements that involve risks and uncertainties. Actual results may differ significantly from the results discussed in the forward-looking statements as a result of known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. We do not plan to issue any updates or revisions to those forward-looking statements if or when the expectations, or events, conditions or circumstances on which such statements are based occur.

-AURORA HEALTH CARE, INC. AND AFFILIATES

KEY FINANCIAL RATIOS
FOR THE PERIOD ENDED SEPTEMBER 30, 2015

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2015	2014	2015	2014
Operating Performance:				
Operating margin[1]	9.3%	10.2%	7.9%	12.5%
EBIDA percent[2]	14.3	16.7	10.7	17.5

	As of September 30, 2015	As of December 31, 2014
Liquidity:		
Days cash on hand[3]	130.7	141.8
Financial Position/Leverage Ratios:		
Net AR days outstanding[4]	57.8	52.1
Unrestricted cash to debt[5]	95%	96%
Cash to puttable debt[6]	305%	341%
Debt to capitalization[7]	44%	49%
Debt to cash flow[8]	2.3	2.2
Debt service coverage ratio[9]	6.3x	6.8x

[1] Operating income/Total revenue.

[2] (Excess of revenues over expenses + Interest expense + Depreciation and amortization expense)/Total revenue.

[3] (Unrestricted cash and investments)/((Total expenses – Depreciation and amortization expense)/actual number of days in a period).

[4] Accounts receivable, net/(Net patient service revenue/actual number of days in a period).

[5] (Unrestricted cash and investments)/(Current installments of long-term debt + Long-term debt, less current installments).

[6] (Unrestricted cash and investments)/Total variable rate demand bonds outstanding.

[7] (Current installments of long-term debt + Long-term debt, less current installments)/(Current installments of long-term debt + Long-term debt, less current installments + Total Unrestricted net assets).

[8] (Current installments of long-term debt + Long-term debt, less current installments)/(Excess of revenue over expenses + Depreciation and amortization expense) for the four consecutive quarters.

[9] (Excess of revenues over expenses + Interest expense + Depreciation and amortization expense)/(Principal payments + Interest expense) for the four consecutive quarters.

AURORA HEALTH CARE, INC. AND AFFILIATES

HISTORICAL UTILIZATION
FOR THE PERIOD ENDED SEPTEMBER 30, 2015

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2015	2014	2015	2014
Adult inpatient days	330,458	323,699	107,651	106,190
Adult average daily census	1,210	1,186	1,170	1,180
Adult average length of stay	4.4	4.4	4.3	4.3
Adult discharges	75,189	73,123	25,001	24,534
Emergency room visits	274,104	257,378	94,456	92,142
Observation and bedded outpatients	27,283	26,565	9,534	8,799
Surgical cases	80,738	77,953	27,279	26,525
Physician clinic, hospital outpatient and other visits	5,247,682	4,788,303	1,738,888	1,625,052

ANALYSIS OF RESULTS OF OPERATIONS

Results of Operations – Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

Operating income was $94.6 million for the three months ended September 30, 2015, resulting in an operating margin of 7.9%, as compared to operating income of $149.2 million and an operating margin of 12.5% for the three months ended September 30, 2014. Nonoperating loss was $20.8 million for the three months ended September 30, 2015 compared to a nonoperating loss of $4.5 million for the same period in 2014. The decrease in nonoperating income from the prior period is largely due to an increase in unrealized investment losses as a result of a shift in the investment mix during the current period to a higher concentration of equity investments. These investments are significantly impacted by overall changes in the financial markets. In addition, Aurora recorded a loss on disposal of property, plant and equipment of $10.7 million during the three month period ended September 30, 2015, which is included in nonoperating income (loss). The loss on disposal was the result of physical inventories completed during the period. This loss was offset by a $9.2 million gain recorded for the sale of a surgery center in the Marinette market to Bay Area Medical Center. Overall, Aurora reported an excess of revenue over expenses of $73.8 million for the three months ended September 30, 2015 compared to $144.7 million for the same period in the prior year.

Patient service revenue increased $28.0 million (2.5%) in the three months ended September 30, 2015, compared to the same period in 2014. Patient service revenue increased primarily due to an increase in volume; observation and bedded outpatients, physician clinic, hospital outpatient and other visits, surgical cases and emergency room visits increased 8.4%, 6.5%, 2.8%, and 2.5%, respectively for the three months ended September 30, 2015 compared to the same period in the prior year. Patient service revenue also increased due to a price increase on January 1, 2015.

Provision for bad debts increased $16.1 million (107.2%) in the three months ended September 30, 2015, compared to the same period in the prior year. The increase in the provision for bad debts is due to a shift from charity care to bad debt as more patients obtain insurance, as well as, increased volumes during 2015. Charity care and bad debt as a percentage of patient service revenue increased slightly from 4.5% for the three months ended September 30, 2014 to 4.8% for three months ended September 30, 2015.

Other revenue decreased $2.1 million (2.1%) in the three months ended September 30, 2015, compared to the same period in the prior year. The decrease in other revenue is primarily due to a $9.2 million reduction in Medicare and Medicaid incentive payments for the achievement of meaningful use of certified electronic health record technology. Under the terms of the program, Medicare and Medicaid incentive payments decline with each year of participation. In addition, losses from equity method investments and investment losses on the 457(b) Plan assets increased by $3.4 million and $4.0 million, respectively in the three months ended September 30, 2015, compared to the same period in the prior year. These losses were offset by an increase in pharmacy revenue of $10.5 million during the three months ended September 30, 2015, as well as, increases in other miscellaneous revenue.

Salaries and wages expense increased $18.6 million (3.4%) in the three months ended September 30, 2015, compared to the same period in the prior year. The increase in salaries and wages is primarily due to the annual salary adjustment of 2.8% which became effective in July of 2015. The increase is also due to a 5.4% increase in full time equivalents in response to an increase in volume from the same period in the prior year.

Fringe benefits expense increased $22.3 million (36.8%) in the three month period ended September 30, 2015, compared to the same period in the prior year. The increase is due to an increase in full time equivalents to accommodate higher volumes during the three months ended September 30, 2015. Health insurance expense, FICA tax and other benefit related accruals also increased as a result of the increase in full time equivalents.

Supplies expense increased $31.7 million (15.7%) in the three month period ended September 30, 2015, compared to the same period in the prior year. Supplies expense as a percent of patient service revenue has increased from 18.4% for the three months ended September 30, 2014 to 20.7% for the three months ended September 30, 2015. The increase in supplies expense is due to an increase in the utilization of specialty pharmacy drugs which have a higher average cost than other drugs, as well as, an increase in the cost of generic drugs. Implant costs also increased due to a higher volume of cardiac, orthopedic and spinal procedures.

The remaining expenses including; professional fees, interest, maintenance and service contracts, building and equipment rental, hospital tax assessment, utilities, purchased services, and other expenses remained relatively consistent for the three months ended September 30, 2015 as compared to the three months ended September 30, 2014, increasing $2.7 million (1.9%), in the aggregate.

Results of Operations – Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

Operating income was $337.5 million for the nine months ended September 30, 2015, resulting in an operating margin of 9.3%, as compared to operating income of $349.6 million and an operating margin of 10.2% for the nine months ended September 30, 2014. Nonoperating loss was $8.1 million for the nine months ended September 30, 2015 compared to nonoperating income of $26.1 million for the same period in 2014. The decrease in nonoperating income from the prior period is largely due to an increase in unrealized investment losses as a result of a shift in the investment mix during the current period to a higher concentration of equity investments. These investments are significantly impacted by overall changes in the financial markets. In addition, Aurora recorded a loss on disposal of property, plant and equipment of $10.7 million during the nine month period ended September 30, 2015, which is included in nonoperating income (loss). The loss on disposal was the result of physical inventories completed during the period. This loss was offset by a $9.2 million gain recorded for the sale of a surgery center in the Marinette market to Bay Area Medical Center. Overall, we reported an excess of revenue over expenses from continuing operations of $329.3 million for the nine months ended September 30, 2015 compared to $375.7 million for the same period in the prior year.

Patient service revenue increased $205.7 million (6.5%) in the nine months ended September 30, 2015, compared to the same period in 2014. Patient service revenue increased primarily due to an increase in volume; physician clinic, hospital outpatient and other visits, emergency room visits, surgical cases and adult discharges increased 6.5%, 6.5%, 3.6%, and 2.8%, respectively, for the nine months ended September 30, 2015 compared to the same period in the prior year. Patient service revenue also increased due to a price increase on January 1, 2015.

Provision for bad debts increased $28.8 million (75.1%) in the nine months ended September 30, 2015, compared to the same period in the prior year. The increase in the provision for bad debts is due to a shift from charity care to bad debt as more patients obtain insurance, as well as, increased volumes during 2015. Charity care and bad debt as a percentage of patient service revenue decreased from 6.4% for the nine months ended September 30, 2014 to 4.8% for the nine months ended September 30, 2015. This decrease is due to an improvement in the collection of the portion of the balance which is the patient's responsibility after insurance.

Other revenue increased $24.8 million (9.2%) in the nine months ended September 30, 2015, compared to the same period in the prior year. The increase in other revenue is primarily due to higher pharmacy revenue of $26.9 million related to the increased sale of specialty drugs. Pharmacy revenue also increased $15.0 million due to higher activity with contract pharmacies. These increases were partially offset by a decrease of $16.1 million in incentive payments received during the current year for the achievement of Medicare and Medicaid meaningful use of certified electronic health record technology. Under the terms of the program, Medicare and Medicaid incentive payments decline with each year of participation.

Salaries and wages expense increased $80.9 million (5.2%) in the nine months ended September 30, 2015, compared to the same period in the prior year. The increase in salaries and wages is primarily due to the annual salary adjustment of 2.8% which was awarded in June of 2015 and became effective in July of 2015. The increase is also due to a 4.8% increase in full time equivalents in response to an increase in volume as compared to the same period in the prior year.

Fringe benefits expense increased $33.8 million (14.8%) in the nine months ended September 30, 2015, compared to the same period in the prior year. The increase is due to an increase in full time equivalents to accommodate higher volumes during the nine months ended September 30, 2015. Health insurance expense, FICA tax and other benefit related expenses increased as a result of the increase in full time equivalents.

Supplies expense increased $91.2 million (15.5%) in the nine month period ended September 30, 2015, compared to the same period in the prior year. Supplies expense as a percent of patient service revenue has increased from 18.5% for the nine months ended September 30, 2014 to 20.1% for the nine months ended September 30, 2015. $72.8 million of the increase in supplies expense is due to higher utilization of specialty pharmacy drugs which have a higher average cost than other drugs as well as an increase in generic drug costs. Implant costs increased $17.7 million due to a higher volume of procedures and higher cost implants.

Purchased services increased $14.6 million (18.0%) in the nine months ended September 30, 2015, as compared to the same period in the prior year. This increase is primarily due to an increase in drug dispensing fees due to increased volume with contract pharmacies, as well as, increased management fees and other outside services.

The remaining expenses including; professional fees, depreciation and amortization, interest, maintenance and service contracts, building and equipment rental, hospital tax assessment, utilities, and other expenses remained consistent in the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014, decreasing $3.0 million (0.6)% in the aggregate.

ANALYSIS OF FINANCIAL CONDITION

Liquidity – Cash and Investments

Aurora's objectives for its investment portfolios are to target returns over the long-term within reasonable and prudent levels of risk and to preserve and enhance its strong financial structure. The asset allocation of the portfolios, in aggregate, is broadly diversified across domestic and international equity, fixed income asset classes and cash equivalents and is designed to maximize the probability of achieving the long-term investment objectives at an appropriate level of risk while maintaining a level of liquidity to meet the needs of ongoing portfolio management. This allocation is formalized into a strategic policy benchmark that guides the management of the portfolios and provides a standard to use in evaluating the portfolios' performance.

Investments are primarily maintained in a master trust fund administered by a bank as the trustee. The management of Aurora's investments is conducted by external investment management organizations that are monitored by an investment committee of Aurora's Board of Directors, management and a third-party external advisor. Aurora has established formal investment policies that support Aurora's investment objectives and provide an appropriate balance between return and risk.

The following table sets forth the allocation of Aurora's cash and cash equivalents, investments, and assets whose use is limited or restricted at September 30, 2015 and December 31, 2014 (dollars in thousands):

	September 30, 2015		December 31, 2014	
Cash and cash equivalents	$ 211,044	12.2%	$ 268,499	15.1%
Fixed-income securities	1,117,021	64.8%	1,299,788	72.9%
Equity securities	379,363	22.0%	196,492	11.0%
Real estate investment trust	11,849	0.7%	11,042	0.6%
Other	5,424	0.3%	7,118	0.4%
Total cash and investments	1,724,701	100.0%	1,782,939	100.0%
Less restricted investments *	(225,940)		(226,161)	
Total unrestricted cash and investments	$ 1,498,761		$ 1,556,778	
Days cash on hand	130.7		141.8	

* Restricted investments include donor restricted funds, contractually restricted funds and funds held by a trustee.

Aurora's unrestricted cash and investments decreased by $58.0 million or 3.7% from December 31, 2014 to September 30, 2015. The decrease in unrestricted cash and investments was primarily due to $158.7 million of capital expenditures, $52.7 million of scheduled principal payments on long-term debt, net investment purchases of $32.7 million, $34.4 million of distributions to minority shareholders and $177.6 million of annual cash payments for contributions to the Defined Contribution Plans, the Aurora Pension Plan and management incentive compensation, offset by $400.4 million of cash generated from operations. The decrease in unrestricted cash and investments was also impacted by an increase in denied claims and a delay in coding, mentioned below, which increased our days in accounts receivable.

Investment income for the nine months ended September 30, 2015 and 2014, consisted of the following (in thousands):

	2015	2014
Interest income and dividends	$ 25,835	$ 19,694
Net realized gains on securities	2,216	8,556
Changes in unrealized (losses) gains on investments, trading	(39,161)	2,643
Total	$ (11,110)	$ 30,893

Investment income (loss) for the nine months ended September 30, 2015 and 2014, is classified in the unaudited consolidated statements of operations and changes in unrestricted net assets and unaudited consolidated statement of changes in net assets as follows (in thousands):

	2015	2014
Other revenue	$ (2,095)	$ 3,994
Investment (loss) income	(5,896)	25,485
Temporarily restricted net assets	(3,119)	1,414
Total	$ (11,110)	$ 30,893

Liquidity – Accounts Receivable

Net accounts receivable days outstanding increased from 52.1 days as of December 31, 2014 to 57.8 days as of September 30, 2015. The increase in net accounts receivable days outstanding is largely due to an increase in denials from Medicare and Medicaid HMO's as a result of changes in preauthorization requirements which has increased the amount of time required to collect the amount due. Additionally, coding delays were also a factor in the increase in unbilled receivables due to preparation for ICD-10 which became effective in October 2015.

Indebtedness

Master Indenture Obligations: The Corporation has certain outstanding long-term indebtedness in the form of revenue bonds issued by the Wisconsin Health and Educational Facilities Authority on its behalf (the "Revenue Bonds"). The Corporation's obligation to pay debt service on the Revenue Bonds is secured by Obligations issued under a Second Restated Master Trust Indenture, dated January 1, 2012, between the Members of the Obligated Group created thereunder and U.S. Bank National Association, as Master Trustee (the "Master Indenture"). The obligations of the Corporation to repay advances made under the J.P. Morgan Line of Credit and the Letters of Credit described below are also secured by Obligations issued under the Master Indenture.

At September 30, 2015 and December 31, 2014, the aggregate principal amount of the Revenue Bonds outstanding was as follows (in thousands):

	September 30, 2015	December 31, 2014
Fixed rate revenue bonds	$ 693,117	$ 764,774
Long-term rate revenue bonds	132,475	132,475
Variable rate revenue bonds	450,755	456,725
Total	$ 1,276,347	$ 1,353,974

Fixed Rate Revenue Bonds: At September 30, 2015 and December 31, 2014 the Corporation had outstanding $693.1 million (including $13.1 million of unamortized original premium, net) and $764.8 million (including $14.0 million of unamortized original premium, net) of Fixed Rate Bonds, respectively. The weighted average interest rate on the Fixed Rate Revenue Bonds was 4.91% at September 30, 2015 and 5.12% at December 31, 2014.

Long-Term Rate Bonds: The Long-Term Rate Bonds bear interest at fixed rates for specified periods, and are subject to mandatory tender at the end of such periods, on the date and in the principal amount described below. There is no liquidity facility in effect with respect to the Long-Term Rate Bonds to pay the purchase price on the mandatory tender dates. Failure of the Corporation to pay the purchase price on the applicable tender date would constitute an event of default under the related bond documents.

Series	Principal Amount (in thousands)	Mandatory Tender Date
Series 2009B-1	65,000	August 15, 2017
Series 2009B-2	67,475	August 15, 2016

At September 30, 2015, $67.5 million of the long-term rate bonds were classified as current due to the bond holder's requirement to put the bonds on the mandatory tender date to Aurora without a liquidity facility dedicated to these bonds. The remainder of the long-term rate bonds are classified as long-term at September 30, 2015.

Variable Rate Demand Bonds ("VRDBs"): At September 30, 2015, the Corporation had outstanding $450.8 million of VRDBs. The VRDBs bear interest at variable rates (currently in daily, weekly, or Unit Pricing interest rate modes) and are subject to optional tender for purchase by their holders. At September 30, 2015, all of the VRDBs are secured by letters of credit issued by commercial banks (the "Letters of Credit"). Subject to certain requirements in the related Reimbursement Agreements, the Letters of Credit may be drawn on to pay the purchase price of the VRDBs in the event they are not remarketed. The Letters of Credit expire at various dates through 2018 (as set forth in the table below) and have various repayment terms. Principal payments for any advances under each of the Letters of Credit begin the earlier of one year from the date of the advance and two months after the expiration date of the Letter of Credit. The principal payments for any advance under the Letters of Credit amortize over a two or three-year period. Each Letter of Credit is subject to extension of its expiration date at the sole discretion of the related commercial bank.

Bank	Par (in thousands)		Expiration
J.P. Morgan	$	50,822	09/29/2017
J.P. Morgan		84,384	09/29/2017
J.P. Morgan		84,384	09/29/2017
Bank of America		108,544	12/09/2016
Bank of Montreal		39,945	2/7/2018
Bank of Montreal		39,945	2/7/2018
Bank of Montreal		60,045	2/7/2018
Total	$	468,069	

Line of Credit: At September 30, 2015 and December 31, 2014, the Corporation had a $60.0 million line of credit, under which letters of credit can also be issued, with J.P. Morgan Chase Bank, N.A., bearing interest at the commercial bank floating rate or LIBOR plus a spread, based upon the option of the Corporation. As of September 30, 2015 and December 31, 2014, two letters of credit issued under the line of credit totaling $37.2 million and $36.3 million, respectively, were outstanding. There are currently no outstanding draws on the line of credit or letters of credit.

Other Indebtedness: Aurora is obligated under capital lease and financing arrangements entered into in connection with certain sale-leaseback transactions and capital leases of buildings which are reflected as long-term debt in the consolidated financial statements of Aurora. These arrangements, which relate to various administrative and medical support buildings, had initial lease terms of 15 to 25 years. At September 30, 2015 and December 31, 2014, the outstanding amount of capital lease obligations and financing arrangements was $241.5 million and $256.5 million, respectively.

On April 15, 2015, Aurora redeemed $40.0 million of Fixed Rate Revenue Bonds with proceeds of $40.0 million Aurora Health Care, Inc. Taxable Bonds Series 2015A (the "2015A Bonds"). The 2015A Bonds were directly placed with Northern Trust Company. The 2015A Bonds bear interest at a taxable, variable rate and are subject to mandatory tender on April 15, 2018.

Aurora is also obligated under a term note and various other debt. The term note is an obligation of Aurora BayCare Medical Center, and is collateralized by a mortgage on the orthopedic and sports medicine complex and a pledge of Aurora BayCare Medical Center's interest in, and proceeds from, certain lease agreements.

Aurora's total long-term debt at September 30, 2015 and December 31, 2014 is as follows (in thousands):

	September 30, 2015	December 31, 2014
Total revenue bonds	$ 1,276,347	$ 1,353,974
Capital lease obligations and financing arrangements	241,516	256,526
Taxable bond	40,000	—
Term note	10,467	11,075
Various notes payable	6,752	8,398
Total long-term debt	$ 1,575,082	$ 1,629,973

Interest Rate Swap Agreement

Aurora has a fixed-to-variable interest rate swap agreement (the "Swap Agreement") with Merrill Lynch Capital Services, Inc. ("MLCS") with respect to the Wisconsin Health and Educational Facilities Authority Revenue Bonds, Series 1993 (Aurora Health Care Obligated Group), maturing in August 2023 (the "Series 1993 Bonds"). During the term of the Swap Agreement, Aurora continues to pay interest on the Series 1993 Bonds at their fixed interest rates, and pays MLCS a variable-rate based on the Securities Industry and Financial Markets Association Index (SIFMA) plus a spread calculated on a notional amount equal to the principal amount of the Series 1993 Bonds outstanding plus a premium. In turn, Aurora receives fixed-rate payments from MLCS based on a notional amount equal to the principal amount of the Series 1993 Bonds outstanding. At September 30, 2015 and December 31, 2014, the fair value of the Swap Agreement was a liability of $2.4 million and $2.6 million, respectively.

The Swap Agreement terminates in February 2018. In addition, the terms of the Swap Agreement require Aurora to transfer collateral to MLCS if its liability, determined on a mark-to-market basis, exceeds a specified threshold that varies based on the rating of the Series 1993 Bonds. Aurora's payment obligations under the Swap Agreement are secured by an Obligation issued under the Master Indenture. As of September 30, 2015 and December 31, 2014, no collateral was required.

The Corporation received net swap payments of $2.9 million and $3.0 million during the nine months ended September 30, 2015 and 2014, respectively.

LEGAL AND REGULATORY COMPLIANCE

Aurora operates in a highly regulated and litigious industry. As a result, various lawsuits, claims, and legal and regulatory proceedings have been instituted or asserted against it from time to time. While it is impossible to predict the likelihood of future claims or inquiries, Aurora expects that new matters will be initiated against it in regular course. The results of claims, lawsuits and investigations cannot be predicted, and it is possible that the ultimate resolution of these matters, individually or in the aggregate, may have a material adverse effect on Aurora's business, financial position, results of operations, or cash flows.

Implantable Cardioverter Defibrillators ("ICDs") Investigations – In 2010, the Department of Justice served subpoenas on and issued letters to a number of hospitals and health systems across the country, including Aurora, as part of a fraud investigation into whether hospitals billed Medicare for ICDs for patients whose conditions did not satisfy coverage criteria set forth in the Center for Medicare and Medicaid Services National Coverage Determination. As the investigation was conducted under the False Claims Act, those targeted by the government were at risk for significant damages under the False Claims Act's treble damages and civil penalties provision. Management of Aurora cooperated fully with the investigation and reached a settlement with the Department of Justice during the third quarter of 2015. The resolution of this investigation did not have a material adverse effect on Aurora's financial position, results of operations, or cash flows.

There are currently no pending legal proceedings and investigations that are not in the ordinary course of business, within applicable insurance coverages, or for which management has determined the amount of ultimate liability with respect to such proceedings and investigations will materially affect Aurora's consolidated results of operations or net assets.

Compliance and Internal Audit Programs

Aurora has a corporate compliance department and maintains a corporate compliance program intended to be consistent with laws and government guidance relating to compliance programs in health care entities. The program includes mandatory education of all employees about certain significant legal and regulatory requirements applicable to the organization, including HIPAA and other privacy regulations, and includes steps to monitor and promote compliance with these requirements. All employees are provided a copy of the Aurora Code of Ethical Conduct and sign a document acknowledging they have read it and understand it. A "hotline" is available to all employees and physicians to report any areas of potential concern. In addition, Aurora has adopted policies designed to address specific risk areas and has instituted processes intended to correct problems identified through the hotline or its other compliance activities.

Aurora also has an internal audit department responsible for providing independent and objective assurance and consulting services designed to add value and improve Aurora's operations and control environment. The internal audit department reports functionally to the Chief Administrative Officer and administratively to the Audit Committee of the Board of Directors. The responsibilities of the internal audit department include assessing the effectiveness of internal controls, reviewing compliance with applicable laws and regulations and assessing the reliability of financial reporting.

Debt Compliance Program

Aurora has adopted a debt compliance policy, which establishes uniform guidelines in connection with its tax-exempt bonds and other financial arrangements. The purpose of the policy is to ensure compliance with all federal tax laws relating to tax-exempt bonds including, but not limited to, rules relating to ownership and use of bond-financed property and investment of bond proceeds; compliance with all securities laws relating to Aurora and its bonds including ongoing public disclosure requirements and compliance with all financial and other covenants imposed under the Master Indenture, loan agreements and other agreements related to its bonds and financial arrangements. Preparing and maintaining documentation necessary to provide a record of compliance is an integral aspect of the policy.

FINANCIAL REPORTING INITIATIVES

In 2013, Aurora began an initiative to evaluate its internal control environment and to create efficiencies in Aurora's financial reporting processes. The initiative is based upon concepts established in the Sarbanes-Oxley Act of 2002 ("SOX"), even though Aurora is not subject to the provisions of SOX. The goals of the initiative are to ensure the integrity and reliability of financial information, strengthen internal controls in the reporting process, reduce the risk of fraud and improve efficiencies in the financial reporting process. The initiative will review all aspects of the financial reporting process, identify potential risks and ensure the risks have been mitigated utilizing a management self-assessment process.

BOND RATINGS

Aurora's outstanding bonds have been assigned ratings of A (positive outlook) and A2 (stable outlook) by Fitch and Moody's, respectively as of September 30, 2015.

GOVERNANCE

There have been certain changes to the Board of Directors since the release of the Annual Report issued May 27, 2015. In August 2015, Aurora elected Chris L. Shimojima, an entrepreneur and former Fortune 100 company senior executive, to serve on the Company's board of directors. In October 2015, Aurora elected Stephen Dickson, the former Vice President and Controller of WEC Energy Group Inc., and the current audit committee chair, to serve on the Company's board of directors.

MANAGEMENT

In October 2015, Preston Simons joined Aurora as its chief information officer. Prior to joining Aurora, Simons served as chief information officer for Abbott Laboratories for more than 10 years.

INDUSTRY RISKS

For a description of industry risks, see "Risk Factors" in Exhibit I to the 2014 Annual Financial Report dated May 27, 2015. The Annual Financial Report can be accessed from the MSRB on its EMMA system, found at http://emma.msrb.org.