University Health, Inc.

Consolidated Financial Statements and Other Financial Information

Years Ended December 31, 2018 and 2017

DIXON HUGHES GOODMAN LLP

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Independent Auditors' Report

The Board of Trustees
University Health, Inc.

We have audited the accompanying consolidated financial statements of University Health, Inc. (the Corporation), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 these consolidated financial statements based on our audits. We did not audit the financial statements of Walton Way Indemnity, SPC (WWI), a wholly owned subsidiary, which statements reflect approximately $23,746,000 and $21,206,000 of consolidated total assets as of December 31, 2018 and 2017, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for WWI, is based solely on the report of the other auditors. 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 the auditors' 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, the auditor considers internal control relevant to the Corporation's 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 Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

DIXON HUGHES GOODMAN LLP

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Corporation adopted Financial Accounting Standards Board Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* and ASU 2014-09 *Revenue from Contracts with Customers (Topic 606)* in 2018. Our opinion is not modified with respect to these matters.

Opinion

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of University Health, Inc. at December 31, 2018 and 2017, and the consolidated results of their operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dixon Hughes Goodman LLP

Charlotte, North Carolina
April 30, 2019

University Health, Inc.
Consolidated Balance Sheets
December 31, 2018 and 2017

	December 31 2018	December 31 2017 (As Adjusted)
Assets		
Current assets:		
Cash and cash equivalents	**$ 44,016,161**	$ 28,720,394
Short-term investments	**-**	2,787,655
Patient accounts receivable, less allowances for uncollectible accounts of $49,981,000 in 2017	**98,160,510**	100,182,168
Other receivables	**13,596,267**	12,256,630
Inventories	**12,720,067**	12,316,911
Prepaid expenses	**9,872,752**	9,379,482
Total current assets	**178,365,757**	165,643,240
Property and equipment, net	**329,477,701**	365,903,160
Other assets:		
Assets limited as to use	**74,200,652**	93,068,001
Investments	**447,869,879**	463,979,202
Other	**9,604,434**	10,322,262
Total assets	**$ 1,039,518,423**	$ 1,098,915,865

	December 31 2018	December 31 2017 (As Adjusted)
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 29,477,134**	$ 33,235,734
Accrued compensation, benefits, and withholdings	**31,928,250**	31,988,987
Other current liabilities	**3,080,460**	21,154,963
Estimated third-party payor settlements	**16,534,012**	13,621,102
Current maturities of long-term debt	**42,569,786**	39,864,974
Current portion of capital lease obligations	**2,091,323**	2,022,686
Short-term accrued postretirement benefit cost	**1,747,058**	1,785,608
Total current liabilities	**127,428,023**	143,674,054
Long-term debt, less current maturities	**202,190,651**	232,392,900
Long-term capital lease obligations, less current portion	**2,689,269**	3,996,085
Other long-term obligations	**3,815,456**	31,078,443
Reserve for contingent losses	**17,055,599**	15,270,816
Accrued postretirement benefit cost, less short-term obligation	**30,399,341**	35,267,615
Total liabilities	**383,578,339**	461,679,913
Net assets:		
Without donor restrictions	**618,837,090**	593,473,095
With donor restrictions	**37,102,994**	43,762,857
Total net assets	**655,940,084**	637,235,952
Total liabilities and net assets	**$ 1,039,518,423**	$ 1,098,915,865

See accompanying notes.

University Health, Inc.
Consolidated Statements of Operations
Years Ended December 31, 2018 and 2017

	Year Ended December 31 2018	2017 (As Adjusted)
Unrestricted revenues and other support:		
Patient service revenue (net of contractual allowances and discounts)		$ 660,969,355
Provision for bad debts		(38,045,319)
Net patient service revenue	**649,732,922**	622,924,036
Other operating revenues	**16,319,400**	19,735,558
Net assets released from restriction	**8,193,369**	2,361,683
Total unrestricted revenues and other support	**674,245,691**	645,021,277
Operating expenses:		
Salaries and benefits	**333,705,699**	324,101,504
Other operating expenses	**279,906,965**	255,100,744
Depreciation	**48,065,676**	44,180,322
Interest	**7,991,943**	7,915,024
Total operating expenses	**669,670,283**	631,297,594
Income from operations	**4,575,408**	13,723,683
Nonoperating (loss) income:		
Investment (loss) income	**(29,175,260)**	56,612,940
Gain on sale of assets	**46,652,315**	-
Other components of net benefit cost	**(1,953,016)**	(1,505,491)
Total nonoperating income	**15,524,039**	55,107,449
Excess of revenues, other support, and gains over expenses and losses	**20,099,447**	68,831,132
Change in postretirement plan funded status	**5,709,690**	(4,258,043)
Other	**86,093**	(27,176)
Transfer (to) from net assets with donor restrictions	**(531,235)**	654,727
Increase in net assets without donor restrictions	**$ 25,363,995**	$ 65,200,640

See accompanying notes.

University Health, Inc.
Consolidated Statements of Changes in Net Assets
Years EndedDecember 31, 2018 and 2017

	Year Ended December 31 2018	2017 (As Adjusted)
Net assets without donor restrictions:		
Excess of revenues, other support, and gains over expenses and losses	**$ 20,099,447**	$ 68,831,132
Change in postretirement plan funded status	**5,709,690**	(4,258,043)
Other	**86,093**	(27,176)
Transfer (to) from net assets with donor restrictions	**(531,235)**	654,727
Increase in net assets without donor restrictions:	**25,363,995**	65,200,640
Net assts with donor restrictions		
Contributions and other	**2,435,768**	3,205,308
Investment (loss) income	**(1,433,497)**	4,703,970
Net assets released from restriction	**(8,193,369)**	(2,361,683)
Transfer from (to) assets without donor restrictions	**531,235**	(654,727)
(Decrease) increase in net assets with donor restrictions	**(6,659,863)**	4,892,868
Increase in net assets	**18,704,132**	70,093,508
Net assets at beginning of year	**637,235,952**	567,142,444
Net assets at end of year	**$ 655,940,084**	$ 637,235,952

See accompanying notes.

University Health, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	Year Ended December 31	
	2018	**2017 (As Adjusted)**
Operating activities:		
Change in net assets	**$ 18,704,132**	$ 70,093,508
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in postretirement plans funded status	**(5,709,690)**	4,258,043
Depreciation	**48,065,676**	44,180,322
Provision for bad debts	**–**	38,045,319
Gain on sale of assets	**(46,652,315)**	
Other	**(959,664)**	(881,746)
Changes in operating assets and liabilities:		
Patient accounts receivable	**2,021,658**	(51,329,448)
Other receivables	**1,031,556**	(453,322)
Inventories	**(449,327)**	(1,923,423)
Prepaid expenses	**(531,912)**	140,422
Investments and assets limited as to use classified as trading	**37,450,427**	(45,734,709)
Other assets	**717,828**	275,202
Accounts payable and accrued expenses	**(3,758,600)**	4,330,210
Accrued compensation, benefits, and withholdings	**73,641**	969,697
Other current liabilities	**(2,288,999)**	(2,023,171)
Other long-term obligations	**(1,236,718)**	616,709
Estimated third-party payor settlements	**2,912,910**	(8,783,813)
Reserve for contingent losses	**1,784,783**	(457,058)
Accrued pension and postretirement benefit cost	**1,299,908**	194,051
Net cash provided by operating activities	**52,475,294**	51,516,793
Investing activities:		
Proceeds from sale of assets	**45,580,973**	-
Purchases of property and equipment, net	**(54,041,809)**	(70,173,305)
Net cash used in investing activities	**(8,460,836)**	(70,173,305)
Financing activities:		
Debt issuance costs used in refunding	**–**	(109,435)
Proceeds from bank term loans	**14,893,029**	61,550,298
Scheduled principal payments on long-term debt	**(41,516,895)**	(37,333,904)
Principal payments on capital lease obligations	**(2,094,825)**	(1,930,709)
Net cash (used in) provided by financing activities	**(28,718,691)**	22,176,250
Net increase in cash and cash equivalents	**15,295,767**	3,519,738
Cash and cash equivalents at beginning of year	**28,720,394**	25,200,656
Cash and cash equivalents at end of year	**$ 44,016,161**	$ 28,720,394
Supplemental schedule of cash flow information:		
Cash paid for interest	**$ 8,848,377**	$ 6,902,864
Noncash investing and financing activities:		
Property leased under capital lease obligations	**$ 856,646**	$ 1,611,335

See accompanying notes.

Notes to Consolidated Financial Statements

1. Organization and Significant Accounting Policies

The significant accounting policies adopted by University Health, Inc. (the Parent or Corporation) are set forth below.

Reporting Entity and Corporate Reorganization

As part of a corporate reorganization during 1984, University Health, Inc., a not-for-profit corporation, was formed to conduct long-range health planning, public health education, and resource allocation for University Health Services, Inc. and other affiliated corporations. Effective December 31, 1984, Richmond County Hospital Authority (the Authority) approved the restructuring of the Hospital, whereby it was leased to University Health Services, Inc., an affiliate of University Health, Inc., for two lease terms of 30 years each expiring on February 1, 2045.

Principles of Consolidation

The consolidated financial statements include the accounts of University Health, Inc., University Health Services, Inc. (UHS), University Health Care Foundation, Inc. (the Foundation), Walton Way Indemnity, SPC (WWI), University Extended Care, Inc. (UEC), University Health Resources, Inc. (UHR), University Healthcare Physicians, LLC (UHCP), University McDuffie County Regional Medical Center (McDuffie), and Augusta Resource Center on Aging, Inc. (ARCOA). ARCOA does business as “Brandon Wilde”, a continuing care retirement community. During the year, ARCOA sold Brandon Wilde. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Corporation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Deposits with banks are generally federally insured in limited amounts.

Patient Accounts Receivable

Patient accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Corporation analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Corporation analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary.

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Corporation records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. Recoveries of accounts previously written off are recorded as a reduction to the provision for bad debt expense when received.

Allowance for Uncollectible Accounts

For the year ended December 31, 2017, the allowance for uncollectible accounts was based upon management's assessment of historical and expected net collections, considering business and economic conditions, trends in health care coverage, and other collection indicators. Periodically, management assessed the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category. The results of this review were then used to make any modifications to the provision for bad debts to establish an appropriate allowance for uncollectible accounts. The Corporation's allowance for doubtful accounts was 77% of self-pay accounts receivable and patient liability portion of other accounts at December 31, 2017.

Investments

Investments in other enterprises whereby the Parent does not have control but does exert significant influence are accounted for under the equity method of accounting. The Parent has equity investments in the following enterprises:

- Phoenix Health Care Management Services, Inc.
- Surgery Center of Columbia County, LLC
- Evans Imaging Center
- Orthopedics Associates Surgery Center
- Augusta Back Properties, LLC

Investments in marketable securities are measured at fair market value. The Corporation's investment portfolio is classified as trading. As such, all investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the excess of revenues, other support, and gains over expenses and losses.

Inventories

Inventories (primarily pharmaceuticals and medical supplies) are stated at the lower of cost (first-in, first-out and average cost methods) or net realizable value.

Assets Limited as to Use

Assets limited as to use consist of Foundation investments limited as to use by donors and UHS investments limited as to use by other third parties in accordance with debt agreements (see Note 4) and are measured at fair value.

Property and Equipment

Property and equipment are stated at cost. Major renewals and betterments are charged to the property accounts while maintenance and repairs which do not improve or extend the life of the respective assets are charged to operations. Upon disposal of properties, the related costs and accumulated depreciation are removed from the respective accounts. Any resulting gain or loss is reflected as other operating revenue or expenses.

The Corporation follows the policy of providing for depreciation by charging against operations amounts sufficient to amortize the cost of properties over their estimated useful lives principally using the straight-line method. Principal lives used are: 20 to 50 years for buildings and improvements; 5 to 20 years for fixed equipment; and 3 to 10 years for major moveable equipment. Equipment under capital lease obligations is amortized on the straight-line method over the useful life of the asset or the lease term, whichever is less. Amortization of assets recorded under capital lease obligations is included in depreciation expense.

Vacation and Sick Pay

The Corporation accrues vacation and sick pay as earned by the employees.

Deferred Revenues from Entrance Fees

Deferred revenues from entrance fees relate to amounts paid by residents but not yet earned related to the continuing care retirement community (see Note 5). An advance fee is classified as deferred revenue when a continuing care retirement community has a resident contract that provides for payment of the refundable advance fee upon re-occupancy by a subsequent resident, which is limited to the proceeds of re-occupancy. Refundable advance fees that are contingent upon re-occupancy by a subsequent resident but are not limited to the proceeds of re-occupancy are accounted for and reported as a liability.

UHI's Residency Agreement does not explicitly limit the amount of the refund to the amount of proceeds collected from re-occupancy. As such, the refundable portion of the entrance fees is recorded as a liability.

Asset Retirement Obligation

A conditional asset retirement obligation is an unconditional legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The Corporation recognizes a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. The Corporation has determined that conditional legal obligations exist for its facilities related primarily to asbestos materials. The Corporation has recorded a liability of approximately $3,318,000 and $3,408,000 for the estimated present value for the conditional asset retirement obligation at December 31, 2018 and 2017, respectively. A related amount is recorded in property and equipment of approximately $251,000 and $268,000, representing the remaining un-depreciated cost of the asset retirement obligation at December 31, 2018 and 2017, respectively.

Post-Retirement Health Care Benefits

The Corporation sponsors a post-retirement health care plan. The Corporation recognizes the underfunded status of postretirement plans in its consolidated balance sheets. Changes in the funded status are recorded in the year in which the changes occurred through changes in net assets without restrictions. Benefit obligations are measured as of the date of the fiscal year-end balance sheet.

Adoption of New Accounting Standards Updates

During the year ended December 31, 2018, the Corporation adopted Accounting Standards Update ("ASU") No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity of available resources, and the lack of consistency in the type of information provided about expenses and investment return. The fiscal year 2017 financial statements have been adjusted to reflect retrospective application of the new accounting guidance, except for the disclosures around liquidity and availability of resources and analysis of expenses by functional and natural categories. These disclosures have been presented for 2018 as allowed by ASU No. 2016-14. The retrospective application resulted in temporarily restricted net assets of $22,228,763 and permanently restricted net assets of $21,534,094 being reported as net assets with donor restrictions totaling $43,762,857 and net assets without restrictions of $593,473,095 being reported as net assets without donor restrictions as of December 31, 2017.

During the year ended December 31, 2018, the Corporation adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606) and ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, using the modified retrospective method (ASC 606)*. The information in the prior year comparative period has not been restated and continues to be reported under the accounting standards in effect for that period. The overall impact of adoption was not material to the consolidated financial statements, with the primary changes related to presentation of certain information, as described below, and expanded disclosures in this note related to revenue recognition principles, disaggregation of revenues, and other matters.

As a result of the adoption of ASC 606, estimated uncollectible amounts from patients that was previously presented as the provision for bad debts in the consolidated statement of operations is now considered implicit price concessions (as defined in ASC 606) and therefore included in net patient service revenues in 2018. Such implicit price concessions reflected in net patient service revenue for the year ended December 31, 2018 were $31,492,177. Prior to January 1, 2018, the provision for bad debts has been presented consistent with the previous revenue recognition standards separately as a component of patient service revenue. Upon adoption of ASC 606, the allowance for doubtful accounts of $38,045,319 at January 1, 2018, was reclassified as a direct reduction of accounts receivable. Such implicit price concessions continue to be presented as a direct reduction of the accounts receivable.

Management has determined that the Corporation has an unconditional right to payment only subject to the passage of time for services provided to date based on just the need to either finalize billing for such services (i.e. charge lag) or to discharge the patient and bill for such services for patients who are still receiving inpatient care in our facilities at the balance sheet date. Accordingly, the Corporation accrues revenues and the related accounts receivable for services performed but not yet billed at the balance sheet date for in-house patients. Thus, management has determined that they do not have any amounts that should be reflected separately as contract assets.

As part of the adoption of ASC 606, the Corporation elected certain available practical expedients under the standard. First, the Corporation has elected the practical expedient allowed under FASB ASC 606-10-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Corporation’s expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Corporation does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract. Additionally, the Corporation has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expenses as they are incurred, as the amortization period of the asset that the Corporation otherwise would have recognized is one year or less in duration.

Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurer and government programs) and others. This also includes variable consideration for retroactive revenue adjustments due to settlement of audit, reviews and investigations by third-party payors. Net patient service revenue increased approximately $3,622,000 and $7,429,000 in 2018 and 2017, respectively, due to changes in amounts previously estimated as a result of final settlements, growth of patient revenues due to physician practice acquisitions and changes in estimates. Generally, the Corporation bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Corporation. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected charges. The Corporation believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligations. Generally, performance obligations satisfied over time relate to patients in our hospitals receiving inpatient acute care services. The Corporation measures the performance obligation from admission in to the hospital to the point when it is no longer required to provide services to that patient, which is generally the time of discharge. Revenue for performance obligations satisfied at a point in time generally relate to patients receiving outpatient services or patients and customers in a retail setting (for example, pharmaceuticals and medical equipment) and the Corporation does not believe it is required to provide additional goods or services.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Corporation has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Corporation determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Corporation's policy and implicit price concessions provided to uninsured patients. The Corporation determines its estimates of explicit price concessions for contractual adjustments based on contractual agreements, or discount policies and historical experience. The Corporation determines its estimate of implicit price concessions based on its historical collection experience with this class of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. Management believes that the financial effects of using this practical expedient are not materially different from an individual contract approach.

The Corporation has agreements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. A significant portion of the Corporation's net patient service revenues are derived from the third-party payor programs. Revenues received under third-party arrangements are subject to audit and retroactive adjustment.

The Medicare program pays prospectively determined rates for inpatient and outpatient operating and capital related services. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Revenue for services rendered under Medicare third-party payor programs has been recorded at estimated settlement amounts. Final determination of the settlement amounts is subject to review by appropriate authorities or their agents and to the extent that ultimate settlement amounts differ from amounts previously estimated, related adjustments are reflected in the financial statements in the period of final settlement. Final settlement has been reached through the fiscal year ended December 31, 2009, for Medicare services. Revenues from Medicare were approximately 46% and 45% of total net patient service revenues for the years ended December 31, 2018 and 2017, respectively.

The Medicaid program pays prospectively determined rates for inpatient operations and capital related services. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services are paid on a cost reimbursement basis. Final settlement has been reached through the fiscal year ended December 31, 2015, for Georgia Medicaid services. Revenues from Medicaid were approximately 11% of total net patient service revenues for the years ended December 31, 2018 and 2017.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 created the Recovery Audit Contractors (RAC) program to detect and correct improper payments in the Medicare program. The RAC reviews began in late 2009 and continued in 2018. Although management believes its billing policies do not result in overpayments, the RAC reviews could materially affect the operations of the Corporation.

Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is a reasonable possibility that recorded estimates may change by a material amount in the near term. The Corporation believes that it is in compliance with all applicable laws and regulations. The Corporation is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on the Corporation's consolidated financial statements. Compliance with such laws and regulations can be subject to future government review and interpretation. Non-compliance can result in significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

The Corporation also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Corporation under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates. Revenue is recognized as services are provided for these payors. Revenues from nongovernmental payors were approximately 41% and 42% of total net patient service revenues for the years ended December 31, 2018 and 2017, respectively.

Consistent with the Corporation's mission, care is provided to patients regardless of their ability to pay. Therefore, the Corporation has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Corporation expects to collect based on its collection history with those patients.

The Corporation has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors: payors, geography, service lines, method of reimbursement and timing of when revenue is recognized.

The Corporation's revenues from third-party payors and others (including uninsured patients) for the years ended December 31, 2018 and 2017, and by primary hospitals and all other facilities are summarized in the following tables:

2018 Total

	UHS	UEC	UHM	All Others	Total	Ratio
Medicare	$244,046,804	$ 10,333,618	$ 8,527,245	$ 36,188,924	$299,096,591	46%
Medicaid	46,311,418	19,809,950	2,212,224	2,322,090	70,655,682	11%
Indigent/ Self Pay	5,717,976	3,332,824	1,839,554	1,981,616	12,871,970	2%
Other	223,198,784	1,052,371	8,662,446	34,195,078	267,108,679	41%
Revenues	$519,274,982	$ 34,528,763	$ 21,241,469	$ 74,687,708	$649,732,922	100%

	2017 Total					
	UHS	UEC	UHM	All Others	Total	Ratio
Medicare	$226,663,485	$ 10,841,570	$ 6,968,407	$ 33,643,119	278,116,581	45%
Medicaid	44,373,515	18,770,366	2,000,168	1,815,659	66,959,708	11%
Indigent/ Self Pay	11,757,540	3,464,773	1,545,600	1,727,815	18,495,728	3%
Other	211,803,089	949,770	10,066,223	36,532,937	259,352,019	41%
Revenues	$494,597,629	$ 34,026,479	$20,580,398	$ 73,719,530	$622,924,036	100%

Revenue from patient's deductibles and coinsurance are included in the categories presented above based on the primary payor.

Charity Care

UHS and McDuffie provide care to patients who meet certain criteria under its charity care policy without charge or for payments less than its established rates. Because UHS and McDuffie do not expect collection of amounts determined as charity care, they are not reported as net patient service revenue. Gross charges forgone based on established rates for charity care services rendered were approximately $114,423,000 and $94,384,000 for the years ended December 31, 2018 and 2017, respectively.

The costs to provide charity services were approximately $33,947,000 and $27,911,000 for the years ended December 31, 2018 and 2017, respectively. These costs are estimated based on UHS' cost to charge ratio for each respective fiscal year.

HITECH Incentive Funding for Meaningful Use of Electronic Health Records

The American Recovery and Reinvestment Act of 2009 (ARRA) established incentive payments under the Medicare and Medicaid programs for certain healthcare providers that use certified electronic health records (EHR) technology. The program is commonly referred to as the Health Information Technology for Economic and Clinical Health (HITECH) Act. To qualify for incentives under the HITECH Act, healthcare providers must meet designated EHR meaningful use criteria as defined by the Centers for Medicare and Medicaid Services (CMS). Incentive payments are awarded to healthcare providers who have attested to CMS that applicable meaningful use criteria have been met. Compliance with meaningful use criteria is subject to audit by the federal government or its designee and incentive payments are subject to adjustment in a future period.

The Corporation recognizes revenue for EHR incentive payments in the period in which it has attested that it is in compliance with the applicable EHR meaningful use requirements. Accordingly, the Corporation recognized other operating revenues of approximately $0 and $887,000 in the consolidated statements of operations for the years ended December 31, 2018 and 2017, respectively.

Excess (Deficiency) of Revenues, Other Support, and Gains Over Expenses and Losses

The consolidated statements of operations include excess (deficiency) of revenues, other support, and gains over expenses and losses. Changes in net assets without restrictions which are excluded from excess (deficiency) of revenues, other support, and gains over expenses and losses, consistent with industry practice, include changes in unfunded postretirement liability, permanent transfers of assets for other than goods and 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).

Accounting for Income Taxes

The Parent, UHS, the Foundation, ARCOA, McDuffie, and University Extended Care, Inc. are exempt from federal income tax under Section 501(a) as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. University Health Resources, Inc. is a taxable entity and files a corporate tax return. UHCP is organized under Georgia law and the Internal Revenue Code as a limited liability company (LLC). The members of an LLC report taxable income or loss on their corporate or individual tax returns.

With respect to its for-profit entities, as well as any unrelated business income generated by the tax-exempt entities, the Parent records income taxes using the liability method under which deferred tax assets and liabilities are determined based on the differences between the financial accounting and tax bases of assets and liabilities. Deferred tax assets or liabilities at the end of each period are determined using the currently enacted tax rate expected to apply to taxable income in the period that the deferred tax asset or liability is expected to be realized or settled.

There is presently no taxation imposed by the government of the Cayman Islands on income or premiums of WWI. As a result, no tax liability or expense has been recorded.

The Corporation has evaluated its tax positions and has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2018.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

Fair Value of Financial Instruments

Fair value as defined under GAAP is an exit price, representing 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. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1: Observable inputs such as quoted prices in active markets.
- Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Commitment

On October 1, 2017, the Corporation entered into a five-year agreement with Novant Health, Inc. (Novant Health) for certain contracted services. A base annual fee of $5,265,968 is paid in quarterly installments, increasing on each anniversary of the effective date of the agreement by 1.5%.

Sale of Assets

ARCOA sold its continuing care retirement community, which operated under the name of Brandon Wilde, on August 17, 2018. The gain on the sale of approximately $46,650,000 is reported as nonoperating income on the Consolidated Statements of Operations.

Subsequent Events

The Corporation evaluated the effect subsequent events would have on the consolidated financial statements from January 1, 2019 through April 30, 2019 which is the date the consolidated financial statements were issued.

In February 2016, FASB issued ASU 2016-02 *Leases (Topic 842)*. ASU 2016-02 generally requires all leases to be capitalized and recognized on the consolidated balance sheet. ASU 2016-02 will be effective for fiscal year ending December 31, 2019. Management is currently assessing the effects ASU 2016-02 will have on the consolidated financial statements.

2. Investments

Short-Term Investments

The composition of short-term investments at December 31, 2018 and 2017, is set forth in the following table:

	2018	2017
Cash and cash equivalents	**$ -**	$ 2,787,655

Assets Limited as to Use

The composition of assets limited as to use at December 31, 2018 and 2017, is set forth in the following table:

	2018	2017
Cash and cash equivalents	**$ 4,635,595**	$ 3,360,464
Equities	**21,909,527**	24,748,805
Limited partnerships	**-**	3,128,437
Fixed income securities	**8,400,744**	13,914,883
Alternative investments	**36,576,226**	47,915,412
Other	**2,678,560**	-
	$ 74,200,652	$ 93,068,001

Long-Term Investments

The composition of long-term investments at December 31, 2018 and 2017, is set forth in the following table:

	2018	2017
Cash and cash equivalents	**$ 11,297,151**	$ 7,276,675
Equities	**120,125,705**	112,477,437
Limited partnerships	**-**	14,773,354
Fixed income securities	**56,929,115**	69,459,287
Alternative investments	**239,529,327**	256,597,159
Other	**19,988,581**	3,395,290
	$ 447,869,879	$ 463,979,202

Investment income, gains, and losses for short-term investments, assets limited as to use, long-term investments, and cash and cash equivalents are comprised of the following for the years ended December 31, 2018 and 2017:

	2018	2017
Interest and dividend income	**$ 12,297,364**	$ 8,781,542
Net realized gains on investments	**5,276,128**	8,395,980
Change in net unrealized (losses)/gains on investments, trading securities	**(48,182,249)**	44,139,388
	$ (30,608,757)	$ 61,316,910

3. Property and Equipment

Property and equipment consist of the following:

	2018	2017
Land	**$ 21,961,420**	$ 28,102,777
Land improvements	**5,167,596**	8,626,535
Buildings and improvements	**385,217,210**	428,930,365
Major moveable equipment	**377,457,364**	365,418,486
Fixed equipment	**18,963,448**	19,005,716
	808,767,038	850,083,879
Less accumulated depreciation	**(491,092,769)**	(498,126,041)
	317,674,269	351,957,838
Construction in progress	**11,803,432**	13,945,322
	$ 329,477,701	$ 365,903,160

Equipment under capital lease obligations is included in major movable equipment and accumulated depreciation. The carrying value and related accumulated depreciation at December 31, 2018 are approximately $10,448,000 and $5,818,000, and at December 31, 2017 are approximately $10,298,000 and $4,425,000, respectively.

Estimated cost to complete existing construction in progress under contract, which relates primarily to facility renovation and expansion projects, is approximately $24,120,000 at December 31, 2018.

4. Long-Term Debt

Long-term debt is summarized as follows:

	2018	2017
Revenue Anticipation Certificates, Series 2016	**$ 127,965,000**	$ 130,965,000
Bank Loans (Bank of America, TD Bank and GA Bank and Trust)	**101,767,656**	125,391,522
Total	**229,732,656**	256,356,522
Less current maturities	**(42,569,786)**	(39,864,974)
Plus unamortized bond issue premium	**16,608,283**	17,585,240
Less unamortized bond issuance costs	**(1,580,502)**	(1,683,888)
	$ 202,190,651	$ 232,392,900

On October 1, 2016, the Authority issued $135,745,000 of tax-exempt Series 2016 revenue anticipation certificates (the 2016 Certificates) for the purpose of advance refunding the Series 2009 revenue anticipation certificates, in order to refinance the costs of acquiring, constructing, and equipping of hospital and health care facilities. The 2016 Certificates consist of Serial Certificates payable annually in varying principal amounts ranging from $3,000,000 to $10,465,000 through 2036 and bear interest at fixed rates ranging from 2.00% to 5.00%, payable annually.

The gross revenue and property of the Obligated Group are pledged as security for the 2016 Certificates. The Obligated Group consists of UHS, UHI, and UEC and affiliates of these corporations. The related loan agreements and master trust indenture contain certain covenants on the part of the Obligated Group, including limitations on the incurrence of additional indebtedness, transfers of assets, maintenance of certain amounts of insurance, and certain other financial covenants.

Beginning March 27, 2013, UHS entered into a financing agreement in the amount of approximately $63,266,000 with Banc of America Leasing & Capital, LLC. to retroactively finance the Epic system conversion and other capital equipment. These funds were borrowed over the course of the year and each note schedule consists of a term of seven years with interest rates varying from 2.20% to 2.67%. The Note is secured by equipment purchased with the funds. In 2014, funds of approximately $23,356,000 were borrowed from Banc of America to finance additional capital equipment. In 2015, funds of approximately $20,955,000 were borrowed from Banc of America to finance additional capital equipment. Each note schedule related to 2014 and 2015 borrowings consists of a term of five years with interest rates varying from 2.36% to 2.43%. On February 3, 2017, $16,550,298 was borrowed from Banc of America Leasing & Capital, LLC. to finance additional capital equipment. The additional debt has a term of five years with an interest rate of 2.86%. On May 24, 2017, $10,000,000 was borrowed to finance additional capital equipment with a term of seven years with an interest rate of 3.09%. On June 7, 2018, $14,893,029 was borrowed to finance additional capital equipment with a term of 5 years with an interest rate of 3.7%.

On May 22, 2015, UHS entered into a promissory note in the amount of $36,000,000 with Banc of America Leasing & Capital, LLC (the "Note") related to financing the termination of the pension plan. The Note is payable in sixty consecutive monthly installments of principal and interest at a fixed annual interest rate of 2.26%. The Note is secured by certain financial instruments. Under the terms of the agreement, these certain financial instruments must maintain a minimum market value that is greater than 125% of the then outstanding principal amount under the agreement which are classified as assets limited as to use in the accompanying balance sheets. The Note also has certain financial and other covenants for which UHS must comply.

On July 11, 2017, UHS entered into a promissory note in the amount of $25,000,000 with TD Bank N.A. related to financing the purchase of certain assets of Trinity Hospital. The Note is payable in eighty-four consecutive monthly installments of principal and interest at a fixed annual interest rate of 2.63%. The Note is secured by certain financial instruments. Under the terms of the agreement, these certain financial instruments must maintain a minimum market value that is at least 100% of the then outstanding principal amount under the agreement which are classified as assets limited as to use in the accompanying balance sheets. The Note also has certain financial and other covenants for which UHS must comply.

On July 28, 2017, UHS entered into a promissory note in the amount of $10,000,000 with Banc of America Leasing & Capital, LLC (the “Note”). The Note is payable in eighty-four consecutive monthly installments of principal and interest at a fixed annual interest rate of 2.99%. The Note is secured by certain financial instruments. Under the terms of the agreement, these certain financial instruments must maintain a minimum market value that is greater than 125% of the then outstanding principal amount under the agreement which are classified as assets limited as to use in the accompanying balance sheets. The Note also has certain financial and other covenants for which UHS must comply.

For the year ended December 31, 2018, UHS violated the minimum debt service coverage ratio requirement of 1.2 as required under the Banc of America Leasing & Capital, LLC agreements. The violation constitutes an event of default which gives the lender the ability to accelerate the debt among other remedies. Subsequent to year-end, UHS obtained a waiver from the bank related to its covenant violations at December 31, 2018. Because the bank has waived its right to accelerate the debt related to this covenant violation, the debt is reported as noncurrent liabilities within long-term debt, net of current maturities, in the accompanying consolidated balance sheets. The waiver is limited to the violation of the debt service coverage covenant. Should any other events of default occur, the bank may exercise any and all remedies available to it under the relevant agreements.

Scheduled principal payments on all long-term debt obligations are as follows (excluding premium):

Fiscal Year	Total
2019	$ 42,569,786
2020	29,892,009
2021	16,096,376
2022	15,680,858
2023	14,314,703
Thereafter	111,178,924
Total	$ 229,732,656

5. Entrance Fees

Entrance fees were amounts paid by residents to ARCOA for admission to the continuing care retirement community, for future services to be rendered to the resident, and for use of the facility as specified in the contract. The refundable portion of entrance fees would be refunded to the resident or their estate upon the re-occupancy of the resident unit. These amounts were included in other current liabilities.

Nonrefundable entrance fees were included in other long-term obligations in the consolidated balance sheets as of December 31, 2017. The Continuing Care Retirement Community, DBA Brandon Wilde, was sold on August 17, 2018, as such, there are no refundable entrance fees as of December 31, 2018.

Nonrefundable and refundable entrance fees are summarized as follows:

	2018	2017
Nonrefundable entrance fees	$ -	$ 50,657,588
Less accumulated amortization	-	(22,987,059)
	$ -	$ 27,670,529
Refundable entrance fee liability	$ -	$ 14,455,015

The nonrefundable fees were amortized over the life expectancy of each specific resident based on actuarially determined life expectancies as of the date when the resident takes occupancy.

6. Reserve for Contingent Losses

WWI, a wholly owned subsidiary of UHS, was incorporated as an exempted segregated portfolio company on August 23, 2002, under the laws of the Cayman Islands, B.W.I., to provide professional and general liability coverage for UHS and its sister corporations effective July 1, 2002. WWI provides prior acts professional liability coverage for UHI, UHS, UEC, UHR, UHM and the administratively employed physicians for claims incurred but not reported from January 1, 1992 through July 1, 2002; and for claims incurred and reported from July 1, 2002 to the end of the current policy period, January 1, 2019.

WWI currently insures the Corporation, UHS, UHR and UHM for professional and general liabilities under a $25 million policy on a claims made basis. WWI is directly responsible for up to $5 million per claim with a policy aggregate of $14 million. The $20 million excess coverage is ceded in two tiers of $10 million each to “A” rated outside insurance providers with WWI remaining liable for $150,000 each and every claim, in the excess layer.

WWI currently insures UEC and ARCOA with a separate claims made policy of $2 million per claim with a $4 million annual aggregate, retroactive to January 1, 1992 for professional and general liability claims. In 2016, 100% of the professional exposure for the full time employed physicians was placed with a commercial carrier without any self-insured liability retained by UHS.

In 2012, the captive, under approval of the Cayman Island Monetary Authority, expanded coverage to address the workers compensation claims of University Health Services, Inc. WWI has a SIR of $400,000/claim for workers compensation with excess coverage of $2M provided by a commercial carrier. By 2016, all Georgia based employees were insured under the Walton Way workers compensation policy. All South Carolina based employees remain covered by a commercial policy.

The estimated liability and expenses related to the professional, general liability and workers compensation risks insured by WWI are evaluated annually by an actuarial analysis performed by Willis Towers Watson. The analysis is based on incurred losses, expenses, expected future losses and expenses which include the individual case reserves for identified and reported claims as well as aggregate liability for incurred but not reported losses.

UHI is subject to certain claims and regulatory reviews that arise in the ordinary course of business. Further, like other healthcare providers, UHI’s operations are subject to a variety of federal, state, and local regulatory risks, including without limitation, the federal Anti-Kickback statute. It is also not possible at the present time to estimate the ultimate legal and financial liability, if any, with respect to certain claims or regulatory reviews. In the opinion of management, the eventual outcome of claims and regulatory reviews is not expected to have a material adverse effect on the UHI’s financial position. However, depending on the amounts and timing of such resolution, an unfavorable outcome could materially affect the results of operations or cash flows in a particular period.

7. Concentrations of Credit Risk

UHS grants credit without collateral to its patients, most of who are local residents of Augusta, Georgia, and the surrounding region and are insured under various third-party payor agreements. The mix of receivables from patients and third-party payors at December 31, 2018 and 2017, was as follows:

	2018	2017
Medicare	**38%**	42%
Medicaid	**6%**	6%
Other third-party payor	**39%**	37%
Patients	**17%**	15%
	100%	100%

8. Retirement Benefits

UHS sponsors a defined benefit health care plan that provides postretirement medical benefits to full-time employees hired prior to January 1, 2005, who have worked ten years and attained age 55 while in service with UHS. Effective January 1, 2011, the plan requires the employee to work twenty years and attain the age of 60. Effective January 1, 2010, the plan no longer provides a dental supplement to the participants. The plan is contributory with retiree contributions adjusted annually, and contains other cost-sharing features such as deductibles and coinsurance. The accounting for the plan anticipates future cost-sharing changes to the plan that are consistent with UHS' expressed intent to increase the retiree contribution rate annually for the expected increases in the health trend rates. UHS' policy is to fund benefits as they are actually submitted for payment by plan participants, rather than build a segregated reserve to finance future benefit payments.

Net periodic postretirement benefit cost includes the following components:

	2018	2017
Service cost	**$ 635,458**	$ 578,985
Interest cost	**1,262,256**	1,215,446
Amortization of prior service cost	**(1,010,881)**	(1,010,881)
Amortization of actuarial loss	**1,701,641**	1,300,926
	$ 2,588,474	$ 2,084,476

The components of net periodic postretirement benefit cost other than the service cost component are included in the line item other components of net benefit cost in the accompanying consolidated statements of operations.

The following table presents a reconciliation of the beginning and ending balances of the plan's accumulated postretirement benefit obligation, and the funded status of the plan:

	2018	2017
Change in benefit obligation:		
Accumulated postretirement benefit obligation, beginning of year	**$ 37,053,223**	$ 32,601,129
Service cost	**635,458**	578,985
Interest cost	**1,262,256**	1,215,446
Actuarial loss (gain)	**(5,018,930)**	4,548,088
Net claims paid	**(1,785,608)**	(1,890,425)
Accumulated postretirement benefit obligation, end of year	**$ 32,146,399**	$ 37,053,223
Plan assets, end of year	**$ -**	$ -
Funded status of the plan recognized in the consolidated balance sheets	**$ (32,146,399)**	$ (37,053,223)

Amounts recognized in the consolidated balance sheets at December 31 consist of:

	2018	2017
Current liabilities	**$ (1,747,058)**	$ (1,785,608)
Noncurrent liabilities	**(30,399,341)**	(35,267,615)
Net amount recognized	**$ (32,146,399)**	$ (37,053,223)

Amounts recognized in net assets without donor restrictions at December 31 consist of:

	2018	2017
Net actuarial loss	**$ (12,639,851)**	$ (19,360,422)
Prior service credit	**1,435,453**	2,446,334
	$ (11,204,398)	$ (16,914,088)

The gain (loss) in net assets without donor restrictions during the year is attributable to:

	2018	2017
Amortization of prior service credit	**$ (1,010,881)**	$ (1,010,881)
Amortization of loss	**1,701,641**	1,300,926
Net gain (loss) during the year	**5,018,930**	(4,548,088)
	$ 5,709,690	$ (4,258,043)

The net actuarial loss and prior service credit included in net assets without donor restrictions and expected to be recognized in net periodic postretirement benefit cost during the fiscal year ending December 31, 2019, are $1,073,486 and ($1,010,881), respectively.

The discount rates used to determine net periodic postretirement benefit cost for the plan for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Discount rate	**3.80%**	4.54%

The discount rate used to determine benefit obligations for the plan as of December 31, 2018 and 2017 were as follows:

	2018	2017
Discount rate	**4.47%**	3.80%

The initial and health care trend rates for determining benefit obligations at year-end are shown below. The initial rate decreases gradually to the ultimate trend rate.

	2018	2017
Medical benefits:		
Initial trend rate	**6.20%/6.20%**	6.50%/6.50%
Ultimate trend rate	**4.40%/4.50%**	4.40%/4.50%
Year ultimate rate reached	**2038**	2038

The health care cost trend rate assumption has a significant effect on the amounts reported. For example, increasing the assumed health care cost trend rate by one percentage point in each year would increase the accumulated postretirement benefit obligation as of December 31, 2018 by approximately $5,237,000 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost by approximately $396,000 for 2018. A one percentage point decrease in each year would decrease the accumulated postretirement benefit obligation as of December 31, 2018, by approximately $4,189,000 and the aggregate of the service cost and interest cost components of net periodic postretirement benefit cost by approximately $306,000 for 2018.

Based on current data and assumptions, the following benefit payments are expected to be paid over the next ten years:

Year ending:	
2019	$1,747,058
2020	1,538,143
2021	1,399,650
2022	1,327,980
2023	1,365,084
2024-2028	7,938,823

The measurement dates used are December 31, 2018 and 2017.

UHS has a defined contribution retirement plan for all eligible employees. The plan is a tax-deferred annuity plan which allows employee and employer matching contributions upon employment. Employer contributions are made at fixed rates of participants' compensation and contributions to the plan. UHS incurred $4,830,944 and $4,859,433 of expenses related to the plan during the years ended December 31, 2018 and 2017, respectively.

9. Endowment and Other Donor Restricted Funds

The Corporation has 117 donor restricted endowment funds and 79 other donor restricted funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds, and other donor restricted funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The State Prudent Management of Institutional Funds Act (SPMIFA) requires 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 such, the Corporation classifies donor restricted endowment funds as net assets with restrictions (a) at the original value of gifts donated to the permanent endowment, (b) at the original value of subsequent gifts to the permanent endowment, and (c) through 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.

In accordance with SPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Corporation and the donor restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

The composition of donor restricted endowment funds and other donor restricted funds by type and restriction as of December 31, 2018, is summarized as follows:

Donor restricted endowment funds	$ 31,157,817
Other donor restricted funds	5,945,177
Total donor restricted funds	$ 37,102,994

The composition of donor restricted endowment funds and other donor restricted funds by type and restriction as of December 31, 2017, is summarized as follows:

Donor restricted endowment funds	$ 37,298,900
Other donor restricted funds	6,463,957
Total donor restricted funds	$ 43,762,857

The changes in donor restricted funds for the year ended December 31, 2018 are summarized as follows:

Donor restricted funds, beginning of year	$ 43,762,857
Investment gain:	
Investment income	947,424
Net appreciation (realized and unrealized)	(2,380,921)
Total investment loss	(1,433,497)
New gifts	2,435,768
Appropriation of endowment assets for expenditure	(8,193,369)
Transfers	531,235
Donor restricted funds, end of year	$ 37,102,994

The changes in donor restricted funds for the year ended December 31, 2017 are summarized as follows:

Donor restricted funds, beginning of year	$ 38,869,989
Investment gain:	
Investment income	786,550
Net appreciation (realized and unrealized)	3,917,420
Total investment gain	4,703,970
New gifts	3,205,308
Appropriation of endowment assets for expenditure	(2,361,683)
Transfers	(654,727)
Donor restricted funds, end of year	$ 43,762,857

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Corporation to retain as a fund of perpetual duration. There were no significant deficiencies as of December 31, 2018 and 2017.

Return Objectives and Risk Parameters

The Corporation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). The Corporation expects its endowment funds, over time, to provide an average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Corporation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

During 2009, the Corporation adopted a policy of appropriating for distribution each year 4 percent of its endowment fund's three year moving average as of September 30 preceding the fiscal year in which the distribution is planned. In establishing this policy, the Corporation considered the long-term expected return on its endowment. Accordingly, over the long term, the Corporation expects the current spending policy to allow its endowment to grow at an average of 4 percent annually. This is consistent with the Corporation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

10. Income Taxes

Deferred income taxes, which as of December 31, 2018 and 2017, have no net carrying value, reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for income tax purposes. As of December 31, 2018 and 2017, the Corporation had deferred tax assets of approximately $7,602,000 and $11,608,000, respectively, relating principally to net operating loss carryovers of UHR. GAAP requires a valuation allowance to reduce the deferred tax assets reported if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. After consideration of all the evidence, both positive and negative, management determined that a $7,602,000 and $11,608,000 allowance at December 31, 2018 and 2017, respectively, was necessary to reduce the deferred tax assets to the amount that would more likely than not be realized to zero. At December 31, 2018, the Corporation has available net operating loss carryforwards of approximately $29,534,000, which began expiring during the 2006 tax year.

11. Leases

The Corporation leases office space and equipment from various parties. Future minimum payments, by year and in the aggregate, at December 31, 2018, are as follows:

	Capital Leases	Operating Leases
2019	$ 2,119,466	$ 5,483,144
2020	1,858,178	4,762,776
2021	589,308	4,445,274
2022	238,538	4,303,560
2023	5,649	3,398,190
Thereafter	-	10,922,704
Total minimum lease payments	4,811,139	33,315,648
Less amounts representing interest	183,719	-
Present value of net minimum lease payments (including current portion of $2,091,323)	$ 4,627,420	$ 33,315,648

Rental expense incurred for 2018 and 2017 amounted to approximately $8,585,000 and $7,612,000, respectively.

12. Functional Expenses

The Corporation provides inpatient, outpatient, emergency care services, and long-term care primarily for residents of the Augusta, Georgia area. Expenses related to providing these services for the years ended December 31, 2018 are approximately:

	Healthcare Services	General & Administrative	Total
Salaries and benefits	$ 317,053,785	$ 16,651,914	$ 333,705,699
Other operating expenses	265,738,720	14,168,245	279,906,965
Depreciation	45,667,199	2,398,477	48,065,676
Interest	7,593,145	398,798	7,991,943
Total operating expenses	$ 636,052,849	$ 33,617,434	$ 669,670,283

Expenses related to providing these services for the years ended December 31, 2017 are approximately:

	Healthcare Services	General & Administrative	Total
Salaries and benefits	$ 309,516,936	$ 14,584,568	$ 324,101,504
Other operating expenses	243,621,211	11,479,533	255,100,744
Depreciation	42,192,208	1,988,114	44,180,322
Interest	7,558,848	356,176	7,915,024
Total operating expenses	$ 602,889,203	$ 28,408,391	$ 631,297,594

13. Fair Values of Financial Instruments

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Corporation's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. There were no changes in valuation techniques during the current year.

When quoted prices are available in active markets for identical instruments, investment securities are classified within Level 1 of the fair value hierarchy. Level 1 investments include common stocks and certain equity mutual funds.

Level 2 investment securities include money market funds, corporate bonds, U.S. government backed securities, mortgage-backed securities, certain equity mutual funds, and non-publicly traded common stocks for which quoted prices are not available in active markets for identical instruments. The Corporation utilizes a third party pricing service to determine the fair value of each of these investment securities. Because quoted prices in active markets for identical assets are not available, these prices are determined using observable market information such as quotes from less active markets and/or quoted prices of securities with similar characteristics.

The following table set forth by level within the fair value hierarchy the Corporation's assets accounted for at fair value on a recurring basis at December 31, 2018:

	Level 1	Level 2	Total
Assets limited as to use			
Cash and cash equivalents:			
Money Market Fund	$ -	$ 1,915,405	$ 1,915,405
STIF-type instrument	-	2,720,190	2,720,190
Total cash and cash equivalents	-	4,635,595	4,635,595
Equities:			
Common stocks	1,754,226	-	1,754,226
Mutual Funds:			
Domestic	6,864,826	-	6,864,826
International	12,991,326	-	12,991,326
Commodity	200,547	-	200,547
Preferred stocks	74,820	-	74,820
REIT	23,782	-	23,782
Total equities	21,909,527	-	21,909,527
Fixed Income securities:			
Corporate bonds	-	899,036	899,036
Mutual funds	7,051,767	-	7,051,767
U.S. government backed and other securities	-	449,941	449,941
Total fixed income securities	7,051,767	1,348,977	8,400,744
Total assets limited as to use in the fair value hierarchy	$ 28,961,294	$ 5,984,572	34,945,866
Total assets limited as to use measured at net asset value (a)			36,576,226
Total assets limited as to use, not considered financial instruments			2,678,560
Total assets limited as to use			$ 74,200,652

(a) In accordance with Topic 820, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated balance sheets.

	Level 1	Level 2	Total
Long-term investments			
Cash and cash equivalents:			
Money Market Funds	$ -	$ -	$ -
STIF-type instrument	-	11,297,151	11,297,151
Total cash and cash equivalents	-	11,297,151	11,297,151
Equities:			
Common stocks	26,478	-	26,478
Mutual funds:			
Domestic	40,859,619	-	40,859,619
International	79,239,608	-	79,239,608
Total equities	120,125,705	-	120,125,705
Fixed income securities:			
Corporate bonds	-	3,736,215	3,736,215
Mutual funds	50,409,253	-	50,409,253
U.S. government backed and other securities	-	2,783,647	2,783,647
Total fixed income securities	50,409,253	6,519,862	56,929,115
Total long-term investments	$170,534,958	$ 17,817,013	188,351,971
Total long-term investments measured at net asset value (a)			239,529,327
Total long-term investments, not considered financial instruments			16,448,500
Cost and equity investments, not considered financial instruments			3,540,081
Total long-term investments			$ 447,869,879

(a) In accordance with Topic 820, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated balance sheets.

The following table set forth by level within the fair value hierarchy the Corporation's assets accounted for at fair value on a recurring basis at December 31, 2017:

	Level 1	Level 2	Total
Short-term investments			
Cash and cash equivalents:			
Money market funds	$ -	$ 2,787,655	$ 2,787,655
Assets limited as to use			
Cash and cash equivalents:			
Money Market Fund	$ -	$ 1,346,347	$ 1,346,347
STIF-type instrument	-	2,014,117	2,014,117
Total Cash and cash equivalents	-	3,360,464	3,360,464
Equities:			
Common stocks	5,007,035	-	5,007,035
Mutual Funds:			
Domestic	3,297,200	-	3,297,200
International	13,999,992	1,765,146	15,765,138
Commodity	213,622	-	213,622
Preferred stocks	182,589	-	182,589
REIT	283,221	-	283,221
Total equities	22,983,659	1,765,146	24,748,805
Limited partnerships	3,128,437	-	3,128,437
Fixed Income securities:			
Corporate bonds	-	2,842,739	2,842,739
Mutual funds	10,882,950	-	10,882,950
U.S. government backed and other securities	-	189,194	189,194
Total fixed income securities	10,882,950	3,031,933	13,914,883
Total assets limited as to use in the fair value hierarchy	$ 36,995,046	$ 8,157,543	45,152,589
Total assets limited as to use measured at net asset value (a)			47,915,412
Total assets limited as to use			$ 93,068,001

(a) In accordance with Topic 820, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated balance sheets.

	Level 1	Level 2	Total
Long-term investments			
Cash and cash equivalents:			
Money Market Funds	$ -	$ 2,749,845	$ 2,749,845
STIF-type instrument	-	4,526,830	4,526,830
Total Cash and cash equivalents	-	7,276,675	7,276,675
Equities:			
Common stocks	21,457,233	-	21,457,233
Mutual funds:			
Domestic	10,672,931	-	10,672,931
International	70,034,693	8,998,355	79,033,048
REIT	1,314,225	-	1,314,225
Total equities	103,479,082	8,998,355	112,477,437
Limited partnerships	14,773,354	-	14,773,354
Fixed income securities:			
Corporate bonds	-	13,015,760	13,015,760
Mutual funds	55,479,056	-	55,479,056
U.S. government backed and other securities	-	964,471	964,471
Total fixed income securities	55,479,056	13,980,231	69,459,287
Total long-term investments	$173,731,492	$ 30,255,261	203,986,753
Total long-term investments measured at net asset value (a)			256,597,159
Cost and equity investments, not considered financial instruments			3,395,290
Total long-term investments			$ 463,979,202

(a) In accordance with Topic 820, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated balance sheets.

The carrying values of cash, accounts receivable and accounts payable are reasonable estimates of their fair value due to the short-term nature of these financial instruments. Fair values of UHI's revenue certificates are based on currently traded values. The carrying amounts and fair values of UHI's long-term debt at December 31, are as follows:

	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	**$246,340,940**	**$256,354,558**	$273,941,763	$288,516,977

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, the possibility is reasonable that changes in the values of investment securities will occur in the near term and that these changes could materially affect the amounts reported in the consolidated balance sheets.

UHI invests in alternative investments that are defined as venture capital, international and domestic private equity investments, and absolute return (hedge) funds. Long-term investments are alternative investment funds, primarily comprised of real estate funds that require seven to ten year fund terms before the investments can be liquidated.

The recorded market price for alternative investments is estimated by the individual investment manager taking into account such factors as the financial condition of each investee, economic and market conditions affecting their operations, any changes in management, the length of time since the initial investment, recent transactions involving the securities of the investee, the value of similar securities issued by companies in the same or similar businesses, and limited marketability of the portfolio. Valuations provided by the general partners and investment managers are evaluated by management through accounting and financial reporting processes to review and monitor existence and valuation assertions. Due to the inherent uncertainty of valuation of alternative investments, the fair values estimated by the individual investment manager, in the absence of readily ascertainable market values, may not necessarily represent the amounts that could be realized from sales or other dispositions of investments, and the differences may be material.

UHI's alternative investments are measured at net asset value as a practical expedient for fair value and are accordingly excluded from the fair value hierarchy. The table below sets forth a summary of the alternative investments including a description of the investments and any unfunded commitments or restrictions associated with the investments.

	Fair Value At 12/31/2018	Fair Value at 12/31/2017	Unfunded Commitments	Other Redemption Restrictions	Redemption Notice Period (v)
Included in assets Limited as to use:					
Energy funds (i)	**$ 1,410,923**	$ 1,107,318	$ 932,379	Not permitted	-
Real estate investment funds (ii)	**3,515,783**	4,371,964	521,574	Not permitted	-
Master funds and fund of funds (iii)	**3,274,287**	4,104,591	-	No Restrictions	90 day written notice, monthly
Private funds (iv)	**28,375,233**	38,331,539	1,604,931	Some Not Permitted	0-90 day written notice, monthly
	$ 36,576,226	$ 47,915,412			
Included in long-term investments:					
Energy funds (i)	**$ 8,728,952**	$ 5,644,879	$ 8,810,178	Not Permitted	-
Real estate investment funds (ii)	**21,751,087**	22,287,378	4,928,426	Not Permitted	-
Master funds and fund of funds (iii)	**20,257,022**	20,924,368	-	No Restrictions	90 day written notice, monthly
Private funds (iv)	**188,792,266**	207,740,534	15,165,205	Some not permitted	0-90 day written notice, monthly
	$239,529,327	$256,597,159			

i. The objective of these investments is to capitalize on investment opportunities in the energy industry. These investments include but are not limited to energy-related assets, securities or instruments, including loans, participations in loans, loan assignments and other forms of debt secured by energy-related assets.

ii. The objective of these investments is to achieve long-term growth of capital by investing in a wide range of real estate investments. These investments include portfolio companies, portfolio investments, and real estate assets.

iii. The objective of these investments is to achieve long-term growth of capital by investing in various funds that focus on a wide range of investments. These investments include but are not limited to equity securities.

iv. The objective of these investments is to achieve long-term growth of capital by investing in a wide range of investments. These investments include but are not limited to debt, equities, derivatives, assets that carry exposure to insurance risk, and real estate.

v. If the aggregate amount requested by investors to be redeemed on any redemption date is greater than 25% of the net asset value of the total fund, the Fund Board may reduce the amount of shares to be redeemed pro rata among investors so that the aggregate amount to be withdrawn equals 25% of the net asset value of the fund.

14. Liquidity and Availability of Resources

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the balance sheet date are reflected in the balance sheets as current assets and include the following balances at December 31, 2018:

Cash and cash equivalents	$ 44,016,161
Accounts receivable	98,160,510
Other receivables	13,596,267
Total	$155,772,938

The Corporation funds its operations primarily through services charged to patients.

15. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	2018	2017
Subject to expenditure for specified purpose:		
Hospital operational support	**$ 5,070,710**	$ 5,529,318
Patience assistance	**5,366,096**	6,769,790
Education	**8,337,662**	9,399,428
Employee assistance	**357,872**	530,227
Held in perpetuity:		
Hospital operational support	**3,875,536**	3,835,591
Patient assistance	**5,458,694**	8,052,861
Education	**7,222,708**	8,325,892
Employee assistance	**1,413,716**	1,319,750
Total net assets with donor restrictions	**$ 37,102,994**	$ 43,762,857

Supplementary Information

DIXON HUGHES GOODMAN LLP

Independent Auditors' Report on Supplementary Information

The Board of Trustees
University Health, Inc.

We have audited the consolidated financial statements of University Health, Inc. as of and for the years ended December 31, 2018 and 2017 and have issued our separate report thereon dated April 30, 2019, which contained an unmodified opinion on the consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in the accompanying schedules is presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual affiliates and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits 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, which insofar as it relates to Walton Way Indemnity, SPC (WWI) is based on the report of other auditors, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Dixon Hughes Goodman LLP

Charlotte, North Carolina
April 30, 2019

University Health, Inc.
Consolidating Balance Sheet Information
December 31, 2018

	University Health Services, Inc.	University Extended Care, Inc.	University Health Resources, Inc.	University Health, Inc.	Augusta Resource Center on Aging, Inc.	University Health Care Physicians, Physicians,	University Hospice, Inc.	University McDuffie County Regional Medical Medical Center,	Eliminations	Consolidated
Assets										
Cash and cash equivalents	$ 30,553,528	$ 3,067,691	$ 490,656	$ -	$ 1,976,745	$ 4,457,049	$ -	$ 3,470,492	$ -	$ 44,016,161
Short-term investments	-	-	-	-	-	-	-	-	-	-
Patient accounts receivable	88,028,834	2,174,037	-	-	1,797	3,760,803	-	4,195,039	-	98,160,510
Other receivables	10,774,171	3,436	888,947	-	1,925,629	1,023,399	-	742	(1,020,057)	13,596,267
Inventories	12,267,489	-	-	-	-	-	-	452,578	-	12,720,067
Prepaid expenses	8,938,743	39,357	-	-	-	698,007	-	196,645	-	9,872,752
Total current assets	150,562,765	5,284,521	1,379,603	-	3,904,171	9,939,258	-	8,315,496	(1,020,057)	178,365,757
Property and equipment, net	278,016,527	2,894,892	7,418,211	-	2,709,710	10,747,174	-	27,691,187	-	329,477,701
Other assets:										
Amounts due from affiliates	28,499,882	14,029,279	-	30,439,166	8,661,093	877,640	-	3,694,491	(86,201,551)	-
Assets limited as to use	74,200,652	-	-	-	-	-	-	-	-	74,200,652
Investments	343,878,137	35,255,063	567,925	91,912,017	67,106,877	-	-	-	(90,850,140)	447,869,879
Other	9,292,340	206,944	-	-	-	2,199	-	102,951	-	9,604,434
	$ 884,450,303	$ 57,670,699	$ 9,365,739	$ 122,351,183	$ 82,381,851	$ 21,566,271	$ -	$ 39,804,125	$ (178,071,748)	$ 1,039,518,423

University Health, Inc.
Consolidating Balance Sheet Information (continued)
December 31, 2018

	University Health Services, Inc.	University Extended Care, Inc.	University Health Resources, Inc.	University Health, Inc.	Augusta Resource Center on Aging, Inc.	University Health Care Physicians, LLC.	University Hospice, Inc.	University McDuffie County Regional Medical Inc.	Eliminations	Consolidated
Liabilities and net assets										
Current liabilities:										
Accounts payable and accrued expenses	$ 26,126,745	$ 1,764,098	$ 974	$ -	$ -	$ 858,648	$ -	$ 726,669	$ -	$ 29,477,134
Accrued compensation, benefits,			-							
and withholdings	23,522,692	832,535	-	-	-	7,062,898	-	510,125	-	31,928,250
Other current liabilities	2,642,408	-	-	-	25,977	-	-	412,075	-	3,080,460
Estimated third-party payor settlements	14,422,520	634,392	-	-	-	-	-	1,477,100	-	16,534,012
Current maturities of long-term debt	40,462,584	-	-	2,107,202	-	-	-	1,020,057	(1,020,057)	42,569,786
Current portion of capital lease obligations	2,005,839	-	-	-	-	-	-	85,484	-	2,091,323
Short-term accrued postretirement benefit cost	1,747,058	-	-	-	-	-	-	-	-	1,747,058
Total current liabilities	110,929,846	3,231,025	974	2,107,202	25,977	7,921,546	-	4,231,510	(1,020,057)	127,428,023
Long-term debt, less current maturities	200,019,704	-	-	2,170,947	-	-	-	25,501,438	(25,501,438)	202,190,651
Long-term capital lease obligations,										
less current portion	2,621,579	-	-	-	-	-	-	67,690	-	2,689,269
Other long-term obligations	3,318,414	-	-	-	-	-	-	-	-	3,318,414
Amounts due to affiliates	23,843,660	10,620	27,490,655	1,668,805	4,313,734	2,494,999	-	877,640	(60,700,113)	-
Reserve for contingent losses	17,055,599	-	-	-	-	-	-	-	-	17,055,599
Accrued pension cost	497,042	-	-	-	-	-	-	-	-	497,042
Accrued postretirement benefit cost,										
less short-term obligation	30,399,341	-	-	-	-	-	-	-	-	30,399,341
Total liabilities	388,685,185	3,241,645	27,491,629	5,946,954	4,339,711	10,416,545	-	30,678,278	(87,221,608)	383,578,339
Net assets:										
Without donor restrictions	458,662,124	54,429,054	-	116,404,229	78,042,140	-	-	5,874,396	(94,574,853)	618,837,090
With donor restrictions	37,102,994	-	-	-	-	-	-	-	-	37,102,994
Total net assets	495,765,118	54,429,054	-	116,404,229	78,042,140	-	-	5,874,396	(94,574,853)	655,940,084
Contributed capital	-	-	50,484,022	-	-	202,642,489	2,202,880	3,251,451	(258,580,842)	-
Retained (deficit) earnings	-	-	(68,609,912)	-	-	(191,492,763)	(2,202,880)	-	262,305,555	-
	$ 884,450,303	$ 57,670,699	$ 9,365,739	$ 122,351,183	$ 82,381,851	$ 21,566,271	$ -	$ 39,804,125	$ (178,071,748)	$ 1,039,518,423

University Health, Inc.
Consolidating Statement of Operations Information
Year Ended December 31, 2018

	University Health Services, Inc.	University Extended Care, Inc.	University Health Resources, Inc.	University Health, Inc.	Augusta Resource Center on Aging, Inc.	University Health Care Physicians, Physicians,	University Hospice, Inc.	University McDuffie County Regional Medical Medical Center,	Eliminations	Consolidated
Net patient service revenue	$ 519,274,982	$ 34,528,763	$ -	$ -	$ 8,810,246	$ 65,877,462	$ -	$ 21,241,469	$ -	$ 649,732,922
Other operating revenues	12,452,848	24,154	4,903,327	-	4,030,598	13,823,338	-	612,802	(19,527,667)	16,319,400
Net assets released from restriction	8,193,369	-	-	-	-	-	-	-	-	8,193,369
Total unrestricted revenues and other support	539,921,199	34,552,917	4,903,327	-	12,840,844	79,700,800	-	21,854,271	(19,527,667)	674,245,691
Operating expenses:										
Salaries and benefits	214,249,229	12,924,167	-	-	4,462,297	88,332,114	-	7,024,384	6,713,508	333,705,699
Other operating expenses	253,503,278	15,341,901	3,186,812	28,507	4,185,936	19,492,060	-	9,607,085	(25,438,614)	279,906,965
Depreciation	40,258,922	587,388	1,318,237	-	1,673,364	2,306,769	-	1,920,996	-	48,065,676
Interest	7,826,067	-	-	161,206	154,470	-	-	807,231	(957,031)	7,991,943
Total operating expenses	515,837,496	28,853,456	4,505,049	189,713	10,476,067	110,130,943	-	19,359,696	(19,682,137)	669,670,283
Income (loss) from operations	24,083,703	5,699,461	398,278	(189,713)	2,364,777	(30,430,143)	-	2,494,575	154,470	4,575,408
Nonoperating income (loss):										
Investment income (loss)	(24,233,521)	(1,347,794)	123,287	45,452,541	(3,765,550)	-	-	1,789	(45,406,012)	(29,175,260)
Gain on sale of assets	-	-	-	-	46,652,315	-	-	-	-	46,652,315
Other components of net benefit cost	(1,953,016)	-	-	-	-	-	-	-	-	(1,953,016)
Total nonoperating income (loss)	(26,186,537)	(1,347,794)	123,287	45,452,541	42,886,765	-	-	1,789	(45,406,012)	15,524,039
Excess (deficiency) of revenues, other support, and gains over expenses and losses	(2,102,834)	4,351,667	521,565	45,262,828	45,251,542	(30,430,143)	-	2,496,364	(45,251,542)	20,099,447
Change in pension and postretirement plans funded status	5,709,690	-	-	-	-	-	-	-	-	5,709,690
Other	86,093	-	-	-	-	-	-	-	-	86,093
Transfer (to) from affiliate	(29,993,289)	-	-	-	-	29,993,289	-	-	-	-
Transfer (to) from net assets with donor restrictions	(531,235)	-	-	-	-	-	-	-	-	(531,235)
Increase (decrease) in net assets without donor restrictions	$ (26,831,575)	$ 4,351,667	$ 521,565	$ 45,262,828	$ 45,251,542	$ (436,854)	$ -	$ 2,496,364	$ (45,251,542)	$ 25,363,995

University Health, Inc.
Consolidating Statement of Changes in Net Assets Information
Year Ended December 31, 2018

	University Health Services, Inc.	University Extended Care, Inc.	University Health Resources, Inc.	University Health, Inc.	Augusta Resource Center on Aging, Inc.	University Health Care Physicians, Physicians,	University Hospice, Inc.	University McDuffie County Regional Medical Medical Center,	Eliminations	Consolidated
Net assets without donor restrictions:										
Excess (deficiency) of revenues, other support, and gains over expenses and losses	$ (2,102,834)	$ 4,351,667	$ 521,565	$ 45,262,828	$ (1,400,773)	$ (30,430,143)	$ -	$ 2,496,364	$ (45,251,542)	$ (26,552,868)
Change in pension and postretirement plans funded status	5,709,690	-	-	-	-	-	-	-	-	5,709,690
Other	86,093	-	-	-	46,652,315	-	-	-	-	46,738,408
Transfer (to) from affiliate	(29,993,289)	-	-	-	-	29,993,289	-	-	-	-
Transfer (to) from net assets with donor restrictions	(531,235)	-	-	-	-	-	-	-	-	(531,235)
Increase (decrease) in net assets without donor restrictions	(26,831,575)	4,351,667	521,565	45,262,828	45,251,542	(436,854)	-	2,496,364	(45,251,542)	25,363,995
Net assets with donor restrictions:										
Contributions and other	2,435,768	-	-	-	-	-	-	-	-	2,435,768
Investment income (loss)	(1,433,497)	-	-	-	-	-	-	-	-	(1,433,497)
Net assets released from restriction	(8,193,369)	-	-	-	-	-	-	-	-	(8,193,369)
Transfer to net assets without donor restrictions	531,235	-	-	-	-	-	-	-	-	531,235
Increase in net assets with donor restrictions	(6,659,863)	-	-	-	-	-	-	-	-	(6,659,863)
Increase (decrease) in net assets	(33,491,438)	4,351,667	521,565	45,262,828	45,251,542	(436,854)	-	2,496,364	(45,251,542)	18,704,132
Net assets at beginning of year	529,256,556	50,077,387	(18,647,455)	71,141,401	32,790,598	11,586,580	-	6,629,483	(45,598,598)	637,235,952
Net assets at end of year	$ 495,765,118	$ 54,429,054	$ (18,125,890)	$ 116,404,229	$ 78,042,140	$ 11,149,726	$ -	$ 9,125,847	$ (90,850,140)	$ 655,940,084

University Health, Inc.
Consolidating Balance Sheet Information
December 31, 2017

	University Health Services, Inc.	University Extended Care, Inc.	University Health Resources, Inc.	University Health, Inc.	Augusta Resource Center on Aging, Inc.	University Health Care Physicians, LLC.	University Hospice, Inc.	University McDuffie County Regional Medical Inc.	Eliminations	Consolidated
Assets										
Cash and cash equivalents	$ 12,462,491	$ 4,482,837	$ 1,574,538	$ -	$ 3,962,040	$ 2,700,844	$ -	$ 3,537,644	$ -	$ 28,720,394
Short-term investments	-	-	-	-	2,787,655	-	-	-	-	2,787,655
Patient accounts receivable, net	88,412,394	2,738,332	-	-	1,485,142	3,712,763	-	3,833,537	-	100,182,168
Other receivables	12,249,115	6,273	631,602	-	35,431	332,824	-	21,442	(1,020,057)	12,256,630
Inventories	11,765,652	-	-	-	50,946	-	-	500,313	-	12,316,911
Prepaid expenses	8,355,566	153,189	12,968	-	42,950	573,650	-	241,159	-	9,379,482
Total current assets	133,245,218	7,380,631	2,219,108	-	8,364,164	7,320,081	-	8,134,095	(1,020,057)	165,643,240
Property and equipment, net	267,864,522	3,250,815	8,151,936	-	46,480,490	11,040,608	-	29,114,789	-	365,903,160
Other assets:										
Amounts due from affiliates	31,869,248	5,475,319	-	32,484,352	-	286,837	-	10,505	(70,126,261)	-
Assets limited as to use	93,068,001	-	-	-	-	-	-	-	-	93,068,001
Investments	394,862,273	36,603,144	554,084	46,649,190	30,909,109	-	-	-	(45,598,598)	463,979,202
Other	9,513,406	223,611	-	-	-	522,900	-	62,345	-	10,322,262
	$ 930,422,668	$ 52,933,520	$ 10,925,128	$ 79,133,542	$ 85,753,763	$ 19,170,426	$ -	$ 37,321,734	$ (116,744,916)	$ 1,098,915,865

University Health, Inc.
Consolidating Balance Sheet Information (continued)
December 31, 2017

	University Health Services, Inc.	University Extended Care, Inc.	University Health Resources, Inc.	University Health, Inc.	Augusta Resource Center on Aging, Inc.	University Health Care Physicians, LLC.	University Hospice, Inc.	University McDuffie County Regional Medical Inc.	Eliminations	Consolidated
Liabilities and net assets										
Current liabilities:										
Accounts payable and accrued expenses	$ 29,531,985	$ 1,771,330	$ 969	$ -	$ 130,617	$ 1,217,573	$ -	$ 583,260	$ -	$ 33,235,734
Accrued compensation, benefits,			-							
and withholdings	24,173,481	711,326	-	-	318,580	6,366,273	-	419,327	-	31,988,987
Other current liabilities	2,640,492	-	-	-	18,328,045	-	-	186,426	-	21,154,963
Estimated third-party payor settlements	11,907,761	360,365	-	-	-	-	-	1,352,976	-	13,621,102
Current maturities of long-term debt	37,819,788	-	-	2,045,186	-	-	-	1,020,057	(1,020,057)	39,864,974
Current portion of capital lease obligations	1,927,812	-	-	-	-	-	-	94,874	-	2,022,686
Short-term accrued postretirement benefit cost	1,785,608	-	-	-	-	-	-	-	-	1,785,608
Total current liabilities	109,786,927	2,843,021	969	2,045,186	18,777,242	7,583,846	-	3,656,920	(1,020,057)	143,674,054
Long-term debt, less current maturities	228,114,750	-	-	4,278,150	-	-	-	26,521,495	(26,521,495)	232,392,900
Long-term capital lease obligations,										
less current portion	3,842,911	-	-	-	-	-	-	153,174	-	3,996,085
Other long-term obligations	3,407,914	-	-	-	27,670,529	-	-	-	-	31,078,443
Amounts due to affiliates	5,475,179	13,112	29,571,614	1,668,805	6,515,394	-	-	360,662	(43,604,766)	-
Reserve for contingent losses	15,270,816	-	-	-	-	-	-	-	-	15,270,816
Accrued pension cost	-	-	-	-	-	-	-	-	-	-
Accrued postretirement benefit cost,										
less short-term obligation	35,267,615	-	-	-	-	-	-	-	-	35,267,615
Total liabilities	401,166,112	2,856,133	29,572,583	7,992,141	52,963,165	7,583,846	-	30,692,251	(71,146,318)	461,679,913
Net assets:										
Without donor restrictions	485,493,699	50,077,387	-	71,141,401	32,790,598	-	-	3,378,032	(49,408,022)	593,473,095
With donor restrictions	43,762,857	-	-	-	-	-	-	-	-	43,762,857
Total net assets	529,256,556	50,077,387	-	71,141,401	32,790,598	-	-	3,378,032	(49,408,022)	637,235,952
Contributed capital	-	-	50,484,022	-	-	172,649,200	2,202,880	3,251,451	(228,587,553)	-
Retained (deficit) earnings	-	-	(69,131,477)	-	-	(161,062,620)	(2,202,880)	-	232,396,977	-
	$ 930,422,668	$ 52,933,520	$ 10,925,128	$ 79,133,542	$ 85,753,763	$ 19,170,426	$ -	$ 37,321,734	$ (116,744,916)	$ 1,098,915,865

University Health, Inc.
Consolidating Statement of Operations Information
Year Ended December 31, 2017

	University Health Services, Inc.	University Extended Care, Inc.	University Health Resources, Inc.	University Health, Inc.	Augusta Resource Center on Aging, Inc.	University Health Care Physicians, Physicians,	University Hospice, Inc.	University McDuffie County Regional Medical Medical Center,	Eliminations	Consolidated
Unrestricted revenues and other support:										
Patient service revenue (net of contractual allowances and discounts)	$ 527,331,594	$ 35,076,130	$ -	$ -	$ 13,707,366	$ 60,012,164	$ -	$ 24,842,101	$ -	$ 660,969,355
Provision for bad debts	(32,733,965)	(1,049,651)	-	-	-	-	-	(4,261,703)	-	(38,045,319)
Net patient service revenue	494,597,629	34,026,479	-	-	13,707,366	60,012,164	-	20,580,398	-	622,924,036
Other operating revenues	15,737,573	22,576	4,751,133	94,532	5,640,964	12,749,204	-	19,282	(19,279,706)	19,735,558
Net assets released from restriction	2,361,683	-	-	-	-	-	-	-	-	2,361,683
Total unrestricted revenues and other support	512,696,885	34,049,055	4,751,133	94,532	19,348,330	72,761,368	-	20,599,680	(19,279,706)	645,021,277
Operating expenses:										
Salaries and benefits	209,128,640	13,239,423	-	-	6,702,362	81,535,659	-	7,341,300	6,154,120	324,101,504
Other operating expenses	228,668,428	15,332,521	3,515,695	27,101	6,394,060	16,814,621	-	8,949,859	(24,601,541)	255,100,744
Depreciation	35,350,220	557,767	1,412,138	-	2,569,660	2,295,674	-	1,994,863	-	44,180,322
Interest	7,686,806	-	-	221,397	219,283	-	-	839,106	(1,051,568)	7,915,024
Total operating expenses	480,834,094	29,129,711	4,927,833	248,498	15,885,365	100,645,954	-	19,125,128	(19,498,989)	631,297,594
Income (loss) from operations	31,862,791	4,919,344	(176,700)	(153,966)	3,462,965	(27,884,586)	-	1,474,552	219,283	13,723,683
Nonoperating income (loss):										
Investment income (loss)	48,971,031	4,103,849	25,551	7,188,358	3,489,588	-	-	6,399	(7,171,836)	56,612,940
Loss on early extinguishment of debt	-	-	-	-	-	-	-	-	-	-
Other components of net benefit cost	(1,505,491)	-	-	-	-	-	-	-	-	(1,505,491)
Total nonoperating income (loss)	47,465,540	4,103,849	25,551	7,188,358	3,489,588	-	-	6,399	(7,171,836)	55,107,449
Excess (deficiency) of revenues, other support, and gains over expenses and losses	79,328,331	9,023,193	(151,149)	7,034,392	6,952,553	(27,884,586)	-	1,480,951	(6,952,553)	68,831,132
Change in pension and postretirement plans funded status	(4,258,043)	-	-	-	-	-	-	-	-	(4,258,043)
Other	(27,176)	-	-	-	-	-	-	-	-	(27,176)
Transfer (to) from affiliate	(25,874,625)	-	-	-	-	25,874,625	-	-	-	-
Transfer (to) from net assets with donor restrictions	654,727	-	-	-	-	-	-	-	-	654,727
Increase (decrease) in net assets without donor restrictions	$ 49,823,214	$ 9,023,193	$ (151,149)	$ 7,034,392	$ 6,952,553	$ (2,009,961)	$ -	$ 1,480,951	$ (6,952,553)	$ 65,200,640

University Health, Inc.
Consolidating Statement of Changes in Net Assets Information
Year Ended December 31, 2017

	University Health Services, Inc.	University Extended Care, Inc.	University Health Resources, Inc.	University Health, Inc.	Augusta Resource Center on Aging, Inc.	University Health Care Physicians, Physicians,	University Hospice, Inc.	University McDuffie County Regional Medical Medical Center,	Eliminations	Consolidated
Net assets without donor restrictions:										
Excess (deficiency) of revenues, other support, and gains over expenses and losses	$ 79,328,331	$ 9,023,193	$ (151,149)	$ 7,034,392	$ 6,952,553	$ (27,884,586)	$ -	$ 1,480,951	$ (6,952,553)	$ 68,831,132
Change in pension and postretirement plans funded status	(4,258,043)	-	-	-	-	-	-	-	-	(4,258,043)
Other	(27,176)	-	-	-	-	-	-	-	-	(27,176)
Transfer (to) from affiliate	(25,874,625)	-	-	-	-	25,874,625	-	-	-	-
Transfer (to) from net assets with donor restrictions	654,727	-	-	-	-	-	-	-	-	654,727
Increase (decrease) in net assets without donor restrictions	49,823,214	9,023,193	(151,149)	7,034,392	6,952,553	(2,009,961)	-	1,480,951	(6,952,553)	65,200,640
Net assets with donor restrictions:										
Contributions and other	3,205,308	-	-	-	-	-	-	-	-	3,205,308
Investment income (loss)	4,703,970	-	-	-	-	-	-	-	-	4,703,970
Net assets released from restriction	(2,361,683)	-	-	-	-	-	-	-	-	(2,361,683)
Transfer to net assets without donor restrictions	(654,727)	-	-	-	-	-	-	-	-	(654,727)
Increase in net assets with donor restrictions	4,892,868	-	-	-	-	-	-	-	-	4,892,868
Increase (decrease) in net assets	54,716,082	9,023,193	(151,149)	7,034,392	6,952,553	(2,009,961)	-	1,480,951	(6,952,553)	70,093,508
Net assets at beginning of year	474,540,474	41,054,194	(18,496,306)	64,107,009	25,838,045	13,596,541	-	5,148,532	(38,646,045)	567,142,444
Net assets at end of year	$ 529,256,556	$ 50,077,387	$ (18,647,455)	$ 71,141,401	$ 32,790,598	$ 11,586,580	$ -	$ 6,629,483	$ (45,598,598)	$ 637,235,952