



University Health, Inc.

Consolidated Financial Statements and Other Financial Information

Years Ended December 31, 2020 and 2019



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Independent Auditors' Report

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, 2020 and 2019, 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 \$26,625,000 and \$26,040,000 of consolidated total assets as of December 31, 2020 and 2019, 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.



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, 2020 and 2019, 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, NC
April 28, 2021

University Health, Inc.
Consolidated Balance Sheets
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 65,928,414	\$ 23,941,321
Patient accounts receivable	105,745,246	112,666,693
Other receivables	8,568,015	16,987,317
Inventories	13,415,569	12,970,297
Prepaid expenses	11,104,590	10,474,786
Total current assets	<u>204,761,834</u>	<u>177,040,414</u>
Property and equipment, net	323,236,659	330,155,999
Right of use assets finance leases, net	5,146,867	3,055,016
Right of use assets operating leases, net	21,825,735	24,533,409
Other assets:		
Investments and assets limited as to use	590,571,430	554,917,307
Other	11,860,245	11,040,498
Total assets	<u>\$ 1,157,402,770</u>	<u>\$ 1,100,742,643</u>

University Health, Inc.
Consolidated Balance Sheets, continued
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 27,766,445	\$ 26,722,726
Accrued compensation, benefits, and withholdings	23,193,509	33,166,660
Other current liabilities	6,350,584	2,488,254
Medicare advance payment liability	73,229,180	-
Estimated third-party payor settlements	20,751,047	9,578,016
Current maturities of long-term debt	15,430,621	29,892,008
Current portion of finance lease obligations	1,206,537	2,027,983
Current portion of operating lease obligations	4,291,496	4,056,589
Short-term accrued postretirement benefit cost	1,321,240	1,713,426
Total current liabilities	<u>173,540,659</u>	<u>109,645,662</u>
Long-term debt, less current maturities	192,350,991	171,425,069
Long-term finance lease obligations, less current portion	3,987,866	1,148,836
Long-term operating lease obligations, less current portion	17,909,035	20,476,820
Other long-term obligations	4,736,907	4,774,690
Reserve for contingent losses	17,889,390	16,976,166
Accrued postretirement benefit cost, less short-term obligation	36,658,779	33,856,390
Total liabilities	<u>447,073,627</u>	<u>358,303,633</u>
Net assets:		
Without donor restrictions	672,479,156	700,907,248
With donor restrictions	37,849,987	41,531,762
Total net assets	<u>710,329,143</u>	<u>742,439,010</u>
Total liabilities and net assets	<u>\$ 1,157,402,770</u>	<u>\$ 1,100,742,643</u>

See accompanying notes.

University Health, Inc.
Consolidated Statements of Operations
Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Unrestricted revenues and other support:		
Net patient service revenue	\$ 593,680,504	\$ 655,913,934
Other operating revenues	61,162,302	14,178,462
Net assets released from restriction	<u>2,775,695</u>	<u>3,136,544</u>
Total unrestricted revenues and other support	657,618,501	673,228,940
Operating expenses:		
Salaries and benefits	348,048,517	339,675,909
Other operating expenses	260,755,291	273,575,913
Depreciation	44,561,071	47,327,982
Interest	<u>6,360,615</u>	<u>7,001,525</u>
Total operating expenses	<u>659,725,494</u>	<u>667,581,329</u>
(Loss) income from operations	(2,106,993)	5,647,611
Nonoperating (loss) income:		
Investment (loss) income	(30,794,421)	82,915,708
Gain on sale of assets	7,682,750	-
Other components of net benefit cost	<u>(1,926,166)</u>	<u>(2,997,908)</u>
Total nonoperating (loss) income	(25,037,837)	79,917,800
(Deficiency) excess of revenues, and other support over expenses and losses	(27,144,830)	85,565,411
Change in postretirement plan funded status	(1,622,646)	(3,263,675)
Other	(128,611)	(1,068,702)
Transfer from net assets with donor restrictions	<u>467,995</u>	<u>837,124</u>
(Decrease) increase in net assets without donor restrictions	<u>\$ (28,428,092)</u>	<u>\$ 82,070,158</u>

See accompanying notes.

University Health, Inc.
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Net assets without donor restrictions:		
(Deficiency) excess of revenues, and other support over expenses and losses	\$ (27,144,830)	\$ 85,565,411
Change in postretirement plan funded status	(1,622,646)	(3,263,675)
Other	(128,611)	(1,068,702)
Transfer from net assets with donor restrictions	<u>467,995</u>	<u>837,124</u>
(Decrease) increase in net assets without donor restrictions	(28,428,092)	82,070,158
Net assets with donor restrictions		
Contributions and other	1,930,739	3,057,708
Investment (loss) income	(2,368,824)	5,344,728
Net assets released from restriction	(2,775,695)	(3,136,544)
Transfer to assets without donor restrictions	<u>(467,995)</u>	<u>(837,124)</u>
(Decrease) increase in net assets with donor restrictions	(3,681,775)	4,428,768
(Decrease) increase in net assets	(32,109,867)	86,498,926
Net assets at beginning of year	<u>742,439,010</u>	<u>655,940,084</u>
Net assets at end of year	<u>\$ 710,329,143</u>	<u>\$ 742,439,010</u>

University Health, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating activities:		
(Decrease) increase in net assets	\$ (32,109,867)	\$ 86,498,926
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Change in postretirement plans funded status	1,622,646	3,263,675
Depreciation	44,561,071	47,327,982
Gain on sale of assets	(7,682,750)	-
Other	(744,962)	195,129
Changes in operating assets and liabilities:		
Patient accounts receivable	6,921,447	(14,506,183)
Other receivables	8,419,302	(3,391,050)
Inventories	(445,272)	(250,230)
Prepaid expenses	(629,804)	(602,034)
Investments and assets limited as to use	(4,278,814)	(29,776,776)
Other assets	(819,747)	(1,436,064)
Accounts payable and accrued expenses	1,043,719	(2,754,408)
Accrued compensation, benefits, and withholdings	(9,973,151)	1,238,410
Other current liabilities	3,862,330	(592,206)
Medicare advance payments received	73,229,180	-
Operating leases	374,796	-
Other long-term obligations	(166,394)	(109,468)
Estimated third-party payor settlements	11,173,031	(6,955,996)
Reserve for contingent losses	913,224	(79,433)
Accrued pension and postretirement benefit cost	787,557	159,742
Net cash provided by operating activities	<u>96,057,542</u>	78,230,016
Investing activities:		
Proceeds from of sale of assets	3,165,020	-
Purchases of property and equipment, net	<u>(35,668,837)</u>	<u>(50,476,833)</u>
Net cash used in investing activities	<u>(32,503,817)</u>	(50,476,833)
Financing activities:		
Proceeds from bank term loans	50,400,000	-
Scheduled principal payments on long-term debt	(43,061,892)	(42,569,787)
Principal payments on finance lease obligations	<u>(2,047,161)</u>	<u>(2,188,236)</u>
Net cash provided by (used in) financing activities	<u>5,290,947</u>	<u>(44,758,023)</u>
Net increase (decrease) in cash and cash equivalents	68,844,672	(17,004,840)
Cash and cash equivalents at beginning of year	<u>27,011,321</u>	<u>44,016,161</u>
Cash and cash equivalents at end of year	<u><u>95,855,993</u></u>	<u><u>27,011,321</u></u>
Supplemental schedule of cash flow information:		
Cash paid for interest	<u>\$ 7,298,374</u>	<u>\$ 10,685,028</u>
Noncash investing and financing activities:		
Property leased under finance lease obligations	<u>\$ 4,064,745</u>	<u>\$ 584,463</u>

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 Health Care Physicians, LLC (UHCP), University McDuffie County Regional Medical Center, Inc. (McDuffie), and Augusta Resource Center on Aging, Inc. (ARCOA). 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 an original maturity of three months or less when purchased to be cash equivalents. Cash and equivalents are recorded at fair value in the consolidated balance sheets and exclude amounts held for long-term investment purposes and amounts included in long-term investment portfolios as those amounts are commingled with long-term investments. Deposits with banks are generally federally insured in limited amounts.

University Health, Inc.
Notes to Consolidated Financial Statements

Following is a reconciliation of cash, cash equivalents and restricted cash as presented in the statement of cash flows as of December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 65,928,414	\$ 23,941,321
Restricted cash and cash equivalents, included in assets whose use is limited	<u>29,927,579</u>	<u>3,070,000</u>
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	<u>\$ 95,855,993</u>	<u>\$ 27,011,321</u>

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.
- Evans Imaging, LLC
- Orthopaedic Associates Surgery Center, LLC
- Augusta Back Properties, LLC
- PresGar Imaging of Augusta LLC
- East Georgia Partnership, 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.

Vacation and Sick Pay

The Corporation accrues paid time off for vacation and sick pay as earned by the employees.

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 \$4,732,000 and \$4,770,000 for the estimated present value for the conditional asset retirement obligation at December 31, 2020 and 2019, respectively. A related amount is recorded in property and equipment of approximately \$467,000 and \$634,000, representing the remaining un-depreciated cost of the asset retirement obligation at December 31, 2020 and 2019, 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.

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 \$2,519,000 and \$8,409,000 in 2020 and 2019, 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 into 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.

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.

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, 2015, for Medicare services. Revenues from Medicare were approximately 47% and 48% of total net patient service revenues for the years ended December 31, 2020 and 2019, 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, 2016 for Georgia Medicaid services. Revenues from Medicaid were approximately 10% of total net patient service revenues for the years ended December 31, 2020 and 2019, respectively.

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 2019, but were suspended in 2020 due to COVID-19. The RAC reviews were resumed in 2021 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.

University Health, Inc.
Notes to Consolidated Financial Statements

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 40% of total net patient service revenues for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, and by primary hospitals and all other facilities are summarized in the following tables:

	<u>2020 Total</u>				<u>Total</u>	<u>Ratio</u>
	<u>UHS</u>	<u>UEC</u>	<u>UHM</u>	<u>All Others</u>		
Medicare	\$ 226,474,875	\$ 10,439,511	\$ 7,386,002	\$ 37,553,249	\$ 281,853,637	47%
Medicaid	32,678,578	20,869,168	2,053,095	2,668,950	58,269,791	10%
Self-Pay	3,425,106	2,399,968	996,838	2,082,672	8,904,584	2%
Other	<u>204,613,225</u>	<u>1,294,349</u>	<u>10,026,194</u>	<u>28,718,724</u>	<u>244,652,492</u>	<u>41%</u>
Revenues	<u>\$ 467,191,784</u>	<u>\$ 35,002,996</u>	<u>\$ 20,462,129</u>	<u>\$ 71,023,595</u>	<u>\$ 593,680,504</u>	<u>100%</u>

	<u>2019 Total</u>				<u>Total</u>	<u>Ratio</u>
	<u>UHS</u>	<u>UEC</u>	<u>UHM</u>	<u>All Others</u>		
Medicare	\$256,779,986	\$ 10,812,926	\$ 8,372,609	\$ 38,340,615	\$314,306,136	48%
Medicaid	38,518,796	20,883,676	2,452,820	2,579,036	64,434,328	10%
Self-Pay	4,533,743	3,162,908	688,900	2,432,852	10,818,403	2%
Other	<u>225,941,630</u>	<u>1,590,151</u>	<u>10,296,929</u>	<u>28,526,357</u>	<u>266,355,067</u>	<u>40%</u>
Revenues	<u>\$525,774,155</u>	<u>\$ 36,449,661</u>	<u>\$ 21,811,258</u>	<u>\$ 71,878,860</u>	<u>\$655,913,934</u>	<u>100%</u>

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 \$86,029,090 and \$126,006,073 for the years ended December 31, 2020 and 2019, respectively.

The costs to provide charity services were approximately \$27,096,000 and \$38,440,000 for the years ended December 31, 2020 and 2019, respectively. These costs are estimated based on UHS' cost to charge ratio for each respective fiscal year.

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, 2020.

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.

Leases

At lease inception, the Corporation determines whether an arrangement is or contains a lease. Operating leases are included in operating lease right-of-use ("ROU") assets, current operating lease liabilities, and noncurrent lease liabilities in the accompanying consolidated financial statements. Finance leases are included in property and equipment, current finance lease liabilities, and noncurrent finance lease liabilities in the accompanying consolidated financial statements. ROU assets represent the Corporation's right to use leased assets over the term of the lease. Lease liabilities represent the Corporation's contractual obligation to make lease payments over the lease term.

For operating leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured as the present value of the lease payments over the lease term. The Corporation uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Corporation uses its incremental borrowing rate at the commencement date of the lease to determine the present value of the lease payments. Operating ROU assets are calculated as the present value of the lease payments plus initial direct costs, and any prepayments less any lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates, and the presence of factors that would cause a significant economic penalty to the Corporation if the option were not exercised. Lease expense is recognized on a straight-line basis over the lease term. The Corporation has elected not to recognize a ROU asset and obligation for leases with an initial term of twelve months or less. The expense associated with short-term leases is included in lease expense in the accompanying consolidated statements of operations.

For finance leases, after lease commencement the lease liability is measured on an amortized cost basis and increased to reflect interest on the liability and decreased to reflect the lease payment made during the period. Interest on the lease liability is determined each period during the lease term as the amount that results in a constant period discount rate on the remaining balance of the liability. The finance lease asset is subsequently measured at cost, less any accumulated amortization and any accumulated impairment losses. Amortization on the finance lease asset is recognized over the period from the commencement date to the earlier of (1) the end of the useful life of the finance lease asset, or (2) the end of the lease term. The discount rate used by the Corporation for finance leases is generally the incremental borrowing rate, as most such leases do not provide a readily determinable implicit interest rate. To the extent a lease arrangement includes both lease and non-lease components, the components are not accounted for separately.

CARES Act Provider Relief Funding

The Corporation has received provider relief funding under the federal Coronavirus Aid, Relief and Economic Security (CARES) Act. These relief funds are considered non-exchange transactions subject to terms and conditions specified by the resource provider distributed by the Health Resources Service Administration (HRSA) section of the U.S. Department of Health and Human Services (HHS). These conditions create a restriction that such funds must be used to prevent, prepare or respond to the coronavirus (COVID 19), creating purpose restrictions in addition to conditions. This conditional grant revenue is recognized as other operating revenue to the extent conditions/restrictions for entitlement are met for coronavirus related expenses or lost revenues. The Corporation reports conditional contributions for which the conditions and related restrictions are met in the same reporting period as net assets without donor restrictions. Such funds are subject to recoupment to the extent the conditions for entitlement are not met.

Subsequent Events

The Corporation evaluated the effect subsequent events would have on the consolidated financial statements from through April 28, 2021 which is the date the consolidated financial statements were issued.

2. Investments and Assets Limited as to Use

Investments

The composition of investments at December 31, 2020 and 2019, is set forth in the following table:

	<u>2020</u>	<u>2019</u>
Cash and short-term investments	\$ 3,927,623	\$ 28,601,474
Fixed-income securities	19,300,118	260,692
Corporate Stocks	41,890	36,153
Mutual & Exchange Traded Funds	393,845,220	175,150,947
Alternative Investments	98,995,561	257,948,872
Other	<u>7,897,758</u>	<u>3,930,162</u>
	<u>\$ 524,008,170</u>	<u>\$ 465,928,300</u>

Assets Limited as to Use

The composition of assets limited as to use at December 31, 2020 and 2019, is set forth in the following table:

	<u>2020</u>	<u>2019</u>
Cash and short-term investments	\$ 31,338,932	\$ 7,003,631
Fixed-income securities	295,592	3,565,706
Corporate Stocks	2,659,280	2,491,275
Mutual & Exchange Traded Funds	32,269,456	31,383,620
Alternative investments	-	44,544,775
	<u>\$ 66,563,260</u>	<u>\$ 88,989,007</u>
Total Investments and Assets Limited as to Use	<u>\$ 590,571,430</u>	<u>\$ 554,917,307</u>

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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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 9,703,119	\$ 9,679,501
Net realized (loss) gains on investments	31,167,731	1,592,507
Change in net unrealized (losses)/gains on investments, trading securities	<u>(74,034,095)</u>	<u>76,988,428</u>
	<u>\$ (33,163,245)</u>	<u>\$ 88,260,436</u>

Due to the volatility in the financial markets caused by COVID-19, two of the Corporation's investment holdings suffered substantial losses. On March 24, 2020, the AllianzGI structured Alpha 1000, LLC fund entered a plan of liquidation. The Corporation received approximately \$778,000 in connection with the liquidation of the fund. On May 1, 2020, the Corporation received approximately \$21,334,000 in connection with the redemption of the investment in the AllianzGI structured Alpha U.S. Equity 500, LLC fund. These liquidation events resulted in \$36,765,000 in realized losses in 2020.

3. Property and Equipment

Property and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 22,333,942	\$ 22,246,698
Land improvements	5,882,220	5,775,818
Buildings and improvements	419,823,954	405,205,507
Major moveable equipment	405,800,201	389,688,943
Fixed equipment	<u>18,832,678</u>	<u>18,939,136</u>
Less accumulated depreciation	<u>(556,758,769)</u>	<u>(525,678,876)</u>
	315,914,226	316,177,226
Construction in progress	<u>7,322,433</u>	<u>13,978,773</u>
	<u>\$ 323,236,659</u>	<u>\$ 330,155,999</u>

Estimated cost to complete existing construction in progress under contract, which relates primarily to facility renovation and expansion projects, is approximately \$7,433,000 at December 31, 2020.

4. Long-Term Debt

Long-term debt is summarized as follows:

	<u>2020</u>	<u>2019</u>
Revenue Anticipation Certificates, Series 2016	\$ 121,815,000	\$ 124,885,000
Bank Loans (Bank of America, TD Bank and GA Bank and Trust)	<u>72,685,976</u>	<u>62,277,869</u>
Total	194,500,976	187,162,869
Less: current maturities	(15,430,621)	(29,892,008)
Plus: unamortized bond issue premium	14,654,367	15,631,325
Less: unamortized bond issuance costs	<u>(1,373,731)</u>	<u>(1,477,117)</u>
	<u>\$ 192,350,991</u>	<u>\$ 171,425,069</u>

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 Leasing and Capital, LLC to finance additional capital equipment. In 2015, funds of approximately \$20,955,000 were borrowed from Banc of America Leasing and Capital, LLC 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 March 19, 2020, \$20,000,000 was borrowed to finance additional capital equipment with a term of 10 years with an interest rate of 1.68%. On March 31, 2020, \$30,400,000 was borrowed to finance additional capital equipment and \$400,000 to pay off other obligations with a term of 10 years with an interest rate of 2.45%. On March, 30, 2020 UHS paid off remaining balance on the June 7, 2018 promissory note for a total of \$9,990,303 in principal and \$23,615 in interest, total early pay off was \$10,013,918.

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

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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 March, 30, 2020 UHS paid off remaining balance on the May 22, 2015 promissory note for a total of \$1,266,626 in principal and \$636 in interest, total early pay off was \$1,267,262.

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 200% 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. During its review of compliance with financial and other covenants as of March 31, 2020, the Corporation determined that it had violated its minimum pledged asset requirement included in the TD Bank N.A. promissory note. The Corporation remediated the violation and TD Bank N.A. granted a waiver.

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. On March, 30, 2020 UHS paid off remaining balance on the July 28, 2017 promissory note for a total of \$6,434,709 in principal and \$1,069 in interest, total early pay off was \$6,435,778.

For the year ended December 31, 2020, the Corporation is in compliance with all financial and other covenants for which it must comply.

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

<u>Fiscal Year</u>	<u>Total</u>
2021	\$ 15,430,621
2022	16,296,199
2023	16,494,276
2024	14,477,057
2025	12,001,343
Thereafter	<u>119,801,480</u>
Total	<u>\$ 194,500,976</u>

5. 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, 2021.

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 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 \$500,000/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.

6. 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, 2020 and 2019, was as follows:

	<u>2020</u>	<u>2019</u>
Medicare	41%	40%
Medicaid	7%	8%
Other third-party payor	38%	39%
Patients	<u>14%</u>	<u>13%</u>
	<u>100%</u>	<u>100%</u>

7. 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.

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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:

	<u>2020</u>	<u>2019</u>
Service cost	\$ 519,392	\$ 536,534
Interest cost	1,088,063	1,307,661
Amortization of prior service cost	(424,572)	(1,010,881)
Amortization of actuarial loss	<u>1,318,100</u>	<u>1,073,486</u>
	<u>\$ 2,500,983</u>	<u>\$ 1,906,800</u>

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:

	<u>2020</u>	<u>2019</u>
Change in benefit obligation:		
Accumulated postretirement benefit obligation, beginning of year	\$ 35,569,816	\$ 32,146,399
Service cost	519,392	536,534
Interest cost	1,088,063	1,307,661
Actuarial loss	2,516,174	3,326,280
Net claims paid	<u>(1,713,426)</u>	<u>(1,747,058)</u>
Accumulated postretirement benefit obligation, end of year	<u>\$ 37,980,019</u>	<u>\$ 35,569,816</u>
Plan assets, end of year	<u>\$ -</u>	<u>\$ -</u>
Funded status of the plan recognized in the consolidated balance sheets	<u>\$ (37,980,019)</u>	<u>\$ (35,569,816)</u>

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

	<u>2020</u>	<u>2019</u>
Current liabilities	\$ (1,321,240)	\$ (1,713,426)
Noncurrent liabilities	<u>(36,658,779)</u>	<u>(33,856,390)</u>
Net amount recognized	<u>\$ (37,980,019)</u>	<u>\$ (35,569,816)</u>

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

	<u>2020</u>	<u>2019</u>
Net actuarial loss	\$ (16,090,719)	\$ (14,892,645)
Prior service credit	<u>-</u>	<u>424,572</u>
	<u>\$ (16,090,719)</u>	<u>\$ (14,468,073)</u>

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

	<u>2020</u>	<u>2019</u>
Amortization of prior service credit	\$ (424,572)	\$ (1,010,881)
Amortization of loss	1,318,100	1,073,486
Net (loss) during the year	<u>(2,516,174)</u>	<u>(3,326,280)</u>
	<u>\$ (1,622,646)</u>	<u>\$ (3,263,675)</u>

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, 2021, are \$1,536,590, there is no prior service credit expected to be amortized in net assets in 2021.

The discount rates used to determine net periodic postretirement benefit cost for the plan for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	3.49%	4.47%

The discount rate used to determine benefit obligations for the plan as of December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	2.59%	3.49%

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.

	<u>2020</u>	<u>2019</u>
Medical benefits:		
Initial trend rate	6.18%/4.90%	5.80%/5.80%
Ultimate trend rate	4.00%/4.00%	4.40%/4.50%
Year ultimate rate reached	2046	2038

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.

	<u>2020</u>	<u>2019</u>
Medical benefits:		
Initial trend rate	6.18%/4.90%	5.80%/5.80%
Ultimate trend rate	4.00%/4.00%	4.40%/4.50%
Year ultimate rate reached	2046	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, 2020 by approximately \$6,842,326 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost by approximately \$ 325,956 for 2020. A one percentage point decrease in each year would decrease the accumulated postretirement benefit obligation as of December 31, 2020, by approximately \$5,448,633 and the aggregate of the service cost and interest cost components of net periodic postretirement benefit cost by approximately \$253,616 for 2020.

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

**Year ending
December 31,**

2021	\$ 1,321,240
2022	1,258,497
2023	1,277,843
2024	1,348,701
2025	1,359,479
2026-2030	7,746,244

The measurement dates used are December 31, 2020 and 2019.

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 \$2,919,029 and \$4,777,282 of expenses related to the plan during the years ended December 31, 2020 and 2019, respectively.

8. Endowment and Other Donor Restricted Funds

The Corporation has 102 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

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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, 2020, is summarized as follows:

Donor restricted endowment funds	\$ 31,903,188
Other donor restricted funds	<u>5,946,799</u>
Total donor restricted funds	<u>\$ 37,849,987</u>

The composition of donor restricted endowment funds and other donor restricted funds by type and restriction as of December 31, 2019, is summarized as follows:

Donor restricted endowment funds	\$ 35,315,923
Other donor restricted funds	<u>6,215,839</u>
Total donor restricted funds	<u>\$ 41,531,762</u>

The changes in donor restricted funds for the year ended December 31, 2020 are summarized as follows:

Donor restricted funds, beginning of year	\$ 41,531,762
Investment gain:	
Investment income	617,509
Net depreciation (realized and unrealized)	<u>(2,986,333)</u>
Total investment gain (loss)	(2,368,824)
New gifts	1,930,739
Appropriation of endowment assets for expenditure	(2,775,695)
Transfers	<u>(467,995)</u>
Donor restricted funds, end of year	<u>\$ 37,849,987</u>

The changes in donor restricted funds for the year ended December 31, 2019 are summarized as follows:

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Donor restricted funds, beginning of year	\$ 37,102,994
Investment gain:	
Investment income	712,381
Net appreciation (realized and unrealized)	<u>4,632,347</u>
Total investment gain (loss)	5,344,728
New gifts	3,057,708
Appropriation of endowment assets for expenditure	(3,136,544)
Transfers	<u>(837,124)</u>
Donor restricted funds, end of year	<u>\$ 41,531,762</u>

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, 2020 and 2019.

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.

9. Income Taxes

Deferred income taxes, which as of December 31, 2020 and 2019, 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, 2020 and 2019, the Corporation had deferred tax

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assets of approximately \$3,327,000 and \$6,769,000, 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 \$3,327,000 and \$6,769,000 allowance at December 31, 2020 and 2019, 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, 2020, the Corporation has available net operating loss carryforwards of approximately \$15,025,000 for federal and \$3,623,000 for state.

10. Leases

The Corporation leases office buildings under the terms of non-cancellable operating leases. For leases with terms greater than 12 months, the related right-of-use assets and right-of-use obligations are recorded at the present value of lease payments over the term. Many of the leases include rental escalation clauses and renewal options that are factored into the determination of lease payments when appropriate.

The components of lease expense (and related classification within accompanying statements of operations) were as follows during 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Operating lease cost	\$ 5,236,176	\$ 4,886,092
Finance lease cost:		
Amortization of right-of use assets	1,972,895	2,160,851
Interest on lease liabilities	<u>67,579</u>	<u>126,139</u>
Total lease cost	<u>\$ 7,276,650</u>	<u>\$ 7,173,082</u>

Cash paid for amounts included in the measurement of lease liabilities for the years ended December 31 are as follows (in thousands):

	<u>2020</u>	<u>2019</u>
Operating cash flows from operating leases	\$ 5,236,176	\$ 4,886,092
Operating cash flows from finance leases	67,579	126,139
Financing cash flows from finance leases	<u>2,047,160</u>	<u>2,188,236</u>
Total	<u>\$ 7,350,915</u>	<u>\$ 7,200,467</u>

Right-of-use assets obtained in exchange for new lease obligations for the years ended December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 4,064,745	\$ 584,463
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 1,525,385	\$ 4,020,385

University Health, Inc.
Notes to Consolidated Financial Statements

Current finance lease liabilities are included in current liabilities in the accompanying consolidated balance sheets. Noncurrent finance lease liabilities are included in long term liabilities, net, in the accompanying consolidated balance sheets.

	<u>2020</u>	<u>2019</u>
Other information:		
Weighted-average remaining lease term – operating leases	6.13 years	7.0 years
Weighted-average remaining lease term – finance leases	4.13 years	1.8 years
Weighted-average discount rate – operating leases	3.00%	3.00%
Weighted-average discount rate – finance leases	3.00%	3.00%

The following is a schedule of lease liability maturities related to leases with third-parties for the years ending:

	<u>Operating</u>	<u>Finance</u>
2021	\$ 4,896,612	\$ 1,297,779
2022	4,656,624	1,256,436
2023	3,719,276	920,197
2024	2,980,737	863,511
2025	2,459,191	845,711
Thereafter	<u>5,700,156</u>	<u>352,380</u>
Total	24,412,596	5,536,014
Less: interest	<u>2,212,065</u>	<u>341,611</u>
Lease liability	22,200,531	5,194,403
Less: current portion	<u>4,291,496</u>	<u>1,206,537</u>
Noncurrent lease liability	<u>\$ 17,909,035</u>	<u>\$ 3,987,866</u>

11. Functional Expense

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, 2020 are:

	<u>Healthcare Services</u>	<u>General & Administrative</u>	<u>Total</u>
Salaries and benefits	\$ 314,844,688	\$ 33,203,829	\$ 348,048,517
Other operating expenses	235,869,243	24,886,048	260,755,291
Depreciation	40,309,945	4,251,126	44,561,071
Interest	<u>5,753,812</u>	<u>606,803</u>	<u>6,360,615</u>
Total operating expenses	<u>\$ 596,777,688</u>	<u>\$ 62,947,806</u>	<u>\$ 659,725,494</u>

Expenses related to providing these services for the years ended December 31, 2019 are:

	<u>Healthcare Services</u>	<u>General & Administrative</u>	<u>Total</u>
Salaries and benefits	\$ 318,819,808	\$ 20,856,101	\$ 339,675,909
Other operating expenses	256,778,352	16,797,561	273,575,913
Depreciation	44,422,044	2,905,938	47,327,982
Interest	<u>6,571,631</u>	<u>429,894</u>	<u>7,001,525</u>
Total operating expenses	<u>\$ 626,591,835</u>	<u>\$ 40,989,494</u>	<u>\$ 667,581,329</u>

12. 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.

University Health, Inc.
Notes to Consolidated Financial Statements

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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Investments and assets limited as to use:</u>				
Cash and short-term investments	\$ 33,988,932	\$ 1,277,623	\$ -	\$ 35,266,555
Fixed-income securities	12,999,422	6,596,288	-	19,595,710
Corporate Stocks	2,701,170	-	-	2,701,170
Mutual & Exchange Traded Funds	<u>426,114,676</u>	-	-	<u>426,114,676</u>
Total investments and assets limited as to use at fair value	<u>\$475,804,200</u>	<u>\$ 7,873,911</u>	<u>\$ -</u>	<u>483,678,111</u>
Total assets limited as to use measured at net asset value (a)				<u>98,995,561</u>
Total cash and equity investments not considered financial instruments				<u>7,897,758</u>
Total investments and assets limited as to use				<u>\$590,571,430</u>

(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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Investments and assets limited as to use:</u>				
Cash and short-term investments	\$ 20,057,945	\$ 15,547,160	\$ -	\$ 35,605,105
Fixed-income securities	76,890	3,749,508	-	3,826,398
Corporate Stocks	2,527,428	-	-	2,527,428
Mutual & Exchange Traded Funds	<u>206,534,567</u>	-	-	<u>\$206,534,567</u>
Total investments and assets limited as to use at fair value	<u>\$229,196,830</u>	<u>\$ 19,296,668</u>	<u>\$ -</u>	<u>\$248,493,498</u>
Total assets limited as to use measured at net asset value (a)				<u>\$302,493,647</u>
Total cash and equity investments not considered financial instruments				<u>\$ 3,930,162</u>
Total investments and assets limited as to use				<u>\$554,917,307</u>

University Health, Inc.
Notes to Consolidated Financial Statements

- (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.

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, real estate and absolute return (hedge) funds.

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 and restrictions associated with the investments.

	<u>Estimated fair value</u>		<u>Net unrealized gains (losses)</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Acadian Non-US Microcap Equity Fund, LLC	\$ -	\$ 19,671,622	\$ -	\$ 4,326,158
AG Diversified Income Fund, Ltd.	-	8,574,134	-	202,905
AG Energy Partners, L.P.	318,775	737,830	(1,420,242)	(199,403)
AG Energy Partners II, L.P.	13,874,903	16,425,446	552,475	724,455
AG Net Lease Realty Fund III, L.P.	14,308,724	13,841,253	4,172,023	1,052,633
AllianzGI Emerging Markets Small Cap, LLC	-	10,601,674	-	2,274,176
AllianzGI Structured Alpha 1000, LLC	-	28,251,051	-	3,275,964
AllianzGI Structured Alpha U.S. Equity 500, LLC	-	75,747,373	-	13,300,429
Credit Suisse IRIS (US) Post Event Opportunities I SP	1,785,000	26,452,695	(476,957)	733,017
Credit Suisse SPF Securitized Products Fund, Ltd.	8,689,733	11,573,355	1,628,124	272,022
Man Numeric International Small Cap	-	-	-	(403,309)
Oak Fund III, LLC	1,573,847	1,959,635	(996,430)	(699,573)
Oak Fund IV, LLC	2,491,698	4,077,081	(1,982,872)	(397,490)
Oaktree Emerging Market Opportunities Fund, L.P.	926,723	1,613,937	795,082	(10,564)

University Health, Inc.
Notes to Consolidated Financial Statements

	<u>Estimated fair value</u>		<u>Net unrealized gains (losses)</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Oaktree Real Estate Opportunities Fund VI, L.P.	3,472,621	3,633,564	3,323,403	20,948
Oaktree Strategic Credit Fund A, L.P.	6,378,836	11,524,990	6,114,899	273,254
Sit Alpha III Bond Fund, Ltd.	-	5,448,299	-	295,236
Triam Partners, L.P.	-	26,802,030	-	4,081,200
Triam Partners, Ltd.	-	3,168,852	-	508,527
VSS Structured Capital III, L.P.	13,445,054	7,763,647	6,683,206	1,639,716
Winston Global Fund, Ltd.	31,729,647	24,625,179	14,729,647	2,958,980
	<u>\$98,995,561</u>	<u>\$302,493,647</u>	<u>\$ 33,122,358</u>	<u>\$ 34,229,281</u>

	<u>Redemption Frequency</u>	<u>Redemption Notice period</u>
Acadian Non-US Microcap Equity Fund, LLC	Daily	30 Days
AG Diversified Income Fund, Ltd.	Quarterly	60 Days
AG Energy Partners, L.P.	Not permitted	-
AG Energy Partners II, L.P.	Not permitted	-
AG Net Lease Realty Fund III, L.P.	Not permitted	-
AllianzGI Emerging Markets Small Cap, LLC	Daily	5 Days
AllianzGI Structured Alpha 1000, LLC	Monthly	25 Days
AllianzGI Structured Alpha U.S. Equity 500, LLC	Monthly	25 Days
Credit Suisse IRIS (US) Post Event Opportunities I SP	Annually	90 Days
Credit Suisse SPF Securitized Products Fund, Ltd.	Quarterly	65 Days
Oak Fund III, LLC	Not permitted	-
Oak Fund IV, LLC	Not permitted	-
Oaktree Emerging Market Opportunities Fund, L.P.	Not permitted	-
Oaktree Real Estate Opportunities Fund VI, L.P.	Not permitted	-
Oaktree Strategic Credit Fund A, L.P.	Quarterly	90 Days
Sit Alpha III Bond Fund, Ltd.	Monthly	60 Days
Triam Partners, L.P.	Biannually	90 Days
Triam Partners, Ltd.	Biannually	90 Days
VSS Structured Capital III, L.P.	Not permitted	-
Winston Global Fund, Ltd.	Quarterly	95 Days

For the years ended December 31, 2020 and 2019 the Corporation had unfunded commitments of approximately \$14,100,000 and \$20,300,000, respectively.

13. Liquidity and Availability of Resources

Financial assets available for general expenditure, not including investments or assets limited as to use, are reflected in the consolidated balance sheets as current assets and includes the following balances at December 31, 2020:

Cash and cash equivalents	\$ 65,928,414
Accounts receivable	105,745,246
Other receivables	<u>8,568,015</u>
Total	<u>\$ 180,241,675</u>

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

14. Net Assets with Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Hospital operational support	\$ 4,581,773	\$ 5,967,600
Patience assistance	5,143,625	6,441,455
Education	9,057,959	9,980,294
Employee assistance	256,219	588,750
Held in perpetuity:		
Hospital operational support	3,710,420	3,969,177
Patient assistance	5,833,274	5,738,458
Education	7,705,657	7,347,899
Employee assistance	<u>1,561,060</u>	<u>1,498,129</u>
Total net assets with donor restrictions	<u>\$ 37,849,987</u>	<u>\$ 41,531,762</u>

15. COVID-19

During 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak has been disrupting supply chains and affecting operations across a range of industries. The ultimate extent of the impact of the outbreak on the Corporation's operational and financial performance depends on certain developments, including the duration and spread of the outbreak, impact on patients, employees and vendors, and governmental, regulatory and private sector responses. The consolidated financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

In response to the COVID-19 pandemic, the CARES Act was signed into law on March 27, 2020. One provision of the CARES Act was the establishment of the Provider Relief Funds, administered by the U.S. Department of Health and Human Services HHS. The Provider Relief Funds have been and continue to be distributed to healthcare providers throughout the country to support the battle against the COVID-19 pandemic. During the period ended December 31, 2020, the Corporation received approximately \$53,235,000 in general and targeted distributions from this fund. These funds are intended to reimburse qualifying expenses and lost revenues attributable to COVID-19 and are subject to the terms, conditions, and regulatory requirements set forth by HHS. If the total distributions

received by the Corporation exceed the cumulative amount of qualifying expenses and lost revenues attributable to COVID-19 through July 31, 2021, any excess funding may be subject to recoupment. The Provider Relief Funds are accounted for as conditional contributions and related revenues are recognized as conditions are substantially met. During the year ended December 31, 2020, the Corporation recognized approximately \$49,877,000 in operating revenues, which is presented within other operating revenue in the accompanying consolidated statements of operations. The amounts recognized as income are subject to future audits and potential adjustments, which could be material, and certain amounts may be required to be repaid to the government. The amounts not recognized as of December 31, 2020, \$3,358,000, are presented as deferred revenue within other current liabilities in the accompanying consolidated balances sheets.

In 2020, the Center for Medicare and Medicaid Services (“CMS”) enhanced the Accelerated and Advance Payment (“AAP”) Program. The program enhancement was designed to increase cash flow to Medicare providers and suppliers impacted by COVID-19. In April 2020, the Corporation received approximately \$73,229,000 from the CMS AAP program. The funds received from the AAP are an advance that providers must pay back. These funds will be used to offset actual Medicare claims subject to final determination by CMS. These funds are shown on the accompanying consolidated balance sheets as Medicare advance payment liability as of December 31, 2020. On September 30, 2020, the Continuing Appropriations Act (“CAA”) was signed into law which includes provision to relax the recoupment of Medicare Advance Payments, including delaying recoupment for one year from when the advances were made and payments. It also staggers the percentage of claims processed that will be recouped over a twenty-nine-month period. The Corporation will begin to make payments in April of 2021 with 25% of monthly payments from Medicare being recouped for a period of eleven months. If after eleven months the payments are not paid back in full, Medicare will recoup at a rate of 50% for an additional six months.



Supplementary Information



Independent Auditors' Report on Supplementary Information

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, 2020 and 2019 and have issued our separate report thereon dated April 28, 2021, 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, NC
April 28, 2021

University Health, Inc.
Consolidating Balance Sheet Information
December 31, 2020

	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 Center, Inc.	Eliminations	Consolidated
Assets										
Cash and cash equivalents	16,166,632	20,890,396	3,136,772	-	18,335	8,147,204	-	17,569,075	-	\$ 65,928,414
Patient accounts receivable	95,397,524	1,552,588	-	-	-	4,045,569	-	4,749,565	-	105,745,246
Other receivables	9,008,396	122,954	309,953	-	-	146,769	-	-	(1,020,057)	8,568,015
Inventories	12,933,187	-	-	-	-	-	-	482,382	-	13,415,569
Prepaid expenses	10,150,859	51,085	7,875	-	-	702,114	-	192,657	-	11,104,590
Total current assets	143,656,598	22,617,023	3,454,600	-	18,335	13,041,656	-	22,993,679	(1,020,057)	204,761,834
Property and equipment, net	280,282,131	2,292,972	5,499,966	-	250,731	9,450,411	-	25,460,448	-	323,236,659
Right of use assets										
finance leases, net	4,973,917	-	-	-	-	-	-	172,950	-	5,146,867
Right of use assets										
operating leases, net	4,167,414	-	-	-	-	17,658,321	-	-	-	21,825,735
Other assets:										
Amounts due from affiliates	30,077,890	18,768,787	-	26,161,016	-	1,603,500	-	2,152,572	(78,763,765)	-
Investments and assets limited as to use	584,344,829	-	5,159,626	14,131,463	-	-	-	-	(13,064,488)	590,571,430
Other	11,483,061	173,611	-	-	-	-	-	203,573	-	11,860,245
	<u>1,058,985,840</u>	<u>\$ 43,852,393</u>	<u>\$ 14,114,192</u>	<u>\$ 40,292,479</u>	<u>\$ 269,066</u>	<u>\$ 41,753,888</u>	<u>\$ -</u>	<u>\$ 50,983,222</u>	<u>\$ (92,848,310)</u>	<u>\$ 1,157,402,770</u>

See independent auditors' report on the supplementary information.

University Health, Inc.
Consolidating Balance Sheet Information (continued)
December 31, 2020

	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 Center, Inc.	Eliminations	Consolidated
LIABILITIES AND NET ASSETS										
Current liabilities:										
Accounts payable and accrued expenses	\$ 24,879,178	\$ 1,353,361	\$ 87,422	\$ -	\$ 12,578	\$ 763,739	\$ -	\$ 670,167	\$ -	\$ 27,766,445
Accrued compensation, benefits, and withholdings	17,320,219	410,617	-	-	-	5,183,367	-	279,306	-	23,193,509
Other current liabilities	2,348,213	966,108	64,832	-	-	-	-	2,971,431	-	6,350,584
Medicare advance payment liability	64,917,294	1,625,290	-	-	-	4,584,155	-	2,102,441	-	73,229,180
Estimated third-party payor settlements	14,604,440	748,761	-	-	-	-	-	5,397,846	-	20,751,047
Current maturities of long-term debt	15,430,621	-	-	-	-	-	-	1,020,057	(1,020,057)	15,430,621
Current portion of finance lease obligations	1,186,134	-	-	-	-	-	-	20,403	-	1,206,537
Current portion of operating leases	1,445,168	-	-	-	-	2,846,328	-	-	-	4,291,496
Short-term accrued postretirement benefit cost	1,321,240	-	-	-	-	-	-	-	-	1,321,240
Total current liabilities	143,452,507	5,104,137	152,254	-	12,578	13,377,589	-	12,461,651	(1,020,057)	173,540,659
Long-term debt, less current maturities	192,350,991	-	-	-	-	-	-	23,461,323	(23,461,323)	192,350,991
Long-term finance lease obligations, less current portion	3,835,216	-	-	-	-	-	-	152,650	-	3,987,866
Long-term operating leases, less current portion	2,815,085	-	-	-	-	15,093,950	-	-	-	17,909,035
Other long-term obligations	4,736,907	-	-	-	-	-	-	-	-	4,736,907
Amounts due to affiliates	18,603,763	12,885	29,731,077	3,046,506	-	2,304,711	-	1,603,500	(55,302,442)	-
Reserve for contingent losses	17,889,390	-	-	-	-	-	-	-	-	17,889,390
Accrued postretirement benefit cost, less short-term obligation	36,658,779	-	-	-	-	-	-	-	-	36,658,779
Total liabilities	420,342,638	5,117,022	29,883,331	3,046,506	12,578	30,776,250	-	37,679,124	(79,783,822)	447,073,627
Net assets:										
Without donor restrictions	600,793,215	38,735,371	-	37,245,973	256,488	-	-	10,052,647	(14,604,538)	672,479,156
With donor restrictions	37,849,987	-	-	-	-	-	-	-	-	37,849,987
Total net assets	638,643,202	38,735,371	-	37,245,973	256,488	-	-	10,052,647	(14,604,538)	710,329,143
Contributed capital	-	-	50,484,022	-	-	263,217,215	2,202,880	3,251,451	(319,155,568)	-
Retained (deficit) earnings	-	-	(66,253,161)	-	-	(252,239,577)	(2,202,880)	-	320,695,618	-
	<u>\$ 1,058,985,840</u>	<u>\$ 43,852,393</u>	<u>\$ 14,114,192</u>	<u>\$ 40,292,479</u>	<u>\$ 269,066</u>	<u>\$ 41,753,888</u>	<u>\$ -</u>	<u>\$ 50,983,222</u>	<u>\$ (92,848,310)</u>	<u>\$ 1,157,402,770</u>

University Health, Inc.
Consolidating Statement of Operations Information
Year Ended December 31, 2020

	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 Center, Inc.	Eliminations	Consolidated
Unrestricted revenues and other support:										
Net patient service revenue	\$ 467,799,975	\$ 35,002,996	\$ -	\$ -	\$ -	\$ 71,023,595	\$ -	\$ 20,462,129	\$ (608,191)	\$ 593,680,504
Other operating revenues	53,377,594	4,670,922	5,098,437	-	(112,022)	17,162,101	-	1,998,035	(21,032,765)	61,162,302
Net assets released from restriction	2,775,695	-	-	-	-	-	-	-	-	2,775,695
Total unrestricted revenues and other support	523,953,264	39,673,918	5,098,437	-	(112,022)	88,185,696	-	22,460,164	(21,640,956)	657,618,501
Operating expenses:										
Salaries and benefits	224,678,108	13,525,842	-	-	-	94,315,613	-	7,473,197	8,055,757	348,048,517
Other operating expenses	237,496,044	12,984,057	4,532,667	1,409,332	29,434	22,638,372	-	10,618,986	(28,953,601)	260,755,291
Depreciation	40,077,834	556,138	867,926	-	-	1,719,426	-	1,339,747	-	44,561,071
Interest	6,324,480	-	-	35,445	35,445	-	-	743,802	(778,557)	6,360,615
Total operating expenses	508,576,466	27,066,037	5,400,593	1,444,777	64,879	118,673,411	-	20,175,732	(21,676,401)	659,725,494
Income (loss) from operations	15,376,798	12,607,881	(302,156)	(1,444,777)	(176,901)	(30,487,715)	-	2,284,432	35,445	(2,106,993)
Nonoperating (loss) income:										
Investment (loss) income	(31,055,041)	175	226,888	(10,445,149)	-	-	-	610	10,478,096	(30,794,421)
Gain on sale of assets	7,682,750	-	-	-	-	-	-	-	-	7,682,750
Other components of net benefit cost	(1,926,166)	-	-	-	-	-	-	-	-	(1,926,166)
Total nonoperating income (loss)	(25,298,457)	175	226,888	(10,445,149)	-	-	-	610	10,478,096	(25,037,837)
Excess (deficiency) of revenues, other support over expenses and losses	(9,921,659)	12,608,056	(75,268)	(11,889,926)	(176,901)	(30,487,715)	-	2,285,042	10,513,541	(27,144,830)
Change in postretirement plan funded status	(1,622,646)	-	-	-	-	-	-	-	-	(1,622,646)
Other	(128,611)	-	-	-	-	-	-	-	-	(128,611)
Transfer (to) from affiliate	(17,540,551)	-	-	-	(10,336,640)	27,877,191	-	-	-	-
Transfer (to) from net assets with donor restrictions	467,995	-	-	-	-	-	-	-	-	467,995
Increase (decrease) in net assets without donor restrictions	<u>\$ (28,745,472)</u>	<u>\$ 12,608,056</u>	<u>\$ (75,268)</u>	<u>\$ (11,889,926)</u>	<u>\$ (10,513,541)</u>	<u>\$ (2,610,524)</u>	<u>\$ -</u>	<u>\$ 2,285,042</u>	<u>\$ 10,513,541</u>	<u>\$ (28,428,092)</u>

See independent auditors' report on the supplementary information.

University Health, Inc.
Consolidating Statement of Changes in Net Assets Information
Year Ended December 31, 2020

	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 Center, Inc.	Eliminations	Consolidated
Net assets without donor restrictions:										
Excess (deficiency) of revenues, other support, and gains over expenses and losses	\$ (9,921,659)	\$ 12,608,056	\$ (75,268)	\$ (11,889,926)	\$ (176,901)	\$ (30,487,715)	\$ -	\$ 2,285,042	\$ 10,513,541	\$ (27,144,830)
Change in postretirement plan funded status	(1,622,646)	-	-	-	-	-	-	-	-	(1,622,646)
Other	(128,611)	-	-	-	-	-	-	-	-	(128,611)
Transfer (to) from affiliate	(17,540,551)	-	-	-	(10,336,640)	27,877,191	-	-	-	-
Transfer (to) from net assets with donor restrictions	467,995	-	-	-	-	-	-	-	-	467,995
Increase (decrease) in net assets without donor restrictions	(28,745,472)	12,608,056	(75,268)	(11,889,926)	(10,513,541)	(2,610,524)	-	2,285,042	10,513,541	(28,428,092)
Net assets with donor restrictions:										
Contributions and other	1,930,739	-	-	-	-	-	-	-	-	1,930,739
Investment income (loss)	(2,368,824)	-	-	-	-	-	-	-	-	(2,368,824)
Net assets released from restriction	(2,775,695)	-	-	-	-	-	-	-	-	(2,775,695)
Transfer to net assets without donor restrictions	(467,995)	-	-	-	-	-	-	-	-	(467,995)
Decrease in net assets with donor restrictions	(3,681,775)	-	-	-	-	-	-	-	-	(3,681,775)
Increase (decrease) in net assets	(32,427,247)	12,608,056	(75,268)	(11,889,926)	(10,513,541)	(2,610,524)	-	2,285,042	10,513,541	(32,109,867)
Net assets at beginning of year	671,070,449	26,127,315	(15,693,871)	49,135,899	10,770,029	13,588,162	-	11,019,056	(23,578,029)	742,439,010
Net assets at end of year	<u>\$ 638,643,202</u>	<u>\$ 38,735,371</u>	<u>\$ (15,769,139)</u>	<u>\$ 37,245,973</u>	<u>\$ 256,488</u>	<u>\$ 10,977,638</u>	<u>\$ -</u>	<u>\$ 13,304,098</u>	<u>\$ (13,064,488)</u>	<u>\$ 710,329,143</u>

University Health, Inc.
Consolidating Balance Sheet Information
December 31, 2019

	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 Center, Inc.	Eliminations	Consolidated
Assets										
Cash and cash equivalents	\$ 14,320,644	\$ 3,400,291	\$ 169,864	\$ -	\$ 21,536	\$ 2,625,823	\$ -	\$ 3,403,163	\$ -	\$ 23,941,321
Patient accounts receivable	101,309,066	2,482,313	-	-	(70,233)	4,044,694	-	4,900,853	-	112,666,693
Other receivables	13,013,176	2,548	1,792,264	-	1,931,606	1,267,780	-	-	(1,020,057)	16,987,317
Inventories	12,491,789	-	-	-	-	-	-	478,508	-	12,970,297
Prepaid expenses	9,604,616	97,560	-	-	-	535,355	-	237,255	-	10,474,786
Total current assets	150,739,291	5,982,712	1,962,128	-	1,882,909	8,473,652	-	9,019,779	(1,020,057)	177,040,414
Property and equipment, net	284,199,795	2,464,395	6,507,091	-	250,731	10,430,482	-	26,303,505	-	330,155,999
Right of use assets										
finance leases, net	2,990,470	-	-	-	-	-	-	64,546	-	3,055,016
Right of use assets										
operating leases, net	3,978,057	-	-	-	-	20,555,352	-	-	-	24,533,409
Other assets:										
Amounts due from affiliates	26,150,185	20,431,961	1,027,947	28,331,963	10,807,613	1,336,056	-	6,663,075	(94,748,800)	-
Investments and assets limited as to use	552,871,854	-	979,794	24,643,688	-	-	-	-	(23,578,029)	554,917,307
Other	10,804,790	190,278	-	-	-	-	-	45,430	-	11,040,498
	<u>\$ 1,031,734,442</u>	<u>\$ 29,069,346</u>	<u>\$ 10,476,960</u>	<u>\$ 52,975,651</u>	<u>\$ 12,941,253</u>	<u>\$ 40,795,542</u>	<u>\$ -</u>	<u>\$ 42,096,335</u>	<u>\$ (119,346,886)</u>	<u>\$ 1,100,742,643</u>

University Health, Inc.
Consolidating Balance Sheet Information (continued)
December 31, 2019

	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 Center, Inc.	Eliminations	Consolidated
Liabilities and net assets										
Current liabilities:										
Accounts payable and accrued expenses	\$ 23,853,692	\$ 1,532,050	\$ 9,815	\$ -	\$ -	\$ 781,827	\$ -	\$ 545,342	\$ -	\$ 26,722,726
Accrued compensation, benefits, and withholdings	25,961,475	774,837	-	-	-	5,869,110	-	561,238	-	33,166,660
Other current liabilities	2,487,977	-	-	-	277	-	-	-	-	2,488,254
Medicare advance payment liability	-	-	-	-	-	-	-	-	-	-
Estimated third-party payor settlements	5,888,868	623,632	-	-	-	-	-	3,065,516	-	9,578,016
Current maturities of long-term debt	27,721,061	-	-	2,170,947	-	-	-	1,020,057	(1,020,057)	29,892,008
Current portion of finance lease obligations	1,961,962	-	-	-	-	-	-	66,021	-	2,027,983
Current portion of operating leases	1,065,274	-	-	-	-	2,991,315	-	-	-	4,056,589
Short-term accrued postretirement benefit cost	1,713,426	-	-	-	-	-	-	-	-	1,713,426
Total current liabilities	90,653,735	2,930,519	9,815	2,170,947	277	9,642,252	-	5,258,174	(1,020,057)	109,645,662
Long-term debt, less current maturities	171,425,069	-	-	-	-	-	-	24,481,380	(24,481,380)	171,425,069
Long-term finance lease obligations, less current portion	1,147,167	-	-	-	-	-	-	1,669	-	1,148,836
Long-term operating leases, less current portion	2,912,783	-	-	-	-	17,564,037	-	-	-	20,476,820
Other long-term obligations	4,774,690	-	-	-	-	-	-	-	-	4,774,690
Amounts due to affiliates	38,917,993	11,512	26,161,016	1,668,805	2,170,947	1,091	-	1,336,056	(70,267,420)	-
Reserve for contingent losses	16,976,166	-	-	-	-	-	-	-	-	16,976,166
Accrued postretirement benefit cost, less short-term obligation	33,856,390	-	-	-	-	-	-	-	-	33,856,390
Total liabilities	360,663,993	2,942,031	26,170,831	3,839,752	2,171,224	27,207,380	-	31,077,279	(95,768,857)	358,303,633
Net assets:										
Without donor restrictions	629,538,687	26,127,315	-	49,135,899	10,770,029	-	-	7,767,605	(22,432,287)	700,907,248
With donor restrictions	41,531,762	-	-	-	-	-	-	-	-	41,531,762
Total net assets	671,070,449	26,127,315	-	49,135,899	10,770,029	-	-	7,767,605	(22,432,287)	742,439,010
Contributed capital	-	-	50,484,022	-	-	235,340,024	2,202,880	3,251,451	(291,278,377)	-
Retained (deficit) earnings	-	-	(66,177,893)	-	-	(221,751,862)	(2,202,880)	-	290,132,635	-
	<u>\$ 1,031,734,442</u>	<u>\$ 29,069,346</u>	<u>\$ 10,476,960</u>	<u>\$ 52,975,651</u>	<u>\$ 12,941,253</u>	<u>\$ 40,795,542</u>	<u>\$ -</u>	<u>\$ 42,096,335</u>	<u>\$ (119,346,886)</u>	<u>\$ 1,100,742,643</u>

University Health, Inc.
Consolidating Statement of Operations Information
Year Ended December 31, 2019

	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 Center, Inc.	Eliminations	Consolidated
Unrestricted revenues and other support:										
Net patient service revenue	\$ 525,774,155	\$ 36,449,661	\$ -	\$ -	\$ -	\$ 71,878,860	\$ -	\$ 21,811,258	\$ -	\$ 655,913,934
Other operating revenues	15,044,958	30,781	5,160,161	-	-	14,316,326	-	223,090	(20,596,854)	14,178,462
Net assets released from restriction	3,136,544	-	-	-	-	-	-	-	-	3,136,544
Total unrestricted revenues and other support	543,955,657	36,480,442	5,160,161	-	-	86,195,186	-	22,034,348	(20,596,854)	673,228,940
Operating expenses:										
Salaries and benefits	218,037,110	12,228,013	-	-	49,237	94,826,269	-	7,399,634	7,135,646	339,675,909
Other operating expenses	250,605,435	16,710,949	3,273,008	29,987	16,806	19,845,388	-	10,054,004	(26,959,664)	273,575,913
Depreciation	41,926,036	588,307	1,118,451	-	-	1,782,627	-	1,912,561	-	47,327,982
Interest	6,899,645	-	-	99,190	99,190	-	-	775,526	(872,026)	7,001,525
Total operating expenses	517,468,226	29,527,269	4,391,459	129,177	165,233	116,454,284	-	20,141,725	(20,696,044)	667,581,329
Income (loss) from operations	26,487,431	6,953,173	768,702	(129,177)	(165,233)	(30,259,098)	-	1,892,623	99,190	5,647,611
Nonoperating (loss) income:										
Investment (loss) income	73,518,593	2,651,909	1,663,317	(67,139,153)	5,047,535	-	-	586	67,172,921	82,915,708
Gain on sale of assets	-	-	-	-	-	-	-	-	-	-
Other components of net benefit cost	(2,997,908)	-	-	-	-	-	-	-	-	(2,997,908)
Total nonoperating income (loss)	70,520,685	2,651,909	1,663,317	(67,139,153)	5,047,535	-	-	586	67,172,921	79,917,800
Excess (deficiency) of revenues, other support, and gains over expenses and losses	97,008,116	9,605,082	2,432,019	(67,268,330)	4,882,302	(30,259,098)	-	1,893,209	67,272,111	85,565,411
Change in postretirement plan funded status	(3,263,675)	-	-	-	-	-	-	-	-	(3,263,675)
Other	(1,068,702)	-	-	-	-	-	-	-	-	(1,068,702)
Transfer (to) from affiliate	77,363,700	(37,906,821)	-	-	(72,154,413)	32,697,534	-	-	-	-
Transfer (to) from net assets with donor restrictions	837,124	-	-	-	-	-	-	-	-	837,124
Increase (decrease) in net assets without donor restrictions	\$ 170,876,563	\$ (28,301,739)	\$ 2,432,019	\$ (67,268,330)	\$ (67,272,111)	\$ 2,438,436	\$ -	\$ 1,893,209	\$ 67,272,111	\$ 82,070,158

University Health, Inc.
Consolidating Statement of Changes in Net Assets Information
Year Ended December 31, 2019

	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 Center, Inc.	Eliminations	Consolidated
Net assets without donor restrictions:										
Excess (deficiency) of revenues, other support, and gains over expenses and losses	\$ 97,008,116	\$ 9,605,082	\$ 2,432,019	\$ (67,268,330)	\$ 4,882,302	\$ (30,259,098)	\$ -	\$ 1,893,209	\$ 67,272,111	\$ 85,565,411
Change in postretirement plan funded status	(3,263,675)	-	-	-	-	-	-	-	-	(3,263,675)
Other	(1,068,702)	-	-	-	-	-	-	-	-	(1,068,702)
Transfer (to) from affiliate	77,363,700	(37,906,821)	-	-	(72,154,413)	32,697,534	-	-	-	-
Transfer (to) from net assets with donor restrictions	837,124	-	-	-	-	-	-	-	-	837,124
Increase (decrease) in net assets without donor restrictions	170,876,563	(28,301,739)	2,432,019	(67,268,330)	(67,272,111)	2,438,436	-	1,893,209	67,272,111	82,070,158
Net assets with donor restrictions:										
Contributions and other	3,057,708	-	-	-	-	-	-	-	-	3,057,708
Investment income (loss)	5,344,728	-	-	-	-	-	-	-	-	5,344,728
Net assets released from restriction	(3,136,544)	-	-	-	-	-	-	-	-	(3,136,544)
Transfer to net assets without donor restrictions	(837,124)	-	-	-	-	-	-	-	-	(837,124)
Increase in net assets with donor restrictions:	4,428,768	-	-	-	-	-	-	-	-	4,428,768
Increase (decrease) in net assets	175,305,331	(28,301,739)	2,432,019	(67,268,330)	(67,272,111)	2,438,436	-	1,893,209	67,272,111	86,498,926
Net assets at beginning 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
Net assets at end of year	<u>\$ 671,070,449</u>	<u>\$ 26,127,315</u>	<u>\$ (15,693,871)</u>	<u>\$ 49,135,899</u>	<u>\$ 10,770,029</u>	<u>\$ 13,588,162</u>	<u>\$ -</u>	<u>\$ 11,019,056</u>	<u>\$ (23,578,029)</u>	<u>\$ 742,439,010</u>