# Navicent Health, Inc. and Affiliates

## Consolidated Financial Statements

**Years Ended September 30, 2016 and 2015**

DIXON HUGHES GOODMAN LLP

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# INDEPENDENT AUDITORS' REPORT

Board of Directors
Navicent Health, Inc. and Affiliates
Macon, Georgia

We have audited the accompanying consolidated financial statements of Navicent Health, Inc. and Affiliates (collectively, "Navicent Health"), which comprise the consolidated balance sheets as of September 30, 2016 and 2015, 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 Centra Professional Indemnity, Ltd. ("CPI"), a consolidated affiliate, which statements reflect total assets of approximately $78,311,000 and $78,098,000 as of September 30, 2016 and 2015, respectively, and total revenues of $10,122,000 and $11,121,000 for the years ended September 30, 2016 and 2015, 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 CPI for 2016 and 2015, is based solely on the report of 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

DIXON HUGHES GOODMAN LLP

***Opinion***
In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Navicent Health as of September 30, 2016 and 2015, and the results of its operations and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Supplementary Information***
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information referred to in the table of contents is presented for purposes of additional analysis 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 supplemental information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Dixon Hughes Goodman LLP

**Atlanta, Georgia**
**January 27, 2017**

**Navicent Health, Inc. and Affiliates**
**Consolidated Balance Sheets (dollars in thousands)**
**September 30, 2016 and 2015**

| | 2016 | 2015 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | **$ 48,130** | $ 45,448 |
| Short-term investments | **679,990** | 727,291 |
| Patient accounts receivable, less allowance for uncollectible accounts of $100,033 and $93,732 in 2016 and 2015, respectively | **243,431** | 234,148 |
| Estimated third-party settlements | **8,789** | - |
| Other accounts and notes receivable | **19,136** | 15,233 |
| Prepaid expenses and other current assets | **23,516** | 16,821 |
| Total current assets | **1,022,992** | 1,038,941 |
| Assets limited as to use | **194,614** | 184,984 |
| Long-term investments | **55,889** | 19,144 |
| Property and equipment, net | **399,694** | 397,610 |
| Cash surrender value of insurance policies | **23,692** | 22,348 |
| Other | **$ 5,642** | $ 5,416 |
| Total assets | **$ 1,702,523** | $ 1,668,443 |

See accompanying notes.

**Consolidated Balance Sheets (dollars in thousands), continued**

| | 2016 | 2015 |
|---|---|---|
| **LIABILITIES AND NET ASSETS** | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | **$ 22,532** | $ 30,439 |
| Accrued compensation and withholdings | **31,561** | 37,054 |
| Current portion of long-term debt | **9,840** | 10,395 |
| Entrance fee deposits and refunds payable | **2,270** | 666 |
| Estimated third-party settlements | **-** | 901 |
| Other current liabilities | **12,885** | 17,510 |
| Total current liabilities | **79,088** | 96,965 |
| Long-term debt, excluding current portion | **213,953** | 223,791 |
| Reserve for self-insured losses | **36,143** | 36,454 |
| Accrued pension benefit liability | **101,448** | 80,400 |
| Deferred revenue from entrance fees | **11,983** | 11,254 |
| Entrance fees payable | **28,562** | 30,806 |
| Other long-term liabilities | **69,884** | 64,940 |
| Asset retirement obligation | **1,671** | 1,681 |
| Total liabilities | **542,732** | 546,291 |
| Net assets: | | |
| Unrestricted | **1,062,091** | 1,034,403 |
| Temporarily restricted | **92,460** | 82,902 |
| Total net assets excluding noncontrolling interest | **1,154,551** | 1,117,305 |
| Noncontrolling interest in subsidiaries | **5,240** | 4,847 |
| Total net assets | **1,159,791** | 1,122,152 |
| Total liabilities and net assets | **$ 1,702,523** | $ 1,668,443 |

See accompanying notes.

**Navicent Health, Inc. and Affiliates**
**Consolidated Statements of Operations (dollars in thousands)**
**Years ended September 30, 2016 and 2015**

| | 2016 | 2015 |
|---|---|---|
| Unrestricted revenues, gains, and other support: | | |
| Patient service revenue (net of contractual allowances and discounts) | **$ 794,693** | $ 794,066 |
| Provision for bad debts | **(90,735)** | (79,883) |
| Net patient service revenue less provision for bad debts | **703,958** | 714,183 |
| Other revenue | **48,082** | 50,083 |
| Total unrestricted revenues, gains, and other support | **752,040** | 764,266 |
| Expenses: | | |
| Labor and employee benefits | **400,735** | 386,979 |
| Supplies and other expenses | **292,915** | 285,088 |
| Depreciation and amortization | **40,048** | 41,108 |
| Interest | **7,571** | 7,697 |
| Total expenses | **741,269** | 720,872 |
| Income from operations | **10,771** | 43,394 |
| Other income (loss): | | |
| Investment income | **48,287** | 39,770 |
| Change in fair value of interest rate swap | **(2,303)** | (2,869) |
| Other | **(1,885)** | (4,516) |
| Total other income | **44,099** | 32,385 |
| Excess of unrestricted revenues, gains, and other support over expenses | **54,870** | 75,779 |
| Deficit of unrestricted revenues, gains, and other support over expenses attributable to noncontrolling interest | **(1,054)** | (790) |
| Excess of unrestricted revenues, gains, and other support over expenses attributable to controlling interest | **$ 53,816** | $ 74,989 |

See accompanying notes.

**Navicent Health, Inc. and Affiliates**
**Consolidated Statements of Changes in Net Assets (dollars in thousands)**
**Years ended September 30, 2016 and 2015**

| | 2016 | 2015 |
|---|---|---|
| Unrestricted net assets, controlling interest: | | |
| Excess of unrestricted revenues, gains, and other support over expenses attributable to controlling interest | **$ 53,816** | $ 74,989 |
| Net unrealized gains (losses) on investments | **4,439** | (32,257) |
| Change in pension plan and post retirement health care plan funded status | **(32,400)** | (42,294) |
| Contribution | **-** | 411 |
| Other | **-** | 161 |
| Net assets released from restriction and other | **1,833** | 3,848 |
| Increase in unrestricted net assets, controlling interest | **27,688** | 4,858 |
| Unrestricted net assets, noncontrolling interest: | | |
| Excess of unrestricted revenues, gains, and other support over expenses | **1,054** | 790 |
| Distribution to noncontrolling interest | **(661)** | (668) |
| Increase in unrestricted net assets, noncontrolling interest | **393** | 122 |
| Temporarily restricted net assets: | | |
| Contributions | **5,222** | 2,003 |
| Investment gain | **6,169** | 67 |
| Net assets released from restrictions | **(1,833)** | (3,848) |
| Increase (decrease) in temporarily restricted net assets | **9,558** | (1,778) |
| Increase in net assets | **37,639** | 3,202 |
| Net assets at beginning of year | **1,122,152** | 1,118,950 |
| Net assets at end of year | **$ 1,159,791** | $ 1,122,152 |

See accompanying notes.

**Navicent Health, Inc. and Affiliates**
**Consolidated Statements of Cash Flows (dollars in thousands)**
**Years ended September 30, 2016 and 2015**

| | 2016 | 2015 |
|---|---|---|
| Operating activities: | | |
| Increase in net assets | $ 37,639 | $ 3,202 |
| Adjustments to reconcile increase in net assets to net cash (used) provided by operating activities: | | |
| Net realized and unrealized gains on investments | (37,152) | (2,515) |
| Net restricted contributions and investment income | (11,391) | (2,070) |
| Change in pension plan and post retirement health care plan funded status | 32,400 | 42,294 |
| Change in fair value of interest rate swap | 2,303 | 2,869 |
| Depreciation and amortization | 40,048 | 41,108 |
| Loss on disposal of property and equipment | 70 | 779 |
| Provision for bad debts | (90,735) | (79,883) |
| Amortization of deferred revenues | (1,476) | (1,108) |
| Proceeds from nonrefundable entrance fees | 2,556 | 2,704 |
| Changes in operating assets and liabilities: | | |
| Patient accounts receivable, net | 81,452 | 7,028 |
| Other assets, prepaid expenses, and supplies | (11,655) | 1,004 |
| Accounts payable and accrued expenses | (7,907) | (845) |
| Accrued compensation and withholdings | (5,493) | 2,273 |
| Estimated third-party payor settlements | (9,690) | 2,711 |
| Entrance fee deposits | 115 | 987 |
| Other current liabilities | (4,625) | (20,252) |
| Supplemental benefit plan | (1,344) | 1,612 |
| Other long-term liabilities | 4,065 | 1,848 |
| Reserve for self-insured losses | (311) | (9,259) |
| Accrued pension benefit liability | (12,786) | (10,536) |
| Net cash provided (used) by operating activities | 6,083 | (16,049) |
| Investing activities: | | |
| Purchase of property and equipment | (41,369) | (41,390) |
| Proceeds from sales of investments, net | 47,708 | 28,337 |
| Change in assets limited as to use, net | (9,630) | 12,111 |
| Net cash used in investing activities | (3,291) | (942) |
| Financing activities: | | |
| Principal payments on long-term debt | (10,395) | (54,610) |
| Proceeds from bond | - | 50,295 |
| Proceeds from taxable loan | - | 11,434 |
| Net restricted contributions and investment income | 11,391 | 2,070 |
| Refund of entrance fees | (3,182) | (4,529) |
| Proceeds from refundable entrance fees | 2,076 | 3,219 |
| Net cash (used) provided by financing activities | (110) | 7,879 |
| Net change in cash and cash equivalents | 2,682 | (9,112) |
| Cash and cash equivalents at beginning of year | 45,448 | 54,560 |
| Cash and cash equivalents at end of year | $ 48,130 | $ 45,448 |

See accompanying notes.

# Notes to Consolidated Financial Statements

## 1. Organization and General

Central Georgia Health Systems, Inc. was incorporated on November 17, 1994, as a nonprofit corporation whose primary purpose is to serve as a controlling body for The Medical Center of Central Georgia, Inc., and other affiliated entities, in supporting their mission of coordinating the functions of individual corporate providers of a comprehensive range of high quality, reasonably priced health care services to the central Georgia community.

During 2014 Central Georgia Health Systems, Inc. began doing business as Navicent Health. During 2015, Central Georgia Health Systems, Inc. officially changed its name to Navicent Health, Inc. The entities described below are consolidated to form Navicent Health, Inc. and Affiliates (collectively, "Navicent Health").

***The Medical Center of Central Georgia, Inc., d/b/a***
***The Medical Center, Navicent Health (the "Medical Center" or "MCNH")***

The Medical Center is a nonprofit medical center whose primary purpose is to provide inpatient, outpatient, physician care, home care, emergency and other health care related services to the central Georgia community. The Medical Center operates the Doctors Office Building, Central Georgia Pet, LLC and the Hospice of Central Georgia. The Medical Center is a controlled affiliate of Navicent Health.

The Medical Center leases certain assets from the Macon-Bibb County Hospital Authority (the "Authority") for a term of 30 years. Pursuant to the lease agreement dated February 14, 1995, effective October 1, 1995, substantially all assets of the Authority were transferred to the Medical Center and substantially all liabilities and operating responsibilities of the Authority were assumed by the Medical Center. Pursuant to the new lease agreement dated August 1, 2005, the lease term has been extended to July 30, 2045. In addition, the Medical Center pays bond indebtedness, the related interest thereon, and certain other expenses of the Authority. At the expiration or termination of the agreement, all assets of the Medical Center and certain interests of affiliated entities shall be distributed, subject to such debt or other liabilities as may be applicable, to the Authority.

***Central Georgia Health Ventures, Inc. d/b/a Health Ventures, Navicent Health ("HVNH")***

HVNH was incorporated on February 14, 1995 and is a taxable corporation.

***Health Services of Central Georgia, Inc. d/b/a Navicent Health Physician Group ("NHPG")***

NHPG, incorporated on February 24, 1997, is a nonprofit corporation whose primary purpose is to employ healthcare providers such as physicians, nurse practitioners and physician assistants that are in short supply in private practice and to provide medical education.

***Central Georgia Senior Health, Inc. d/b/a Carlyle Place, Navicent Health ("Carlyle Place")***

Carlyle Place, incorporated on May 2, 1997, is a nonprofit corporation whose primary purpose is to construct, own, and operate a continuing care retirement community in Macon, Georgia.

***Medcen Community Health Foundation, Inc. d/b/a***
***Medcen Community Health Foundation, Navicent Health ("Medcen")***

Medcen, incorporated on July 13, 1973, is a nonprofit corporation whose primary purpose is to raise funds of any kind or character to be used exclusively for charitable, medical, educational, and scientific purposes at or in connection with Navicent Health.

### *Centra Professional Indemnity, Ltd. ("CPI")*

CPI, incorporated on November 14, 1995, is a controlled foreign corporation whose primary purpose is to provide certain professional and workers' compensation insurance coverage for Navicent Health.

### *Central Georgia Rehabilitation Hospital, LLC d/b/a Rehabilitation Hospital, Navicent Health ("RHNH")*

RHNH is a Georgia limited liability company whose sole member is Navicent Health, Inc. The Limited Liability Company operating agreement was made effective as of June 28, 2006, by Navicent Health, Inc. RHNH is operated with the sole mission to provide rehabilitation services to the central Georgia community.

### *Central Georgia PET, LLC ("PET")*

PET was incorporated on December 5, 2001, for the purpose of operating an outpatient radiology imaging center. MCNH has a 66.7% ownership interest in PET whose operations are consolidated within MCNH's consolidated financial statements. Included in unrestricted net assets at September 30, 2016 and 2015, are approximately $472,000 and $476,000, respectively, representing the noncontrolling interest in PET.

### *Secure Health Plans of Georgia, LLC ("SHPG")*

SHPG, incorporated on November 6, 1996, is a limited liability company whose primary purpose is to provide certain health care services through the establishment, operation, and maintenance of a diversified portfolio of insurance products. Navicent Health provided 50.4% of the capital of SHPG. Included in unrestricted net assets at September 30, 2016 and 2015, are $4,768,000 and $4,371,000, respectively, representing the noncontrolling interest in SHPG.

### *The Medical Center of Peach County, Inc. d/b/a The Medical Center of Peach County, Navicent Health ("Peach Medical Center")*

Peach Medical Center, incorporated during 2012, is a controlled nonprofit medical center whose primary purpose is to provide inpatient, outpatient, physician care, emergency and other health care related services to the Peach County, Georgia area.

On March 27, 2012, The Hospital Authority of Peach County ("Peach Authority") and the Peach Medical Center entered a Lease and Transfer Agreement ("Lease"). The commencement date of the Lease was not determined at that time. Under the terms of the Lease agreement, Navicent Health would manage and operate the hospital facility once the Lease commenced.

On January 1, 2013, the Lease agreement was amended such that the commencement date was January 1, 2013. As a result of this transaction, all hospital related operations under the Peach Authority, and related assets and liabilities were transferred to the Peach Medical Center on January 1, 2013.

### *Stratus Healthcare*

Navicent Health (including the Medical Center, Peach Medical Center and RHNH) is a member of Stratus Healthcare ("Stratus") an alliance of 21 hospitals and 13 health systems. Stratus is a collaborative partnership of hospitals, the largest of its kind in the Southeast, in central and South Georgia that has formed to create a network of hospitals, health care systems and physicians. Members of the Stratus alliance will work together to exchange best practices, combine resources, develop coordinated information systems, reduce costs and manage the health of populations, providing the Federal healthcare reform will require that medical care be reimbursed based on a fee-for-value framework rather than the fee-for-service model used in the past.

## 2. Significant Accounting and Reporting Policies

A summary of the significant accounting and reporting policies followed by Navicent Health in the preparation of its consolidated financial statements is presented below:

### *Accounting Standards*

Navicent Health follows accounting standards set by the Financial Accounting Standards Board, commonly referred to as the "FASB." The FASB sets accounting principles generally accepted in the United States of America ("GAAP") that Navicent Health follows to ensure consistent reporting of its financial condition, results of operations, and cash flows. References to GAAP issued by the FASB in these footnotes are to the *FASB Accounting Standards Codification,* sometimes referred to as the "Codification" or "ASC". Updates to the Codification are referred to as Accounting Standard Updates ("ASU").

### *Principles of Consolidation*

The consolidated financial statements include the accounts of Navicent Health and all affiliated entities. All significant intercompany transactions and accounts have been eliminated in consolidation.

### *Fair Value Measurements*

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs in measuring fair value, and GAAP establishes a three level hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

Level 1

Quoted prices in active markets for identical assets or liabilities such as debt and equity securities, mutual funds, and money market accounts that are traded in an active market, and other cash equivalents. Level one investments include common stocks, equity mutual funds and money market funds that are traded in an active market.

Level 2

Observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Navicent Health's level two investments include corporate bonds, U.S. government obligations, and asset and mortgage backed securities. Navicent Health 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.

Level 3

Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. Navicent Health's level three investments include limited liability partnerships and limited liability companies. The fair value for these investments are determined by applying Navicent Health's ownership percentage to the net asset value of the investment fund. Underlying investments of the funds include hedge funds, real estate funds, mortgage backed securities, asset backed securities and global equity fund of funds.

### *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash on hand, deposits with banks and investments in highly liquid debt instruments with maturities of three months or less when purchased, excluding assets limited as to use. From time to time Navicent Health deposits at banks exceed the Federal Deposit Insurance Corporation insurance limit. By policy, the amount of credit exposure to any one institution is limited, and such investments are generally not collateralized.

### *Investments*

Investments in marketable equity securities and all investments in debt securities are stated at fair value in the consolidated balance sheets. All investments have been designated by management to be other than trading securities. Investment income or loss (including realized gains and losses on investments, interest, dividends and other-than-temporary impairment in investments) is included in the excess of unrestricted revenues, gains, and other support over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess of unrestricted revenues, gains, and other support over expenses.

Management evaluates individual securities to ascertain whether other-than-temporary impairment (“OTTI”) has occurred. Management considers several factors including when the security might recover in value, declines in market value below 80% of the original cost for a period in excess of a year, and whether or not management intends to hold the respective security until the anticipated recovery in value occurs. No OTTI was recognized during 2016, and OTTI in the amount of $6,751,000 was recognized as a realized loss during 2015.

### *Assets Limited as to Use*

Assets limited as to use include assets held by trustees under bond indenture agreements, held for use for Medcen activities and by donor restrictions, set aside for the self-insurance reserve fund, or set aside by the Board of Directors (“Board”) for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes.

### *Interest Rate Swap*

Navicent Health utilizes an interest rate swap to manage the variability in interest rates on certain of its variable rate debt. Derivative instruments are required to be reported at fair value as either assets or liabilities in the balance sheet. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, an entity must designate the hedging instrument, based upon the exposure being hedged. For derivative instruments not designated as hedging instruments, the changes in fair value are recognized in the performance indicator.

The performance indicator (excess of unrestricted revenues, gains, and other support over expenses) reported by not-for-profit healthcare organizations is analogous to income from continuing operations of a for-profit enterprise. Navicent Health does not account for the interest rate swap under hedge accounting, and, accordingly, changes in the value of the swap are recorded above the performance indicator. Due to the uncertainty inherent in the valuation process, such estimates of fair value may differ significantly from the values that would have been used had a ready market for the securities existed.

### *Patient Accounts Receivable*

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

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

### *Allowance for Uncollectible Accounts*

The allowance for uncollectible accounts is based upon management's assessment and consideration of historical and expected net collections, business and economic conditions, trends in health care coverage, and other collection indicators. Periodically, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category. The results of this review are then used to make any modifications to the provision for bad debts to establish an appropriate allowance for uncollectible accounts. Navicent Health’s allowance for doubtful accounts for self-pay patients was 98% of self-pay accounts receivable at September 30, 2016 and 2015.

### *Inventory*

Inventory is included as a component of other current assets on the consolidated balance sheets, and consists primarily of medical supplies that are stated principally at the lower of average cost or market.

### *Property and Equipment*

Property and equipment acquisitions are recorded on the basis of cost. Expenditures for maintenance and repairs are charged to expense. Expenditures that materially increase the value of property and equipment or extend useful lives are capitalized as a cost of the applicable property and equipment. Navicent Health removes the costs and related allowances from the accounts for properties sold or retired.

Property and equipment are depreciated using straight-line methods over their estimated economic lives. Useful lives range from 5 to 25 years for land improvements, 20 to 40 years for buildings, and 3 to 15 years for equipment.

### *Long-Lived Assets*

Periodically, reviews are performed of long-lived assets, such as property and equipment and goodwill, to determine whether any impairment exists. Management believes that the long-lived assets in the accompanying consolidated balance sheets are appropriately valued at September 30, 2016 and 2015.

### *Vacation Policy*

Employee vacation pay is accrued when earned by the employee and is recorded within accrued compensation and withholdings on the consolidated balance sheets.

### *Entrance Fee Deposits*

Deposits received from future residents (10% of the entrance fee) of the continuing care retirement community are held in an escrow account, earning interest, until the residents move into the continuing care retirement community. These deposits are recorded as a current liability.

### *Refundable and Nonrefundable Entrance Fees*

Refundable and nonrefundable entrance fees are received from residents upon admission to the continuing care retirement community.

Certain contracts with residents stipulate that entrance fees are refundable on a vacated unit when the entrance fee on a comparable unit has been collected but are not limited to the proceeds of re-occupancy. These refundable entrance fees are recorded as refunds payable.

Certain contracts with residents stipulate that entrance fees are not refundable 48 months after the original contract date. Nonrefundable entrance fees are recorded as deferred revenue and amortized on a straight-line basis over the life expectancy of the resident on the date of occupancy. Unamortized deferred revenue from nonrefundable entrance fees is recorded as revenue upon a resident's death or the termination of the contract.

### *Temporarily Restricted Net Assets*

Temporarily restricted net assets are those whose use is restricted by the donor for a specific time period or purpose.

### *Net Patient Service Revenue, Less Provision for Bad Debts*

Net patient service revenue, less provision for bad debts, is reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Navicent Health’s revenues may be subject to adjustment as a result of examination by government agencies or contractors, and as a result of differing interpretation of government regulations, medical diagnosis, charge coding, medical necessity, or other contract terms. The resolution of these matters, if any, often is not finalized until subsequent to the period during which the services were rendered.

### *Reserve for Self-Insured Losses*

Navicent Health is insured by CPI for certain professional and workers’ compensation insurance. CPI determines its provision for known cases on the basis of the losses reported to it by a claims handler. CPI has engaged the services of independent consulting actuaries to advise on the required level of total outstanding loss reserves. The provision for outstanding loss reserves is therefore based upon the advice of these actuaries and management’s best estimate for the ultimate development of losses reported.

Changes in estimates of outstanding claims reserves resulting from the continuous review process and differences between estimates and payments are recognized in income in the period in which they are determined.

CPI records its estimated liabilities gross of any amounts recoverable under its own reinsurance, which amounts, if any, are recorded separately in the consolidated balance sheets. In the event that CPI reinsurers are unable to meet their obligations under the reinsurance agreements, CPI would be liable to pay all losses under the reinsurance assumed but would only receive reimbursement to the extent that the reinsurers can meet their obligations.

### *Operating and Nonoperating Activities*

Navicent Health's primary purpose is to provide diversified health care services to the community. As such, activities related to the ongoing operations of Navicent Health are classified as operating activities. Operating revenues include those generated from direct patient care, related support services, and sundry revenues related to the operation of Navicent Health. Activities not directly related to the ongoing operations of Navicent Health, or that occur infrequently, are reported as other revenue. Included in other revenue are activities related to cafeteria, parking, grant, and other miscellaneous revenues. In addition, gains or losses from disposition of operating properties, earnings on interest bearing deposits, change in fair values of interest rate swaps, interest on nonoperating investments, and marketable securities that are used to support health related activities are reported as other income.

### *Charity Care*

Navicent Health provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Navicent Health accepts all patients regardless of their ability to pay. Because Navicent Health does not pursue collection of amounts determined to qualify as charity care, such amounts are excluded from net patient service revenue. Partial payments to which Navicent Health is entitled from public assistance programs on behalf of patients that meet Navicent Health's charity care criteria are reported as net patient service revenue.

Navicent Health, under its financial assistance and uninsured discount policies, provides care without charge or at discounted rates to all uninsured patients, including any uninsured patient who experiences catastrophic-related illness or injury. Key elements used to determine eligibility for financial assistance include a patient's demonstrated inability to pay based on family size and household income relative to Federal income poverty guidelines. Amounts determined to qualify as financial assistance are not reported as net patient service revenue. The estimated cost of services of charity care provided under Navicent Health's financial assistance policy is estimated by applying a cost to charge ratio to the amount of applicable charges foregone. These costs amount to approximately $36,035,000 and $36,273,000 for 2016 and 2015, respectively.

### *Excess of Unrestricted Revenues, Gains, and Other Support Over Expenses*

The consolidated statements of operations include excess of unrestricted revenues, gains, and other support over expenses. Changes in unrestricted net assets which are excluded from excess of unrestricted revenues, gains, and other support over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, changes in unfunded pension and postretirement plan gains and losses, 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).

### *Gifts, Contributions, and Grants*

Gifts, contributions, and grants are recorded at market value as of the date of receipt. Noncash items are recorded at market value on the date of the gift. Contributions restricted by the donor are recorded in restricted net assets at market value on the date of the contribution.

### *Donor-Restricted Gifts*

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are 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.

### *Income Tax*

Navicent Health, Inc., the Medical Center, NHPG, Carlyle Place, and Medcen are organizations exempt from federal income tax, pursuant to Section 501(a) as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. CPI is a foreign corporation not subject to tax in the United States. PET, RHNH and SHPG are organized under Georgia law and the Internal Revenue Code as limited liability companies ("LLC"). The members of an LLC report taxable income or loss on their corporate or individual tax returns. Navicent Health's share of income from PET, RHNH and SHPG operations is not considered unrelated business income ("UBI") and is therefore not subject to tax. Navicent Health and its affiliates have evaluated their tax positions and have determined that they do not have any material unrecognized tax benefits or obligations as of September 30, 2016.

HVNH is subject to income tax. With respect to its for-profit subsidiaries, Navicent Health accounts for income taxes in accordance with 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 periods that the deferred tax asset or liability is expected to be realized or settled.

### *Use of Estimates*

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *Asset Retirement Obligations*

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. Navicent Health recognizes a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated.

### *Cash Surrender Value of Insurance Policies*

Navicent Health previously had a supplemental executive benefit program (“SEBP”) for current and retired executives (“Executive” or “Executives”) that was designed to protect against the loss of key employees. Navicent Health paid premiums on insurance policies for each Executive in the plan. Navicent Health anticipated that the cash surrender value of the policies would grow to amounts sufficient for the Executives to take withdrawals from, or borrow against, the value to supplement the Executives’ retirement income. During 2009, Navicent Health suspended the SEBP program and stopped making further premium payments on the insurance policies.

Navicent Health continues to retain an assigned interest in the life insurance policies. The cash surrender value of the policies amounted to approximately $23,692,000 and $22,348,000 at September 30, 2016 and 2015, respectively, and these amounts are included as a long-term asset in the consolidated balance sheets.

### *Pension Plan and Postretirement Health Care Benefits*

Navicent Health sponsors a defined benefit pension plan and a postretirement health care plan. Navicent Health recognizes the overfunded and underfunded status of the defined benefit pension and postretirement plans in its balance sheets. Changes in the funded status are recorded in the year in which the changes occurred through changes in unrestricted net assets. Plan assets and benefit obligations are measured as of the date of the fiscal year-end balance sheet.

### *Subsequent Events*

Navicent Health evaluated the effect subsequent events would have on the consolidated financial statements from October 1, 2016 through January 27, 2017, which is the date the consolidated financial statements were issued. Navicent Health did not have any material recognizable subsequent events during that period.

## 3. Net Patient Service Revenue

A summary of payment arrangements with major third-party payors follows:

### *Medicare*

Medicare inpatient and outpatient services, with certain limited exceptions, are based on a prospective reimbursement methodology referred to as the Prospective Payment System ("PPS") for inpatients and Ambulatory Payment Classifications ("APCs") for outpatients. Under PPS, a hospital is reimbursed at predetermined rates for an episode of care based on diagnosis-related groups ("DRGs") for inpatients and APCs for outpatients, which classify treatments for illnesses according to the estimated intensity of hospital resources necessary to furnish care for each diagnosis. As a teaching hospital, Navicent Health receives payments for training physicians and other medical professionals (graduate medical education or GME payments). These payments are in two different forms, direct medical education ("DME") and indirect medical education ("IME") payments. DME payments support the direct costs of training while IME payments support the higher infrastructure that teaching hospitals incur relating to teaching, and higher patient acuity. As a hospital serving a disproportionate share of low-income patients (Medicare and Medicaid patients eligible to receive supplemental Social Security income), Navicent Health also receives additional payments in the form of disproportionate share payments.

Navicent Health is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report and audits thereof by the Medicare fiscal intermediary. Navicent Health's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. Navicent Health's cost reports have been audited and final settled by the Medicare fiscal intermediary through September 30, 2009.

### *Medicaid*

Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a diagnostic related group based methodology that is not subject to retroactive settlement. Outpatient services are paid on a cost reimbursement methodology subject to certain limits. Services rendered under this program are recorded at established rates and reduced to the estimated amount due from the third-party payors through recording of contractual adjustments and other discounts. Because Navicent Health cannot pursue collections for the contractual or discounted amounts, they are not reported as revenue.

Beginning June 1, 2006, Georgia Medicaid moved a significant portion of its recipients to managed care companies called Care Management Organizations ("CMO"). Contractual payments are made by the CMO for services provided using the same methodology and payment rates as traditional Medicaid. Navicent Health's cost reports have been audited and final settled by the Medicaid fiscal intermediary through September 30, 2013.

### *Managed Care and Other Payors*

Navicent Health has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The bases for payment to Navicent Health under these agreements include prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Net patient service revenues are reported at the estimated net realizable amounts from third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and are adjusted in future periods as interim or final settlements are determined. In the opinion of management, adequate provisions have been made for any adjustments that may result from such reviews. However, it is reasonably possible that recorded estimates will change by material amounts in the near term. Net patient service revenue increased approximately $1,023,000 and $2,786,000 for 2016 and 2015, respectively, due to changes in amounts previously estimated as a result of final settlements and changes in estimates.

**(tabular amounts in thousands)**

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Navicent Health believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on the consolidated financial statements. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

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. During 2014, CMS introduced a program whereby hospitals could settle RAC appeals at 68% of the disputed amount. During 2015, Navicent Health collected the settlement from CMS totaling $6,115,000.

Gross patient service charges and net patient service revenue for the years ended September 30 include:

| | 2016 | 2015 |
|---|---|---|
| Gross patient service charges | $ 2,629,313 | $ 2,470,746 |
| Contractual adjustments | 1,685,016 | 1,529,689 |
| Charity care: | | |
| Charity care charges | 143,262 | 144,747 |
| County contributions from tax revenue | (452) | (469) |
| Other state funding | - | (652) |
| Net charity care | 142,810 | 143,626 |
| Other adjustments | 6,794 | 3,365 |
| Total contractual and other adjustments | 1,834,620 | 1,676,680 |
| Patient service revenue (net of contractual allowances and discounts) | 794,693 | 794,066 |
| Less provision for bad debts | 90,735 | 79,883 |
| Net patient service revenue, less provision for bad debts | $ 703,958 | $ 714,183 |

### *Indigent Care Trust Fund*

Under the provisions of the Georgia Indigent Care Trust Fund Act ("ICTF"), Medicaid disproportionate share hospitals ("DSH") may contribute funds to be used by the State in the Medicaid program and which will be supplemented by federal funds (combination dollars). The combination dollars are returned to DSH as additional Medicaid inpatient reimbursement.

Amounts recorded in patient service revenue (net of contractual allowances and discounts) in the consolidated financial statements related to the ICTF are summarized approximately as follows:

| | 2016 | 2015 |
|---|---|---|
| Amounts received from the ICTF | $ 7,186 | $ 6,429 |
| Contribution to ICTF | 2,333 | 2,126 |
| Excess received over contribution | $ 4,853 | $ 4,303 |

**(tabular amounts in thousands)**

### *Upper Payment Limit*

Under the provisions of the Georgia Upper Payment Limit Rate adjustments ("UPL"), government owned or operated hospitals, nursing homes and critical access eligible hospitals may contribute funds to be used by the state in the Medicaid program, which will be supplemented by federal funds (combination dollars).

Amounts recorded in the consolidated financial statements related to the UPL are summarized approximately as follows:

| | 2016 | 2015 |
|---|---|---|
| Amounts received from UPL | $ 6,861 | $ 10,678 |
| Contributions to UPL | 2,260 | 3,554 |
| Excess received over contribution | $ 4,601 | $ 7,124 |

Net amounts received under the ICTF and UPL programs are recorded in net patient service revenue. The federal government does not ensure future ICTF and UPL funding. Reduced ICTF and UPL funding may impact the Navicent Health's operations.

### *HITECH Incentive Funding for Meaningful Use of Electronic Health Records*

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

Navicent Health recognizes revenue for EHR incentive payments in the period in which it has attested that it is in compliance with the applicable EHR meaningful use requirements. During 2016, Navicent Health attested to meeting the requirements. Accordingly, Navicent Health recognized approximately $739,000 in other revenue for amounts from Medicare in the consolidated statement of operations for the year ended September 30, 2016.

During 2015, Navicent Health attested to meeting the requirements for Medicare and Medicaid EHR stage 3. Accordingly, Navicent Health recognized approximately $2,281,000 in other revenue for amounts from Medicare and Medicaid in the consolidated statement of operations for the year ended September 30, 2015.

**(tabular amounts in thousands)**

## 4. Investments

Investments are summarized as follows:

| | 2016 | 2015 |
|---|---|---|
| Short-term investments: | | |
| Money market fund | $ 31,147 | $ 31,425 |
| Equity securities | 259,108 | 237,897 |
| Alternative investments | 227,826 | 290,901 |
| Asset backed securities | 50,469 | 53,869 |
| Fixed Income Mutual funds | 4,069 | - |
| U.S. Treasury obligations and other government backed securities | 84,721 | 89,826 |
| Corporate bonds | 22,650 | 23,373 |
| | $ 679,990 | $ 727,291 |
| Long-term alternative investments | $ 55,889 | $ 19,144 |

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.

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

The recorded market price for alternative investments is estimated by the individual investment manager taking into account such factors as the financial condition of each investee, economic and market conditions affecting their operations, any changes in management, the length of time since the initial investment, recent transactions involving the securities of the investee, the value of similar securities issued by companies in the same or similar businesses, and limited marketability of the portfolio.

Valuations provided by the general partners and investment managers are evaluated by management through accounting and financial reporting processes to review and monitor existence and valuation assertions. Due to the inherent uncertainty of valuation of the 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.

Investment income for assets limited as to use and short-term investments for the years ended September 30 includes:

| | 2016 | 2015 |
|---|---|---|
| Investment income: | | |
| Interest and dividends | $ 15,574 | $ 11,744 |
| Loss recognized on OTTI | - | (6,751) |
| Realized gains | 32,713 | 34,777 |
| | $ 48,287 | $ 39,770 |
| Other changes in unrestricted net assets: | | |
| Unrealized gains (losses) on investments, other than trading securities | $ 4,439 | $ (32,257) |

**(tabular amounts in thousands)**

## 5. Assets Limited as to Use

The composition of assets limited as to use stated at fair value is set forth in the following table:

| | 2016 | 2015 |
|---|---|---|
| Self-insurance reserve fund (held primarily by CPI): | | |
| Money market funds | $ 2,681 | $ 3,304 |
| Corporate bonds | 10,893 | 16,111 |
| U.S. government securities | 6,572 | 3,825 |
| U.S. mortgage and asset backed securities | 14,028 | 10,958 |
| Mutual funds | 32,092 | 31,624 |
| Equity securities | 6,340 | 5,961 |
| Other | 5,704 | 6,314 |
| | 78,310 | 78,097 |
| Medcen: | | |
| Cash and cash equivalents | 98 | 197 |
| Money market funds | 3,221 | 3,885 |
| U.S. government securities | 5,351 | 5,341 |
| U.S. corporate bonds | 2,762 | 5,086 |
| Mortgage backed securities | 869 | 1,457 |
| Mutual funds | 17,684 | 12,625 |
| Equity securities | 27,331 | 25,612 |
| Private equities | 42,703 | 37,746 |
| | 100,019 | 91,949 |
| Reservation deposits, held under escrow agreement: | | |
| Cash and cash equivalents | 461 | 421 |
| Held by trustee under indenture agreement: | | |
| Money market funds | 84 | 93 |
| Designated by Board: | | |
| Other | 15,740 | 14,424 |
| | $ 194,614 | $ 184,984 |

**(tabular amounts in thousands)**

## 6. Property and Equipment

Property and equipment consisted of the following at September 30:

| | 2016 | 2015 |
|---|---|---|
| Land and land improvements | $ 31,226 | $ 30,529 |
| Buildings and improvements | 463,815 | 452,102 |
| Parking deck | 46,473 | 46,473 |
| Movable equipment | 360,066 | 348,712 |
| Fixed equipment | 105,052 | 102,979 |
| | 1,006,632 | 980,795 |
| Less accumulated depreciation | 650,481 | 612,286 |
| | 356,151 | 368,509 |
| Construction-in-progress | 43,543 | 29,101 |
| | $ 399,694 | $ 397,610 |

Depreciation expense for the years ended September 30, 2016 and 2015 amounted to approximately $39,215,000 and $40,182,000, respectively.

## 7. Asset Retirement Obligations

The fair value of a liability for a conditional asset retirement obligation is recognized in the period in which it occurred if a reasonable estimate of fair value can be made. Navicent Health has determined that conditional legal obligations exist for its facilities related primarily to asbestos materials. Navicent Health has recorded a liability of approximately $1,671,000 and $1,681,000 for the estimated present value for the conditional asset retirement obligation at September 30, 2016 and 2015, respectively. The discount rate used to calculate the present value of the obligation was 4.0% at September 30, 2016 and 2015. A related amount is recorded in property and equipment of approximately $288,000 and $336,000, representing the remaining un-depreciated cost of the asset retirement obligation at September 30, 2016 and 2015, respectively.

**(tabular amounts in thousands)**

## 8. Long-Term Debt

MCNH, Navicent Health, Medcen, and NHPG comprise the Obligated Group. Navicent Health is a limited obligor in respect to the Series 2000 Revenue Anticipation Certificates. A summary of long-term debt of the Obligated Group at September 30 follows:

| | 2016 | 2015 |
|---|---|---|
| Taxable loan, issued in January 2012, variable interest rate, 1.48% at September 30, 2016, due in varying installments to 2022; collateralized by the gross revenues of the Obligated Group | $ 39,868 | $ 39,868 |
| Revenue Anticipation Certificates, Series 2012A issued in January 2012, variable interest rate, 1.26% at September 30, 2016, due in varying installments to 2018; collateralized by the gross revenues of the Obligated Group | 4,900 | 7,100 |
| Revenue Anticipation Certificates, Series 2012B issued in January 2012, variable interest rate, 1.26% at September 30, 2016, due in varying installments to 2018; collateralized by the gross revenues of the Obligated Group | 12,800 | 17,000 |
| Revenue Anticipation Certificates, Series 2012C issued in January 2012, variable interest rate, 1.36% at September 30, 2016, due in varying installments to 2028; collateralized by the gross revenues of the Obligated Group | 12,100 | 13,000 |
| Revenue Anticipation Certificates, Series 2012D issued in January 2012, variable interest rate, 1.27% at September 30, 2016, due in varying installments from 2020 to 2040; collateralized by the gross revenuesof the Obligated Group | 26,170 | 26,170 |
| Revenue Anticipation Certificates, Series 2009 issued in September 2009, fixed interest rates ranging between 4% and 5%, due in varying installments beginning in 2019 to 2035; collateralized by the gross revenues of the Obligated Group; amount is net of unamortized bond discount of $44 and $47, respectively | 80,755 | 80,753 |
| Revenue Anticipation Certificates, Series 2015 for MCNH variable interest rates, 1.23% at September 30, 2016, due in varying installments to 2026; collateralized by the gross revenues of the Obligated Group | 10,160 | 11,860 |
| Revenue Anticipation Certificates, Series 2015 for Carlyle Place issued in May 2015, variable interest rates, 1.23% at September 30, 2016, due in varying installments to 2035; collateralized by the 2015-A Master Note of the Obligated Group | $ 37,040 | $ 38,435 |
| | 223,793 | 234,186 |
| Less current portion | 9,840 | 10,395 |
| | $ 213,953 | $ 223,791 |

On May 1, 2015, the Macon-Bibb County Hospital Authority issued $11,860,000 Macon-Bibb County Hospital Authority Revenue Anticipation Certificates (The Medical Center of Central Georgia, Inc. Project), Series 2015 ("Series 2015 Certificates-MCNH"). The proceeds of the Series 2015 Certificates-MCNH were loaned to MCNH for the purpose of refunding the Macon-Bibb County Hospital Authority Revenue Anticipation Certificates (The Medical Center of Central Georgia Project) Series 2003A Certificates that were issued July 1, 2003 for the purpose of refunding the Series 1993A and 1993C Certificates and financing and reimbursing the cost of construction on the project.

**(tabular amounts in thousands)**

On May 1, 2015, the Macon-Bibb County Hospital Authority issued $38,435,000 Macon-Bibb County Hospital Authority Revenue Anticipation Certificates (The Medical Center of Central Georgia, Inc. Project), Series 2015 (“Series 2015 Certificates-CP”). The proceeds of the Series 2015 Certificates-CP were loaned to Carlyle Place for the purpose of refunding the Macon-Bibb County Hospital Authority Revenue Anticipation Certificates (Central Georgia Senior Health, Inc. – Carlyle Place Project) Series 2000 Certificates that were issued May 1, 2000 for the purpose of financing the cost of construction.

On January 31, 2012, the Authority issued $48,700,000 Macon-Bibb County Hospital Authority Revenue Anticipation Certificates (The Medical Center of Central Georgia, Inc. Project), Series 2012A, Series 2012B, and Series 2012C (“Series 2012 Certificates”). The proceeds of the Series 2012 Certificates were loaned to MCNH for the purpose of refunding Series 1997, Series 1998, and Series 2003B Certificates (“Prior Bonds”), respectively.

In addition, on January 31, 2012, the Authority issued the Macon-Bibb County Hospital Authority Revenue Anticipation Certificates (The Medical Center of Central Georgia, Inc. Project), Series 2012D to finance the construction of the Peach Medical Center hospital facility. Also on January 31, 2012, MCNH entered in to a taxable loan agreement (“Taxable Loan”). The proceeds of the Taxable Loan were used to finance the construction of various healthcare facilities.

In September 2009, the Authority issued $80,800,000 Macon-Bibb County Hospital Authority Revenue Anticipation Certificates (The Medical Center of Central Georgia, Inc. Project), Series 2009 Certificates (“Series 2009 Certificates”). The proceeds of the Series 2009 Certificates were loaned to MCNH to (i) payoff two bank loans totaling $80,000,000 obtained during 2009 that had been used to redeem the Series 2005 Certificates, and (ii) pay the costs of issuing the Series 2009 Certificates.

MCNH guarantees payment of the 2009, 2012A, 2012B, 2012C, 2012D, and 2015 Revenue Anticipation Certificates (collectively, the “Certificates”) to the Macon-Bibb County Hospital Authority in the form of a lease and transfer agreement. The Master Trust Indenture (the “Indenture”) for the Certificates was amended to include all members of the Obligated Group under the provisions of the Agreement. To secure prompt payment of principal and interest on the Certificates and secure performance of its obligation, the Obligated Group granted a security interest in its gross revenues (as more fully defined in the Indenture) and in all its property. The Obligated Group is subject to certain covenants, including limitations on additional indebtedness, transfers of assets, maintenance of certain amounts of insurance, and certain other financial covenants under the terms of the Indenture.

Interest paid in 2016 and 2015 totaled approximately $7,120,000 and $7,200,000, respectively.

Principal maturities of long-term debt are as follows:

**Years ending September 30:**

| | |
|---|---|
| 2017 | $ 9,840 |
| 2018 | 10,390 |
| 2019 | 9,970 |
| 2020 | 7,835 |
| 2021 | 8,095 |
| Thereafter | 177,663 |
| | $ 223,793 |

**(tabular amounts in thousands)**

## 9. Interest Rate Swaps

On October 1, 2001, Carlyle Place entered into an interest rate swap agreement in relation to $23,000,000 of its Revenue Anticipation Bonds, Series 2000. Although the 2000 Series was refinanced during 2015, the interest rate swap agreement remains intact. This interest rate swap agreement, which expires on September 1, 2021, requires Carlyle Place to make fixed-rate interest payments of 4.1% on a monthly basis in return for receiving a monthly variable-rate interest payment. As of September 30, 2016, the floating interest rate, which is based on 67% of LIBOR, was 0.35%. The fair value of Carlyle Place's interest swap liability was approximately $1,484,000 and $1,762,000 at September 30, 2016 and 2015, respectively, which is included in other long-term liabilities in the accompanying consolidated balance sheets. The fair value of the interest rate swap liability increased approximately $278,000 and $78,000 for the years ended September 30, 2016 and 2015, respectively.

MCNH has an interest rate swap agreement (“interest rate swap”) relating to a portion of the $52,000,000 Series 2005 Revenue Anticipation Bonds (“2005 Series”). Although the 2005 Series was refinanced during 2009, the interest rate swap agreement remains intact. The interest rate swap, which expires on August 1, 2035, requires MCNH to make fixed-rate interest payments of 3.1% on a monthly basis in return for receiving a monthly variable-rate interest payment equal to 67% of LIBOR, which was 0.35% at September 30, 2016. The fair value of MCNH's interest swap was a liability of approximately $13,787,000 and $11,206,000 at September 30, 2016 and 2015, respectively. These amounts are included in other long-term liabilities in the accompanying consolidated balance sheets. The fair value of the interest rate swap liability decreased approximately $2,581,000 and $2,947,000 for the years ended September 30, 2016 and 2015, respectively.

## 10. Entrance Fees

Nonrefundable and refundable entrance fees are summarized as follows:

| | 2016 | 2015 |
|---|---|---|
| Nonrefundable entrance fees | $ 24,354 | $ 24,310 |
| Accumulated amortization | 12,371 | 13,056 |
| | $ 11,983 | $ 11,254 |
| Refundable entrance fee liability | $ 28,562 | $ 30,806 |

Amortization of the nonrefundable entrance fees was approximately $1,476,000 and $1,108,000 for the years ended September 30, 2016 and 2015, respectively.

## 11. Postretirement Benefit Plans

### *Defined Benefit Pension Plan*

Navicent Health has a noncontributory defined benefit pension plan (“pension plan”) covering substantially all employees of Navicent Health. The benefits are based on years of service and the employee's highest compensation during three of the employee's last ten years of service. Navicent Health's funding policy is to contribute amounts to the plan sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus any additional amounts Navicent Health may determine to be appropriate.

The Board of Directors of Navicent Health (the “Board”) approved a redesign of the pension plan that was effective on January 1, 2008. The changes included freezing the plan as of December 31, 2007, with the plan closed to any new participants and all participants at December 31, 2007 remaining in the plan. Plan participants under the age of 40 on January 1, 2008 no longer accumulate benefits. During 2013, the Board approved an amendment to freeze the pension plan as of December 31, 2013, such that future benefits are no longer accrued for all employees after that date.

**(tabular amounts in thousands)**

### *Defined Benefit Health Care Plan*

Navicent Health sponsors a defined benefit health care plan ("health plan") that provides postretirement medical benefits to full-time employees who have worked 20 years and attained age 60 while in service with Navicent Health. The plan is contributory with retiree contributions adjusted annually, and it contains other cost-sharing features such as deductibles and coinsurance. Navicent Health's policy is to fund the cost of medical benefits in amounts determined at the discretion of management.

The funded status of the pension plan and health plan is measured as the difference between the fair value of the plans' assets and the projected benefit obligation of the plans.

The following tables present a reconciliation of the beginning and ending balances of the plans' projected benefit obligation, the fair value of plan assets, and the funded status of the plans:

| | Defined Benefit Pension Plan | | Defined Benefit Health Care Plan | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Projected benefit obligation, beginning of year | $ 388,160 | $ 360,247 | $ 40,733 | $ 35,997 |
| Change in benefit obligation: | | | | |
| Service cost | - | - | 1,644 | 1,322 |
| Interest cost | 14,879 | 16,414 | 1,330 | 1,423 |
| Actuarial (gain) loss | 41,736 | 22,161 | (721) | 3,964 |
| Benefits paid | (11,593) | (10,662) | (2,161) | (1,973) |
| Projected benefit obligation, end of year | $ 433,182 | $ 388,160 | $ 40,825 | $ 40,733 |

| | Defined Benefit Pension Plan | | Defined Benefit Health Care Plan | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Fair value of plan assets, beginning of year | $ 307,760 | $ 308,237 | $ - | $ - |
| Change in plan assets: | | | | |
| Actual return on plan assets | 27,567 | 2,185 | - | - |
| Contributions of plan sponsor | 8,000 | 8,000 | 2,161 | 1,973 |
| Contributions of plan participants | - | - | 376 | 397 |
| Benefits paid | (11,593) | (10,662) | (2,537) | (2,370) |
| Fair value of plan assets, end of year | $ 331,734 | $ 307,760 | $ - | $ - |
| Unfunded status, end of year | $ (101,448) | $ (80,400) | $ (40,825) | $ (40,733) |

**(tabular amounts in thousands)**

Amounts recognized on the consolidated balance sheets at September 30, 2016 and 2015, are as follows:

| | Defined Benefit Pension Plan | | Defined Benefit Health Care Plan | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Other current liabilities | $ - | $ - | $ 2,249 | $ 2,411 |
| Other long-term liabilities | - | - | 38,576 | 38,322 |
| Accrued pension plan liability | 101,448 | 80,400 | - | - |
| | $ 101,448 | $ 80,400 | $ 40,825 | $ 40,733 |

Included in unrestricted net assets at September 30, 2016 and 2015, are the following amounts that have not yet been recognized in the net periodic pension and postretirement benefit cost:

| | Defined Benefit Pension Plan | | Defined Benefit Health Care Plan | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Unrecognized prior service cost (credit) | $ - | $ - | $ 87 | $ 51 |
| Unrecognized actuarial loss | 182,091 | 148,257 | 12,712 | 14,182 |
| | $ 182,091 | $ 148,257 | $ 12,799 | $ 14,233 |

Changes recognized in unrestricted net assets for the years ended September 30, 2016 and 2015, are as follows:

| | Defined Benefit Pension Plan | | Defined Benefit Health Care Plan | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Net actuarial (gain) loss | $ 36,855 | $ 41,412 | $ (721) | $ 3,964 |
| Amortization of prior service costs | - | - | 36 | 36 |
| Amortization of actuarial loss | (3,021) | (2,486) | (749) | (632) |
| | $ 33,834 | $ 38,926 | $ (1,434) | $ 3,368 |

The estimated prior service cost and net gain to be recognized in net periodic pension expense and net periodic postretirement cost during the next fiscal year are as follows:

| | Defined Benefit Pension Plan | | Defined Benefit Health Care Plan | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Prior service credit | $ - | $ - | $ 12 | $ (36) |
| Actuarial loss | 4,110 | 3,021 | 644 | 749 |

**(tabular amounts in thousands)**

A summary of the components of net periodic benefit cost (income) at September 30, 2016 and 2015 is as follows:

| | Defined Benefit Pension Plan | | Defined Benefit Health Care Plan | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Service cost | $ - | $ - | $ 1,644 | $ 1,322 |
| Interest cost | 14,879 | 16,414 | 1,330 | 1,423 |
| Expected return on plan assets | (22,686) | (21,436) | - | - |
| Amortization of unrecognized prior service cost (credit) | - | - | (36) | (36) |
| Amortization of net loss | 3,021 | 2,486 | 749 | 632 |
| | $ (4,786) | $ (2,536) | $ 3,687 | $ 3,341 |

Assumptions used in determining the actuarial present value of the projected benefit obligations as of September 30, 2016 and 2015, are as follows:

| | Defined Benefit Pension Plan | | Defined Benefit Health Care Plan | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Weighted-average discount rate | 3.89% | 4.62% | 3.51% | 4.17% |
| Rate of increase in compensation Levels | - | - | - | - |

Assumptions used in determining the net periodic benefit cost for the years ended September 30, 2016 and 2015 are as follows:

| | Defined Benefit Pension Plan | | Defined Benefit Health Care Plan | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| Weighted-average discount rate | 4.62% | 4.63% | 4.17% | 4.08% |
| Rate of increase in compensation levels | N/A | N/A | - | - |
| Expected long-term rate of return on assets | 7.25% | 7.25% | - | - |

The weighted-average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) is 7.35% for 2016, decreasing annually to 4.5% in 2024. The health care cost trend rate assumption has an effect on the amounts reported. For example, increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of September 30, 2016, by approximately $3,484,000 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for 2016 by approximately $430,000.

Navicent Health uses fair market value as the market-related value of assets in calculating the expected return on the plan assets component of net periodic pension expense and net periodic postretirement benefit for the years ended September 30, 2016 and 2015.

During 2017, Navicent Health expects to contribute approximately $8,000,000 and $2,250,000, respectively, to its defined benefit pension plan and health care plan.

**(tabular amounts in thousands)**

Benefits expected to be paid in each of the next five fiscal years and thereafter are estimated as follows:

| | Defined Benefit Pension Plan | Defined Benefit Health Care Plan |
|---|---|---|
| Years ending September 30: | | |
| 2017 | $ 14,108 | $ 2,250 |
| 2018 | 15,196 | 2,347 |
| 2019 | 16,281 | 2,468 |
| 2020 | 17,437 | 2,512 |
| 2021 | 18,632 | 2,563 |
| 2022-2026 | 108,690 | 15,029 |

The target allocation for the pension plan is as follows as of September 30, 2016 and 2015:

| | Minimum | Target | Maximum |
|---|---|---|---|
| Equity securities | 27% | 50% | 78% |
| Debt securities | 14% | 31% | 52% |
| Alternative investments | 5% | 19% | 40% |

To develop the expected long-term rate of return on assets assumptions, Navicent Health considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio.

The Plan investment strategy is focused on matching the emerging long-term needs of the retirement plan with the proven, long-term performance patterns of the various investment markets. The Plan's investments represent the opportunity to reduce Navicent Health's cost of funding plan benefits, provide a funding resource for possible future enhancement of plan benefits, and insulate the Plan's assets against deterioration of purchasing power caused by inflation.

The target allocation of all assets is to reflect proper diversification in order to reduce the potential of a single security or single sector of securities having a disproportionate impact on the portfolio. In an effort to maintain the overall risk level of the portfolio within an acceptable range, the relative mix of asset classes will be rebalanced back toward the target allocations as opportunities permit, but in any event not less often than annually. Navicent Health utilizes an outside investment consultant to implement its investment strategy.

## 12. Income Taxes

Deferred income taxes 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 September 30, 2016 and 2015, deferred income taxes have no net carrying value. As of September 30, 2016 and 2015, Navicent Health had deferred tax assets of approximately $4,500,000 and $4,400,000, respectively, relating principally to net operating loss carryovers. As of September 30, 2016 and 2015, such deferred tax assets were offset by a valuation allowance of an equal amount.

Federal net operating loss carryovers for HVNH totaled approximately $11,900,000 at September 30, 2016, and will expire between 2017 and 2030.

## 13. Commitments and Contingencies

### *Litigation*

Navicent Health is involved in litigation arising in the ordinary course of business.

In August 2008, the U.S. Department of Health and Human Services, Office of Inspector General ("OIG") issued a subpoena ("the Short-Stay Matter") to MCNH requesting documents concerning Medicare reimbursement for zero- and one-day stays, three-day inpatient admissions, where the patient was discharged directly to a skilled nursing facility, and billing of evaluation and medical services. In April 2009, a second subpoena was received related to the Short-Stay Matter requesting certain medical records. During 2014, MCNH reached an agreement with the OIG related to the Short-Stay Matter, agreeing to pay $20,000,000. This settlement was paid in April 2015.

In September 2010, MCNH received a letter from the OIG making the hospital aware that it was conducting an investigation to determine whether or not certain hospitals have submitted claims for payment for the implantation of implantable cardioverter defibrillators ("ICD's") which were not medically indicated and/or otherwise violated Medicare payment policy. During 2014, MCNH reached an agreement with the OIG related to the ICD matter, agreeing to pay $1,600,000. This settlement was paid in December 2014.

In connection with the settlement agreements, MCNH entered into a Corporate Integrity Agreement ("CIA") with the OIG to promote compliance with the statues, regulations, and written directives of Medicare, Medicaid, and all other Federal health care programs. The CIA will last five years from commencement in April 2015 and will require MCNH to provide certain information and maintain certain requirements each year.

### *General and Professional Liability Insurance*

Navicent Health is currently insured for commercial general liability on an occurrence basis and professional liability on a claims-made basis by Centra Professional Indemnity, Ltd. ("CPI"), a wholly-owned subsidiary of Navicent Health, and excess coverage by commercial insurance carriers through CPI. The excess coverage limits are $40,000,000 for each of 2016 and 2015. The coverage for professional liability is limited to claims incurred and reported during its term. Actuarially determined funding is provided for losses.

For all claims prior to October 1, 2002, the policy had a limit of $2 million per occurrence and $6 million in aggregate. For all claims between October 1, 2002 and September 30, 2004, the policy had a limit of $4 million per occurrence and $12 million in aggregate, and for all claims between October 1, 2004 and September 30, 2006, the policy had a limit of $4 million per occurrence and $14 million in aggregate. Effective October 1, 2006, the policy has a limit of $4 million per occurrence and $20 million in aggregate.

CPI also insures Navicent Health on an occurrence basis for workers' compensation insurance, which has a limit of $500,000 per occurrence, with no aggregate limit per year. Beginning April 1, 2011, CPI began insuring Navicent Health for equipment maintenance and repairs with limits of liability of $2,500,000 per claim and annual aggregate.

During 2016 and 2015, Navicent Health paid premiums of approximately $12,200,000 and $8,200,000 to CPI, respectively, for these coverages. These premiums have been properly eliminated from consolidated statements of operations. The reserve for self-insured losses totaled approximately $36,143,000 and $36,454,000 at September 30, 2016 and 2015, respectively, and are comprised of reported loss reserves and incurred but not reported loss reserves.

### *Employee Group Health Insurance*

Navicent Health is self-insured for its employee group health insurance. Navicent Health has estimated and recorded accruals for claims incurred, but not reported or paid prior to the fiscal year-end.

**(tabular amounts in thousands)**

***Property and Equipment***

Navicent Health has commitments for purchases of property and equipment of approximately $13,684,000 at September 30, 2016.

## 14. Temporarily Restricted Net Assets

***Temporarily restricted net assets as of September 30 are available for the following purposes:***

| | 2016 | 2015 |
|---|---|---|
| Promises for future years | $ 3,914 | $ 2,573 |
| Program grants: | | |
| Pathology development | 9,826 | 9,024 |
| Children's Hospital | 22,350 | 20,511 |
| Regional health education center | 1,364 | 1,252 |
| Research and education | 7,730 | 7,074 |
| HEAT Trust | 5,865 | 5,111 |
| Community grants | 10,981 | 10,137 |
| Hospice inpatient facility | 2,604 | 2,447 |
| Emergency center | 2,580 | 2,363 |
| Georgia Heart Center | 14,777 | 13,570 |
| Critical care center | 2,135 | 1,959 |
| Cancer research | 4,312 | 3,717 |
| Other grants | 4,022 | 3,164 |
| | $ 92,460 | $ 82,902 |

## 15. Concentrations of Credit Risk

Navicent Health grants credit to patients, substantially all of whom reside in central Georgia. Navicent Health generally does not require collateral or other security in extending credit to patients; however, they routinely obtain assignment of (or are otherwise entitled to receive) patients' benefits payable under their health programs, plans, or policies (e.g. Medicare, Medicaid, Blue Cross, and other preferred provider arrangements and commercial insurance policies). Revenue from the Medicare and Medicaid programs accounted for approximately 53% and 56% of Navicent Health's net patient revenue for the years ended September 30, 2016 and 2015, respectively.

The mix of receivables from patients and third-party payors at September 30, 2016 and 2015 was as follows:

| | 2016 | 2015 |
|---|---|---|
| Medicare | 41% | 34% |
| Medicaid | 10% | 13% |
| Blue Cross | 1% | 2% |
| Other third-party payors | 32% | 36% |
| Patients | 16% | 15% |
| | 100% | 100% |

Navicent Health recognizes that revenues and receivables from government agencies are significant to its operations, but it does not believe that there are any significant credit risks associated with these government agencies.

## 16. Functional Expenses

Navicent Health does not present expense information by functional classification because its resources and activities are primarily related to providing health care services. Further, since Navicent Health receives substantially all of its resources from providing health care services in a manner similar to a business enterprise, other indicators contained in these consolidated financial statements are considered important in evaluating how well management has discharged their stewardship responsibilities.

## 17. Fair Value of Financial Instruments

The following methods and assumptions were used by Navicent Health in estimating the fair value of its financial instruments:

***Cash and cash equivalents***

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents approximate their fair value.

***Investments***

Fair values, which are the amounts reported in the consolidated balance sheets, are based on quoted market prices, if available, estimated using quoted market prices for similar securities, or estimated using pricing models, discounted cash flow methodologies, or similar techniques.

***Patient accounts receivable***

The carrying amounts reported in the consolidated balance sheets for patient accounts receivable approximate their fair values.

***Due to or from related parties***

The carrying amounts reported in the consolidated balance sheets for due to or from related parties approximate their fair values.

***Assets limited as to use***

Fair values, which are the amounts reported in the consolidated balance sheets, are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

***Accounts payable and accrued expenses***

The carrying amounts reported in the consolidated balance sheets for accounts payable and accrued expenses approximate their fair value.

***Accrued compensation and withholdings***

The carrying amounts reported in the consolidated balance sheets for accrued compensation and withholdings approximate their fair value.

### *Estimated third-party payor settlements*

The carrying amounts reported in the balance sheets for estimated third-party payor settlements approximate their fair value.

### *Long-term debt*

Fair values of Navicent Health's revenue anticipation certificates are based on current traded value. The fair value of Navicent Health's remaining long-term debt is estimated using discounted cash flow analyses, based on Navicent Health's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of Navicent Health's long-term debt at September 30 are as follows:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Long-term debt | $ 223,793 | $ 231,328 | $ 234,186 | $ 242,307 |

### *Derivative Financial Instruments*

The fair value of the derivative financial instruments are determined from a discounted cash flow model based on projected interest rates during the term of the contract and amounts outstanding on the corresponding long-term debt. In addition, credit risk associated with the counter party (when an asset) or Navicent Health (when a liability) is factored into the fair value model.

**(tabular amounts in thousands)**

The following summarizes Navicent Health's assets and (liabilities) by level:

| | Assets (Liabilities) at Fair Value As of September 30, 2016 | | |
|---|---|---|---|
| | Level 1 | Level 2 | Level 3 |
| Short-term investments: | | | |
| Money market accounts and other | $ 12,265 | $ 18,882 | $ - |
| Asset backed: | | | |
| Auto loan receivable | - | 1,769 | - |
| Collateralized mortgage obligation | - | 45,012 | - |
| Credit card receivable | - | 556 | - |
| Other asset backed | - | 3,132 | - |
| Total asset backed | - | 50,469 | - |
| Corporate bonds: | | | |
| Domestic | - | 20,293 | - |
| Foreign | - | 2,357 | - |
| Total corporate bonds | - | 22,650 | - |
| Government securities: | | | |
| FHLMC | - | 17,273 | - |
| FNMA | - | 29,731 | - |
| GNMA | - | 11,376 | - |
| Municipal bonds | - | 9,138 | - |
| U.S. Treasuries | - | 17,203 | - |
| Total government securities | - | 84,721 | - |
| Equity securities: | | | |
| Mutual funds | 105,816 | - | - |
| Real estate investment trusts | 2,795 | - | - |
| Preferred stock | - | 474 | - |
| Common stock: | | | |
| Consumer discretionary | 22,947 | - | - |
| Consumer staples | 21,019 | - | - |
| Energy | 5,399 | - | - |
| Financials | 6,924 | - | - |
| Foreign | 2,703 | - | - |
| Health care | 22,967 | - | - |
| Industrials | 23,957 | - | - |
| Information technology | 41,053 | - | - |
| Materials | 3,909 | - | - |
| Other | 3,214 | - | - |
| Total common stocks | 154,092 | - | - |
| Total equity securities | 258,634 | 474 | - |
| Alternative investments | | | |
| Asset backed securities | - | - | 29,913 |
| Commodities | - | - | 59,322 |
| Debt securities | - | 6,396 | 51,877 |
| Equities | - | - | 31,705 |
| Multi-category | - | - | 48,613 |
| Total alternative investments | - | 6,396 | 221,430 |
| | $ 274,968 | $ 183,592 | $ 221,430 |
| Long-term investments | $ - | $ - | $ 55,889 |
| Interest rate swap - included in other long-term liabilities | $ - | $ (15,271) | $ |

**(tabular amounts in thousands)**

| | Assets (Liabilities) at Fair Value As of September 30, 2016 | | |
|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** |
| Included in assets limited as to use: | | | |
| Money market funds | $ 5,902 | $ - | $ - |
| Equity securities: | | | |
| Mutual funds | 20,345 | 29,431 | - |
| Common stocks: | | | |
| Consumer discretionary, staples | 6,938 | - | - |
| Information technology | 7,249 | - | - |
| Materials and industrials | 4,413 | - | - |
| Health care | 3,265 | - | - |
| Financials | 1,607 | - | - |
| Energy | 741 | - | - |
| Foreign | 2,118 | - | - |
| Total common stocks | 26,331 | - | - |
| Other equity securities | 7,340 | - | - |
| Total equity securities | 54,016 | 29,431 | - |
| Corporate bonds | 10,320 | 3,335 | - |
| Government securities: | | | |
| U.S. Treasury securities | - | 6,572 | - |
| U.S. Federal Agency securities | - | 4,638 | - |
| Municipal bonds | - | 272 | - |
| Other | - | 441 | - |
| Total government securities | - | 21,098 | - |
| Mortgage-backed and asset backed securities | - | 14,897 | - |
| Alternative investments | - | 12,842 | 29,861 |
| | $ 70,238 | $ 72,428 | $ 29,861 |

Amounts included in assets limited as to use that are not subject to the fair value disclosure in the table above amounted to $22,087,000 at September 30, 2016.

**(tabular amounts in thousands)**

The following summarizes Navicent Health's assets and (liabilities) by level:

| | Assets (Liabilities) at Fair Value As of September 30, 2015 | | |
|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** |
| Short-term investments: | | | |
| Money market accounts and other | $ 31,425 | $ - | $ - |
| Asset backed: | | | |
| Auto loan receivable | - | 3,637 | - |
| Collateralized mortgage obligation | - | 45,843 | - |
| Credit card receivable | - | 425 | - |
| Other asset backed | - | 3,964 | - |
| Total asset backed | - | 53,869 | - |
| Corporate bonds: | | | |
| Domestic | - | 20,552 | - |
| Foreign | - | 2,821 | - |
| Total corporate bonds | - | 23,373 | - |
| Government securities: | | | |
| FHLMC | - | 11,674 | - |
| FNMA | - | 26,522 | - |
| GNMA | - | 9,492 | - |
| Municipal bonds | - | 21,753 | - |
| U.S. Treasuries | - | 20,385 | - |
| Total government securities | - | 89,826 | - |
| Equity securities: | | | |
| Mutual funds | 87,857 | - | - |
| Real estate investment trusts | 2,525 | - | - |
| Common stock: | | | |
| Consumer discretionary | 25,453 | - | - |
| Consumer staples | 17,044 | - | - |
| Energy | 2,721 | - | - |
| Financials | 6,981 | - | - |
| Foreign | 2,636 | - | - |
| Health care | 28,448 | - | - |
| Industrials | 22,603 | - | - |
| Information technology | 34,747 | - | - |
| Materials | 3,924 | - | - |
| Other | 2,958 | - | - |
| Total common stocks | 147,515 | - | - |
| Total equity securities | 237,897 | - | - |
| Alternative investments | | | |
| Asset backed securities | - | - | 14,383 |
| Commodities | - | - | 68,119 |
| Debt securities | - | 6,555 | 58,163 |
| Equities | - | - | 69,493 |
| Multi-category | - | - | 74,188 |
| Total alternative investments | - | 6,555 | 284,346 |
| | $ 269,322 | $ 173,623 | $ 284,346 |
| Long-term investments | $ - | $ - | $ 19,144 |
| Interest rate swap - included in other long-term liabilities | $ - | $ (12,968) | $ - |

**(tabular amounts in thousands)**

| | Assets (Liabilities) at Fair Value As of September 30, 2015 | | |
|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** |
| Included in assets limited as to use: | | | |
| Money market funds | $ 7,189 | $ - | $ - |
| Equity securities: | | | |
| Mutual Funds | 12,625 | 31,624 | - |
| Common stocks: | | | |
| Consumer discretionary, staples | 6,879 | - | - |
| Information technology | 5,522 | - | - |
| Materials and industrials | 3,849 | - | - |
| Health care | 4,321 | - | - |
| Financials | 1,518 | - | - |
| Energy | 356 | - | - |
| Foreign | 2,088 | - | - |
| Total common stocks | 24,533 | - | - |
| Other equity securities | 7,040 | - | - |
| Total equity securities | 44,198 | 31,624 | - |
| Corporate bonds | - | 21,197 | - |
| Government securities: | | | |
| U.S. Treasury securities | - | 3,750 | - |
| U.S. Federal Agency securities | - | 5,044 | - |
| Municipal bonds | - | 373 | - |
| Total government securities | - | 9,167 | - |
| Mortgage-backed and asset backed securities | - | 12,416 | - |
| Alternative investments | - | 11,552 | 26,194 |
| | $ 51,387 | $ 85,956 | $ 26,194 |

Amounts included in assets limited as to use that are not subject to the fair value disclosure in the table above amounted to $21,447,000 at September 30, 2015.

**(tabular amounts in thousands)**

Fair values of the pension plan investments are summarized as follows:

| | Pension Assets at Fair Value As of September 30, 2016 | | |
|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** |
| Money market funds | $ 17,746 | $ - | $ - |
| Equity mutual funds | 63,365 | - | - |
| U.S. government securities: | | | |
| U.S. treasuries | 16,630 | - | - |
| Municipal obligations | - | 1,687 | - |
| GNMA, FNMA, FHLMC pools | - | 18,494 | - |
| Government collateralized mortgage and asset backed | - | 1,871 | - |
| Other | - | 387 | - |
| Total U.S. government securities | 16,630 | 22,439 | - |
| Corporate bonds: | | | |
| Domestic | 14,005 | - | - |
| Foreign | 1,356 | - | - |
| Total corporate obligations | 15,361 | - | - |
| Common stocks: | | | |
| Domestic | 101,309 | - | - |
| Foreign | 11,124 | - | - |
| Total common stocks | 112,433 | - | - |
| Other funds: | | | |
| Mortgage and asset back securities | - | 4,625 | - |
| Real estate investment trusts | 2,682 | - | - |
| Total other funds | 2,682 | 4,625 | - |
| Alternative investments: | | | |
| Debt securities | - | - | 31,720 |
| Equities | - | - | 8,638 |
| Real estate | - | - | 5,275 |
| Multi-category | - | - | 14,894 |
| Commodities | - | - | 623 |
| Asset backed | - | - | 15,303 |
| Total alternative investments | - | - | 76,453 |
| | $ 228,217 | $ 27,064 | $ 76,453 |

**(tabular amounts in thousands)**

| | Pension Assets at Fair Value As of September 30, 2015 | | |
|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** |
| Money market funds | $ 8,039 | $ - | $ - |
| Equity mutual funds | 47,188 | - | - |
| U.S. government securities: | | | |
| U.S. treasuries | 23,410 | - | - |
| Municipal obligations | - | 1,837 | - |
| GNMA, FNMA, FHLMC pools | - | 15,049 | - |
| Government collateralized mortgage and asset backed | - | 3,104 | - |
| Total U.S. government securities | 23,410 | 19,990 | - |
| Corporate bonds: | | | |
| Domestic | 17,638 | - | - |
| Foreign | 2,585 | - | - |
| Total corporate obligations | 20,223 | - | - |
| Common stocks: | | | |
| Domestic | 94,160 | - | - |
| Foreign | 11,397 | - | - |
| Total common stocks | 105,557 | - | - |
| Other funds: | | | |
| Mortgage and asset back securities | - | 6,956 | - |
| Real estate investment trusts | 2,470 | - | - |
| Total other funds | 2,470 | 6,956 | - |
| Alternative investments: | | | |
| Debt securities | - | - | 29,754 |
| Equities | - | - | 14,504 |
| Real estate | - | - | 5,099 |
| Multi-category | - | - | 17,715 |
| Commodities | - | - | 912 |
| Asset backed | - | - | 5,943 |
| Total alternative investments | - | - | 73,927 |
| | $ 206,887 | $ 26,946 | $ 73,927 |

**(tabular amounts in thousands)**

The table below sets forth a summary of changes in the fair value of Navicent Health's level 3 financial assets for the years ended September 30, 2016 and 2015:

| | Short and Long-Term Investments | Assets Limited as to Use | Pension Plan Investments |
|---|---|---|---|
| Balance at September 30, 2014 | 295,963 | 23,174 | 67,494 |
| Gain on market value | (1,339) | (1,952) | (1,018) |
| Sales | (57,589) | (3,053) | 7,451 |
| Purchases | 66,455 | 8,025 | - |
| Balance at September 30, 2015 | $ 303,490 | $ 26,194 | $ 73,927 |
| Gain on market value | 6,423 | 579 | (1,043) |
| Sales | (142,866) | (3,204) | 3,569 |
| Purchases | 110,272 | 6,292 | - |
| Balance at September 30, 2016 | $ 277,319 | $ 29,861 | $ 76,453 |

### *Capital Commitments*

Navicent Health has future capital commitment requirements to invest additional amounts in certain level 3 investments. At September 30, 2016, the outstanding commitments totaled approximately $76,000,000.

## 18. Equity Investments

### *Central Georgia Health Network, LLC*

Central Georgia Health Network, LLC was incorporated on October 25, 1996, for the purpose of participating in contracts with preferred provider organizations, health maintenance organizations or other alternative health care delivery systems. MCNH owns 29% of the common stock in Central Georgia Health Network, Inc. and accounts for this investment under the equity method of accounting. The investment amounted to approximately $62,000 and $64,000 at September 30, 2016 and 2015, respectively.

### *Central Georgia MRI, LLC*

Central Georgia MRI, LLC ("CG MRI") was incorporated on October 2, 2000, as a joint venture with Radiology Associates to share the cost of an MRI laboratory. CG MRI became operational on September 16, 2002. HVNH provided 50% of the capital in CG MRI and records the investment under the equity method of accounting. The investment amounted to approximately $471,000 and $466,000 at September 30, 2016 and 2015, respectively.

### *Georgia Magnetic Imaging Center, Ltd.*

Georgia Magnetic Imaging Center, Ltd. ("GMIC") was incorporated on March 22, 1985 to own and operate certain medical equipment. HVNH purchased a 49.5% ownership interest in GMIC on December 31, 2002 for $1,181,000 and records the investment on the equity method of accounting. The investment amounted to approximately $1,219,000 and $1,106,000 at September 30, 2016 and 2015, respectively.

## 19. Management Services Agreements

During 2014, Navicent Health entered into management services agreement with the Hospital Authority of Putnam County (“HAPC”). Under this agreement, Navicent Health is to provide quarterly consulting reports to HAPC. Navicent Health also provides a credit facility agreement in the amount of $5,000,000 with interest on drawn amounts at 6% per annum. As of September 30, 2016 and 2015, HAPC had drawn $4,603,000 and $3,125,000, respectively on the credit facility. HAPC is also required to pay a quarterly management service fee of $125,000 with the first payment being deferred until 2016. At September 30, 2016 and 2015, $1,000,000 and $500,000, respectively was due from Putnam under the management service agreement.

In October 2014, Navicent Health entered a management services agreement with Oconee Regional Health Systems, Inc. (“ORHS”). In January 2015, ORHS and Navicent Health entered into a credit facility agreement in the amount of $5,000,000. In addition, Navicent Health and ORHS entered a guarantee agreement, whereby Navicent Health agreed to guaranty the regularly scheduled payments of principal and interest on the outstanding Baldwin County Hospital Authority Revenue Bonds Series 1998. Under the agreements, ORHS was to meet certain conditions and requirements. In September 2015, Navicent Health notified ORHS that the agreements were being terminated due to breach of certain material terms and conditions. The parties reached a settlement on March 21, 2016 which included, among other items, the cancellation of Navicent’s limited guarantee. ORHS agreed to promissory notes payable to Navicent totaling $250,000 and maturing in March of 2020.

***Supplementary Information***

**Navicent Health, Inc. and Affiliates**
**Consolidating Balance Sheet (dollars in thousands)**
**September 30, 2016**

| | Navicent Health, Inc. | Medical Center of Central Georgia, Inc. d/b/a The Medical Center, Navicent Health | MedCen Community Health Foundation, Inc. d/b/a MedCen Community Health Foundation, Navicent Health | Central Georgia Senior Health, Inc. d/b/a Carlyle Place, Navicent Health | Health Services of Central Georgia, Inc. d/b/a Navicent Health Physician Group | Central Georgia Health Ventures, Inc. d/b/a Health Ventures, Navicent Health | Central Georgia Rehabilitation Hospital, LLC d/b/a Rehabilitation Hospital, Navicent Health | Medical Center of Peach County, Inc. d/b/a The Medical Center of Peach County, Navicent Health | Centra Professional Indemnity, Ltd. | Secure Health Plans of Georgia, LLC | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | | | | |
| Current assets: | | | | | | | | | | | | |
| Cash and cash equivalents | $ 5,866 | $ 29,966 | $ - | $ 307 | $ 1,865 | $ 3,428 | $ 714 | $ 2,611 | $ - | $ 3,373 | $ - | $ 48,130 |
| Short-term investments | - | 607,924 | - | 72,066 | - | - | - | - | - | - | - | 679,990 |
| Patient accounts receivable, net | - | 218,476 | - | - | 6,324 | 35 | 10,445 | 8,151 | - | - | - | 243,431 |
| Estimated third-party settlements | - | 6,027 | - | - | - | - | 51 | 2,711 | - | - | - | 8,789 |
| Other accounts and notes receivable | 7,383 | 5,799 | 3,915 | 741 | 582 | - | 32 | 742 | - | 854 | (912) | 19,136 |
| Prepaid expenses and other current assets | 4,296 | 18,672 | - | 18 | (93) | - | 209 | 250 | - | 164 | - | 23,516 |
| Total current assets | 17,545 | 886,864 | 3,915 | 73,132 | 8,678 | 3,463 | 11,451 | 14,465 | - | 4,391 | (912) | 1,022,992 |
| Assets limited as to use | 11,772 | 85 | 100,019 | 461 | - | 852 | - | - | 78,311 | 3,114 | - | 194,614 |
| Long-term investments | - | 52,412 | - | 3,477 | - | - | - | - | - | - | - | 55,889 |
| Investments in subsidiaries | 19,019 | - | - | - | - | - | - | - | - | - | (19,019) | - |
| Intercompany | 7,522 | 37,489 | (73) | (849) | (2,657) | (204) | 112 | (41,340) | - | - | - | - |
| Property and equipment, net | 18,516 | 324,816 | 235 | 31,430 | 2,049 | 4 | 249 | 22,078 | - | 317 | - | 399,694 |
| Cash surrender value of insurance policies | - | 23,692 | - | - | - | - | - | - | - | - | - | 23,692 |
| Other | 5,317 | 1,544 | 47 | 371 | 717 | 1,690 | - | - | - | - | (4,044) | 5,642 |
| Total assets | $ 79,691 | $ 1,326,902 | $ 104,143 | $ 108,022 | $ 8,787 | $ 5,805 | $ 11,812 | $ (4,797) | $ 78,311 | $ 7,822 | $ (23,975) | $ 1,702,523 |

See accompanying notes.

**Navicent Health, Inc. and Affiliates**
**Consolidating Balance Sheet (dollars in thousands), continued**
**September 30, 2016**

| | Navicent Health, Inc. | Medical Center of Central Georgia, Inc. d/b/a The Medical Center, Navicent Health | MedCen Community Health Foundation, Inc. d/b/a MedCen Community Health Foundation, Navicent Health | Central Georgia Senior Health, Inc. d/b/a Carlyle Place, Navicent Health | Health Services of Central Georgia, Inc. d/b/a Navicent Health Physician Group | Central Georgia Health Ventures, Inc. d/b/a Health Ventures, Navicent Health | Central Georgia Rehabilitation Hospital, LLC d/b/a Rehabilitation Hospital, Navicent Health | Medical Center of Peach County, Inc. d/b/a The Medical Center of Peach County, Navicent Health | Centra Professional Indemnity, Ltd. | Secure Health Plans of Georgia, LLC | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **LIABILITIES, NET ASSETS AND STOCKHOLDER'S EQUITY** | | | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | | | |
| Accounts payable and accrued expenses | $ 452 | $ 19,452 | $ 234 | $ 1,010 | $ 1,330 | $ 3 | $ 118 | $ 501 | $ 200 | $ 144 | $ (912) | $ 22,532 |
| Accrued compensation and withholdings | 3,534 | 23,718 | 60 | - | 2,597 | 2 | 793 | 368 | - | 489 | - | 31,561 |
| Current portion of long-term debt | - | 8,400 | - | 1,440 | - | - | - | - | - | - | - | 9,840 |
| Entrance fee deposits and refunds payable | - | - | - | 2,270 | - | - | - | - | - | - | - | 2,270 |
| Estimated third-party settlements | - | - | - | - | - | - | - | - | - | - | - | - |
| Other current liabilities | - | 11,602 | - | - | 70 | - | 179 | 49 | 957 | 28 | - | 12,885 |
| Total current liabilities | 3,986 | 63,172 | 294 | 4,720 | 3,997 | 5 | 1,090 | 918 | 1,157 | 661 | (912) | 79,088 |
| Long-term debt, excluding current portion | - | 178,353 | - | 35,600 | - | - | - | - | - | - | - | 213,953 |
| Reserve for self-insured losses | - | - | - | - | - | - | - | - | 36,143 | - | - | 36,143 |
| Accrued pension benefit liability | - | 101,448 | - | - | - | - | - | - | - | - | - | 101,448 |
| Deferred revenues from entrance fees | - | - | - | 11,983 | - | - | - | - | - | - | - | 11,983 |
| Entrance fees payable | | | | 28,562 | | | | | | | | 28,562 |
| Other long-term liabilities | 15,167 | 52,362 | - | 1,484 | - | 852 | - | - | - | 19 | - | 69,884 |
| Asset retirement obligation | - | 1,671 | - | - | - | - | - | - | - | - | - | 1,671 |
| Total liabilities | 19,153 | 397,006 | 294 | 82,349 | 3,997 | 857 | 1,090 | 918 | 37,300 | 680 | (912) | 542,732 |
| Net assets: | | | | | | | | | | | | |
| Unrestricted net assets | 60,538 | 929,424 | 11,389 | 25,673 | 4,790 | - | 10,722 | (5,715) | - | - | 25,270 | 1,062,091 |
| Temporarily restricted | - | - | 92,460 | - | - | - | - | - | - | - | - | 92,460 |
| Noncontrolling interest in subsidiary | - | 472 | - | - | - | - | - | - | - | - | 4,768 | 5,240 |
| Total net assets | 60,538 | 929,896 | 103,849 | 25,673 | 4,790 | - | 10,722 | (5,715) | - | - | 30,038 | 1,159,791 |
| Stockholder's equity: | | | | | | | | | | | | |
| Common stock | - | - | - | - | - | - | - | - | 17 | 4,053 | (4,070) | - |
| Paid-in-capital | - | - | - | - | - | 25,895 | - | - | 1,653 | - | (27,548) | - |
| (Accumulated deficit) retained earnings | - | - | - | - | - | (20,947) | - | - | 39,341 | 3,089 | (21,483) | - |
| Total liabilities and net assets | $ 79,691 | $ 1,326,902 | $ 104,143 | $ 108,022 | $ 8,787 | $ 5,805 | $ 11,812 | $ (4,797) | $ 78,311 | $ 7,822 | $ (23,975) | $ 1,702,523 |

**Navicent Health, Inc. and Affiliates**
**Consolidating Statement of Operations and Changes in Net Assets (dollars in thousands)**
**For the year ended September 30, 2016**

| | Navicent Health, Inc. | Medical Center of Central Georgia, Inc. d/b/a The Medical Center, Navicent Health | MedCen Community Health Foundation, Inc. d/b/a MedCen Community Health Foundation, Navicent Health | Central Georgia Senior Health, Inc. d/b/a Carlyle Place, Navicent Health | Health Services of Central Georgia, Inc. d/b/a Navicent Health Physician Group | Central Georgia Health Ventures, Inc. d/b/a Health Ventures, Navicent Health | Central Georgia Rehabilitation Hospital, LLC d/b/a Rehabilitation Hospital, Navicent Health | Medical Center of Peach County, Inc. d/b/a The Medical Center of Peach County, Navicent Health | Centra Professional Indemnity, Ltd. | Secure Health Plans of Georgia, LLC | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Unrestricted revenues, gains, and other support: | | | | | | | | | | | | |
| Patient service revenue (net of contractual allowances and discounts) | $ - | $ 713,046 | $ - | $ 935 | $ 42,324 | $ 105 | $ 15,923 | $ 22,360 | $ - | $ - | $ - | $ 794,693 |
| Provision for bad debts | - | (79,902) | - | - | (5,546) | (90) | (570) | (4,627) | - | - | - | (90,735) |
| Net patient service revenue less provision for bad debts | - | 633,144 | - | 935 | 36,778 | 15 | 15,353 | 17,733 | - | - | - | 703,958 |
| Other revenue | 769 | 27,393 | 3,363 | 14,925 | 1,562 | 41 | - | 171 | 10,122 | 7,441 | (17,705) | 48,082 |
| Total unrestricted revenues, gains, and other support | 769 | 660,537 | 3,363 | 15,860 | 38,340 | 56 | 15,353 | 17,904 | 10,122 | 7,441 | (17,705) | 752,040 |
| Expenses: | | | | | | | | | | | | |
| Labor and employee benefits | 24,664 | 288,681 | 1,289 | 7,669 | 55,665 | 202 | 10,529 | 8,017 | - | 4,019 | - | 400,735 |
| Supplies and other expenses | (16,462) | 289,668 | 1,913 | 4,953 | 7,668 | 141 | 4,471 | 6,942 | 8,697 | 2,629 | (17,705) | 292,915 |
| Depreciation and amortization | 3,164 | 31,356 | - | 2,429 | 863 | 1 | 71 | 2,068 | - | 96 | - | 40,048 |
| Interest | - | 6,253 | - | 1,053 | - | - | - | 265 | - | - | - | 7,571 |
| Total expenses | 11,366 | 615,958 | 3,202 | 16,104 | 64,196 | 344 | 15,071 | 17,292 | 8,697 | 6,744 | (17,705) | 741,269 |
| Income (loss) from operations | (10,597) | 44,579 | 161 | (244) | (25,856) | (288) | 282 | 612 | 1,425 | 697 | - | 10,771 |
| Other income (loss): | | | | | | | | | | | | |
| Investment income | 4,815 | 44,042 | 261 | 2,223 | 10 | 1,319 | - | 13 | 904 | 104 | (5,404) | 48,287 |
| Change in fair value of interest rate swap | - | (2,581) | - | 278 | - | - | - | - | - | - | - | (2,303) |
| Other | - | (15) | - | - | - | (37) | - | - | - | - | (1,833) | (1,885) |
| Excess of unrestricted revenues, gains and other support over (under) expenses | (5,782) | 86,025 | 422 | 2,257 | (25,846) | 994 | 282 | 625 | 2,329 | 801 | (7,237) | 54,870 |
| Other changes in net assets | 28,129 | (83,402) | 10,116 | 3,813 | 24,349 | - | (5,623) | - | (1,446) | - | 6,833 | (17,231) |
| Total change in net assets | 22,347 | 2,623 | 10,538 | 6,070 | (1,497) | 994 | (5,341) | 625 | 883 | 801 | (404) | 37,639 |
| Net assets (liabilities) at beginning of year | 38,191 | 927,273 | 93,311 | 19,603 | 6,287 | 3,954 | 16,063 | (6,340) | 40,128 | 6,341 | (22,659) | 1,122,152 |
| Net assets (liabilities) at end of year | $ 60,538 | $ 929,896 | $ 103,849 | $ 25,673 | $ 4,790 | $ 4,948 | $ 10,722 | $ (5,715) | $ 41,011 | $ 7,142 | $ (23,063) | $ 1,159,791 |

See accompanying notes.