UNIVERSITY OF PENNSYLVANIA HEALTH SYSTEM

REPORT ON AUDITS OF COMBINED FINANCIAL STATEMENTS
AND COMBINING SUPPLEMENTARY DATA

For the years ended June 30, 2014 and 2013
<table>
<thead>
<tr>
<th>Section</th>
<th>Page(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report of Independent Auditors</td>
<td>1-2</td>
</tr>
<tr>
<td>Combined Financial Statements:</td>
<td></td>
</tr>
<tr>
<td>Combined Balance Sheets</td>
<td>3</td>
</tr>
<tr>
<td>Combined Statements of Operations</td>
<td>4</td>
</tr>
<tr>
<td>Combined Statements of Changes in Net Assets</td>
<td>5</td>
</tr>
<tr>
<td>Combined Statements of Cash Flows</td>
<td>6</td>
</tr>
<tr>
<td>Notes to Combined Financial Statements</td>
<td>7-49</td>
</tr>
<tr>
<td>Supplementary Combining Information:</td>
<td></td>
</tr>
<tr>
<td>Combining Balance Sheets</td>
<td>50-51</td>
</tr>
<tr>
<td>Combining Statements of Operations</td>
<td>52-53</td>
</tr>
<tr>
<td>Combining Statements of Changes in Net Assets</td>
<td>54-55</td>
</tr>
<tr>
<td>Combining Statements of Cash Flows</td>
<td>56-57</td>
</tr>
</tbody>
</table>
Independent Auditor’s Report

To the Trustees of the University of Pennsylvania:

We have audited the accompanying combined financial statements of the University of Pennsylvania Health System (UPHS) which comprise the combined balance sheets as of June 30, 2014 and June 30, 2013 and the related combined statements of operations, of changes in net assets and of cash flows for the years then ended.

Management’s Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to UPHS’ preparation and fair presentation of the combined 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 UPHS’ 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 combined financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of UPHS at June 30, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.
Other Matter

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The combining information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly stated, in all material respects, in relation to the combined financial statements taken as a whole. The combining information is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, results of operations and cash flows of the individual entities and is not a required part of the combined financial statements. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual entities.

PricewaterhouseCoopers, LLP
Philadelphia, PA
September 19, 2014
# UNIVERSITY OF PENNSYLVANIA HEALTH SYSTEM

Combined Balance Sheets at June 30, 2014 and 2013  
(thousands of dollars)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2014</th>
<th>2013</th>
<th>LIABILITYS AND NET ASSETS</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current:</strong></td>
<td></td>
<td></td>
<td><strong>Current:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 697,264</td>
<td>$ 738,771</td>
<td>Accounts payable</td>
<td>$ 130,045</td>
<td>$ 107,693</td>
</tr>
<tr>
<td>Patient receivables, net of</td>
<td>399,821</td>
<td>330,968</td>
<td>Accrued expenses</td>
<td>401,118</td>
<td>383,632</td>
</tr>
<tr>
<td>reserve for uncollectible</td>
<td></td>
<td></td>
<td>Current portion of long-term debt</td>
<td>42,044</td>
<td>86,500</td>
</tr>
<tr>
<td>accounts of $177,599 (2014)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and $148,345 (2013)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third party payer receivables</td>
<td>1,669</td>
<td>8,776</td>
<td>Due to the University of Pennsylvania</td>
<td>-</td>
<td>119</td>
</tr>
<tr>
<td>Due from the University of</td>
<td>1,008</td>
<td>-</td>
<td>Third party payer settlements</td>
<td>46,348</td>
<td>35,270</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>100,624</td>
<td>80,094</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>1,200,386</td>
<td>1,158,609</td>
<td><strong>Total current liabilities</strong></td>
<td>619,555</td>
<td>613,214</td>
</tr>
<tr>
<td><strong>Assets whose use is limited:</strong></td>
<td></td>
<td></td>
<td><strong>Long-term debt, net of current portion</strong></td>
<td>917,425</td>
<td>796,887</td>
</tr>
<tr>
<td>Held by trustees</td>
<td>8,546</td>
<td>13,586</td>
<td>Other liabilities</td>
<td>763,398</td>
<td>750,629</td>
</tr>
<tr>
<td>RRG/Captive</td>
<td>120,181</td>
<td>114,569</td>
<td>Third party payer settlements, net of current</td>
<td>5,022</td>
<td>209</td>
</tr>
<tr>
<td>Designated</td>
<td>1,147,562</td>
<td>975,684</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donor-restricted investments</td>
<td>536,170</td>
<td>452,626</td>
<td><strong>Pension and post-retirement benefit liability</strong></td>
<td>581,778</td>
<td>538,630</td>
</tr>
<tr>
<td>Donor-restricted pledges</td>
<td>5,630</td>
<td>948</td>
<td><strong>Total liabilities</strong></td>
<td>2,887,178</td>
<td>2,699,569</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>1,818,089</td>
<td>1,557,413</td>
<td><strong>Net assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>456,407</td>
<td>436,467</td>
<td>Unrestricted</td>
<td>2,057,377</td>
<td>1,581,325</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>1,852,090</td>
<td>1,471,979</td>
<td>Temporarily restricted</td>
<td>380,837</td>
<td>321,370</td>
</tr>
<tr>
<td>Other assets</td>
<td>163,463</td>
<td>115,641</td>
<td>Permanently restricted</td>
<td>165,043</td>
<td>137,845</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$ 5,490,435</td>
<td>$ 4,740,109</td>
<td><strong>Total liabilities and net assets</strong></td>
<td>$ 5,490,435</td>
<td>$ 4,740,109</td>
</tr>
</tbody>
</table>

See accompanying notes to combined financial statements.
Revenues:

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net patient service revenue</td>
<td>$3,951,103</td>
<td>$3,487,651</td>
</tr>
<tr>
<td>Provision for bad debts</td>
<td>(239,649)</td>
<td>(191,479)</td>
</tr>
<tr>
<td>Net patient service revenue less provision for bad</td>
<td>3,711,454</td>
<td>3,296,172</td>
</tr>
<tr>
<td>debts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other revenue</td>
<td>227,772</td>
<td>204,806</td>
</tr>
<tr>
<td>Total revenues</td>
<td>3,939,226</td>
<td>3,500,978</td>
</tr>
</tbody>
</table>

Expenses:

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>1,658,234</td>
<td>1,483,747</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>462,171</td>
<td>456,806</td>
</tr>
<tr>
<td>Supplies and expenses</td>
<td>1,205,830</td>
<td>1,067,924</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>157,836</td>
<td>139,551</td>
</tr>
<tr>
<td>Malpractice</td>
<td>105,623</td>
<td>108,115</td>
</tr>
<tr>
<td>Interest</td>
<td>36,731</td>
<td>37,737</td>
</tr>
<tr>
<td>School of Medicine (SOM) support</td>
<td>21,411</td>
<td>21,966</td>
</tr>
<tr>
<td>Total expenses</td>
<td>3,647,836</td>
<td>3,315,846</td>
</tr>
<tr>
<td>Excess of revenue over expenses from operations</td>
<td>291,390</td>
<td>185,132</td>
</tr>
</tbody>
</table>

Non-Operating Gain/(Loss):

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividends</td>
<td>22,780</td>
<td>24,541</td>
</tr>
<tr>
<td>Net realized gain/(loss), contributions and other support</td>
<td>74,469</td>
<td>56,656</td>
</tr>
<tr>
<td>Change in unrealized gain/(loss) on alternative investments</td>
<td>49,926</td>
<td>30,009</td>
</tr>
<tr>
<td>Excess of revenue over expenses</td>
<td>438,565</td>
<td>296,338</td>
</tr>
<tr>
<td>Change in unrealized gain/(loss) on other investments</td>
<td>57,911</td>
<td>36,192</td>
</tr>
<tr>
<td>Transfers to SOM and University</td>
<td>(113,527)</td>
<td>(90,930)</td>
</tr>
<tr>
<td>Net assets released from restrictions for capital</td>
<td>730</td>
<td>525</td>
</tr>
<tr>
<td>Chester County Health System membership substitution</td>
<td>130,308</td>
<td>-</td>
</tr>
<tr>
<td>Pension and other postretirement plan adjustments</td>
<td>(37,935)</td>
<td>199,771</td>
</tr>
<tr>
<td>Increase/(decrease) in unrestricted net assets</td>
<td>$476,052</td>
<td>$441,896</td>
</tr>
</tbody>
</table>

See accompanying notes to combined financial statements.
UNIVERSITY OF PENNSYLVANIA HEALTH SYSTEM
Combined Statements of Changes in Net Assets
for the years ended June 30, 2014 and 2013
(thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets, June 30, 2012</td>
<td>$ 1,139,429</td>
<td>$ 293,139</td>
<td>$ 133,620</td>
<td>$ 1,566,188</td>
</tr>
<tr>
<td>Excess of revenue over expenses</td>
<td>296,338</td>
<td>-</td>
<td>-</td>
<td>296,338</td>
</tr>
<tr>
<td>Change in unrealized gain/(loss) on other investments</td>
<td>36,192</td>
<td>-</td>
<td>-</td>
<td>36,192</td>
</tr>
<tr>
<td>Pension and other postretirement plan adjustments</td>
<td>199,771</td>
<td>-</td>
<td>-</td>
<td>199,771</td>
</tr>
<tr>
<td>Contributions and investment income</td>
<td>-</td>
<td>12,591</td>
<td>217</td>
<td>12,808</td>
</tr>
<tr>
<td>Net assets released from restrictions for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations</td>
<td>-</td>
<td>(10,955)</td>
<td>-</td>
<td>(10,955)</td>
</tr>
<tr>
<td>Capital</td>
<td>525</td>
<td>(525)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net realized and unrealized gain/(loss) on endowment funds</td>
<td>-</td>
<td>27,120</td>
<td>4,008</td>
<td>31,128</td>
</tr>
<tr>
<td>Transfer to the academic accounts at the School of Medicine and University, net</td>
<td>(90,930)</td>
<td>-</td>
<td>-</td>
<td>(90,930)</td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>441,896</td>
<td>28,231</td>
<td>4,225</td>
<td>474,352</td>
</tr>
<tr>
<td>Net assets, June 30, 2013</td>
<td>1,581,325</td>
<td>321,370</td>
<td>137,845</td>
<td>2,040,540</td>
</tr>
<tr>
<td>Excess of revenue over expenses</td>
<td>438,565</td>
<td>-</td>
<td>-</td>
<td>438,565</td>
</tr>
<tr>
<td>Change in unrealized gain/(loss) on investments</td>
<td>57,911</td>
<td>-</td>
<td>-</td>
<td>57,911</td>
</tr>
<tr>
<td>Pension and other postretirement plan adjustments</td>
<td>(37,935)</td>
<td>-</td>
<td>-</td>
<td>(37,935)</td>
</tr>
<tr>
<td>Contributions and investment income</td>
<td>-</td>
<td>13,001</td>
<td>6,199</td>
<td>19,200</td>
</tr>
<tr>
<td>Net assets released from restrictions for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations</td>
<td>-</td>
<td>(9,544)</td>
<td>-</td>
<td>(9,544)</td>
</tr>
<tr>
<td>Capital</td>
<td>730</td>
<td>(730)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net realized and unrealized gain/(loss) on endowment funds</td>
<td>-</td>
<td>44,486</td>
<td>7,261</td>
<td>51,747</td>
</tr>
<tr>
<td>Chester County Health System membership substitution</td>
<td>130,308</td>
<td>12,254</td>
<td>13,738</td>
<td>156,300</td>
</tr>
<tr>
<td>Transfer to the academic accounts at the School of Medicine and University, net</td>
<td>(113,527)</td>
<td>-</td>
<td>-</td>
<td>(113,527)</td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>476,052</td>
<td>59,467</td>
<td>27,198</td>
<td>562,717</td>
</tr>
<tr>
<td>Net assets, June 30, 2014</td>
<td>$ 2,057,377</td>
<td>$ 380,837</td>
<td>$ 165,043</td>
<td>$ 2,603,257</td>
</tr>
</tbody>
</table>

See accompanying notes to combined financial statements.
UNIVERSITY OF PENNSYLVANIA HEALTH SYSTEM
Combined Statements of Cash Flows
for the years ended June 30, 2014 and 2013
(thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase/(decrease) in net assets</td>
<td>$562,717</td>
<td>$474,352</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>157,836</td>
<td>139,551</td>
</tr>
<tr>
<td>Provision for bad debts</td>
<td>239,649</td>
<td>191,479</td>
</tr>
<tr>
<td>Increase (decrease) from changes in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Patient receivables</td>
<td>(277,437)</td>
<td>(183,909)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(7,919)</td>
<td>75,027</td>
</tr>
<tr>
<td>Other assets</td>
<td>(22,027)</td>
<td>14,717</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>(13,244)</td>
<td>3,369</td>
</tr>
<tr>
<td>Estimated third party payer settlements</td>
<td>19,474</td>
<td>6,705</td>
</tr>
<tr>
<td>Due from University of Pennsylvania</td>
<td>(1,127)</td>
<td>1,049</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>25,102</td>
<td>18,361</td>
</tr>
<tr>
<td>Pension and post-retirement benefit liability</td>
<td>5,213</td>
<td>4,931</td>
</tr>
<tr>
<td>Net realized and unrealized gain/(loss) on investments, net</td>
<td>(232,517)</td>
<td>(152,848)</td>
</tr>
<tr>
<td>Transfers, restricted contributions and pension adjustment</td>
<td>(12,190)</td>
<td>(122,686)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>443,530</td>
<td>470,098</td>
</tr>
</tbody>
</table>

| Cash flows from investing activities: |          |          |
| Purchases of property and equipment  | (334,969)| (201,799)|
| Net (purchase)/sale of assets whose use is limited and investments | (12,889) | 23,701  |
| Chester County Health System membership substitution | 15,397 | -        |
| Net cash used for investing activities | (332,461)| (178,098)|

| Cash flows from financing activities: |          |          |
| Repayment of long-term debt and notes payable | (150,076)| (33,261) |
| Cost of issuance of debt                 | (384)    | -        |
| Proceeds from restricted contributions   | 11,411   | 8,416    |
| Proceeds from issuance of long-term debt | 100,000  | -        |
| Transfers and other                     | (113,527)| (90,930) |
| Net cash provided by financing activities | (152,576)| (115,775)|

| Net increase in cash and cash equivalents | (41,507) | 176,225 |
| Cash and cash equivalents, beginning of year | 738,771  | 562,546 |
| Cash and cash equivalents, end of year    | $697,264 | $738,771 |

Supplemental disclosure of cash flow information:

| Cash paid for interest                      | $40,299  | $41,154 |
| Purchases of property and equipment excluded from accounts payable | $158,684 | $107,074 |

See accompanying notes to combined financial statements.
1. Organization

The University of Pennsylvania Health System (UPHS or Health System) is comprised of the following operating entities: Clinical Practices of the University of Pennsylvania (CPUP), Clinical Care Associates (CCA), Hospital of the University of Pennsylvania (HUP), Penn Presbyterian Medical Center (PPMC), Pennsylvania Hospital of the University of Pennsylvania Health System (PAH-UPHS) and Wissahickon Hospice of the University of Pennsylvania Health System. In addition, the activities of UPHS’ risk retention program, supported and administered by Franklin Casualty Insurance Company (FCI), a wholly owned Risk Retention Group and Quaker Insurance Company Ltd. (QIC), a wholly owned offshore captive insurance company (collectively referred to as RRG/Captive), are included in the combined financial statements. In September 2013, through a membership substitution, Chester County Hospital and Health System (TCCHHS) became part of the UPHS.

UPHS and the University of Pennsylvania Perelman School of Medicine (PSOM) operate under the governance of Penn Medicine. The governing body, approved by the University, operates, oversees, and coordinates the academic, research, and clinical missions of Penn Medicine. Penn Medicine replaced the prior multiple governing boards of UPHS and the PSOM, all of which were dissolved, with this single governing board. UPHS is a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code. The University (as to HUP and CPUP), PPMC, PAH-UPHS, TCCHHS and Wissahickon Hospice of the University of Pennsylvania Health System are sometimes referred to herein as the “Obligated Group.” In addition, UPHS is included in the financial statements of the Trustees of the University of Pennsylvania (University).
2. Significant Accounting Policies

   Use of Estimates

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

   Cash and Cash Equivalents

   Cash equivalents consist primarily of demand deposits and money market mutual funds. Investments in highly liquid debt instruments with original maturities of three months or less when purchased are included in cash and cash equivalents. The carrying amount of cash and cash equivalents are at fair value based on quoted market prices.

   Investments and Investment Income

   Investments in marketable equity securities (common stocks), U.S. Treasury obligations and marketable debt securities (corporate bonds) are generally valued based on quoted market prices or by broker/dealers who actively make markets in these securities, and are accordingly categorized as Level 1, 2 or 3 in the fair value hierarchy, with no valuation adjustments applied.

   Realized gains and losses are reported as a component of excess of revenue over expenses. The change in unrestricted unrealized gains and losses on investments are reported below the excess of revenue over expenses. Investment income or loss, realized and unrealized gains and losses on investments of donor restricted funds is added to or deducted from the appropriate net asset category based on the donor’s restriction. A write down in the cost basis of investments is recorded when the decline in fair value of investments has been judged to be other than temporary. Depending on any donor-imposed restrictions on the underlying investments, the amount of the write down is reported as a realized loss in either temporarily restricted net assets or in excess of revenue over expenses, with no adjustment in the cost basis for subsequent recoveries in fair value. There were no other-than-temporary write downs reported in excess of revenues over expenses for the year ended June 30, 2014 and June 30, 2013.
2. **Significant Accounting Policies** (continued)

   **Assets Whose Use Is Limited (AWUIL)**

   Assets whose use is limited are comprised of cash, investments and pledges, which are reported at fair or net realizable value. These assets include assets held by trustees under indenture agreements or self-insurance trust arrangements, assets of FCI and QIC funded by the other UPHS entities to settle malpractice claims, assets set aside by management for future purposes, over which they retain control and may subsequently use for other purposes, and donor-restricted funds (Endowments, Specific Purpose and Plant Replacement and Expansion Funds and Contributions Receivable). Contributions receivable are recognized as increases to net assets in the period received, at their net realizable value, net of discounts and allowances.

   **Fair Value**

   UPHS values certain financial and non-financial assets and liabilities by applying the FASB pronouncements on *Fair Value Measurements*. The pronouncement defines fair value and establishes a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. Fair value is defined 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 (an exit price). The hierarchy is broken down into three levels based on inputs that market participants would use in valuing the asset or liability developed based on market data obtained from sources independent of UPHS as follows:

   - **Level 1**: Unadjusted quoted market prices in active markets for identical assets or liabilities.
   - **Level 2**: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable.
   - **Level 3**: Unobservable inputs for the asset or liability.

   Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. UPHS is required by the pronouncement to maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3). UPHS considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to UPHS’ perceived risk of that instrument.

   Assets and liabilities are disclosed in the Notes to Combined Financial Statements within the hierarchy based on the lowest (or least observable) input that is significant to the measurement. UPHS’ assessment of the significance of an input requires judgment, which may affect the valuation and categorization within the fair value hierarchy. The fair value of assets and liabilities using Level 3 inputs are generally determined by using pricing models, discounted cash flow methods or calculated net asset value per share, which all require significant management judgment or estimation.
2. **Significant Accounting Policies** (continued)

As a practical expedient, UPHS is permitted under the pronouncement to estimate the fair value of an investment in an investment company at the measurement date using the reported net asset value (NAV). Adjustment is required if the Health System expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with US generally accepted accounting principles (US GAAP). The investments in private equity, natural resources, real estate and certain hedge funds in the absolute return portfolio are generally valued based on the most current NAV adjusted for cash flows when the reported NAV is not at the measurement date. This amount represents fair value of these investments at June 30, 2014 and June 30, 2013. UPHS follows the University’s valuation policy for subsequent receipt of NAV’s for these types of investments.

**Associated Investment Fund (A.I.F.)**

The A.I.F. is a diversified pooled investment vehicle available solely to the University, its affiliates and subsidiaries. The A.I.F. is invested in accordance with the investment policies set out by an Investment Board which has been appointed by the Trustees of the University. The Office of Investments is responsible for the day-to-day management of the portfolio including identifying, selecting and monitoring a variety of external investment managers to implement the strategic asset allocation set forth by the Investment Board. Unrestricted realized and the change in unrealized gain/(loss) from Level 3 assets are reported as a component of the excess of revenue over expenses. The change in unrestricted unrealized gain/(loss) from Level 1 or 2 assets are reported in the change in net assets, while realized gain/(loss) are reported as a component of the excess of revenue over expenses. The fair value of the A.I.F. represents UPHS' ownership in the underlying fair value of the assets as determined by the University. The following is a summary of the investments held by UPHS in the A.I.F. by asset allocation.

**Short-Term (A.I.F.)**

Short-term investments include cash equivalents and fixed income investments with maturities of less than one year. Short-term investments are valued using observable market data and are categorized as Level 1 based on quoted market prices in active markets. The majority of these short-term investments are held in a US Treasury money market account.

**Equity (A.I.F.)**

Equity investments consist of direct holdings of public securities in managed accounts, mutual funds, exchange traded funds, commingled funds and limited partnerships. Securities held in managed accounts, mutual funds and exchange traded funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1. Commingled funds are valued at NAV and are categorized as Level 2. Limited partnership interests are valued at NAV. If the University has the ability to redeem from the limited partnership up to 180 days beyond the measurement date, June 30, at NAV, the investment is classified as Level 2. If the redemption period extends beyond 180 days, the investment is categorized as Level 3.
2. Significant Accounting Policies (continued)

Debt (A.I.F.)

Debt investments consist of direct holdings of securities in managed accounts and a single limited partnership. Securities such as US Treasuries, which are held in managed accounts, are valued based on quoted market prices in active markets and are categorized as Level 1. Securities such as corporate bonds, high yield bonds and bank loans, also held in managed accounts, are valued based on quoted market prices or dealer or broker quotations and are categorized as Level 2 or in the cases where they trade infrequently as Level 3. A limited partnership interest in a fund dedicated to credit investments is valued at NAV. If the University has the ability to redeem from the limited partnership up to 180 days beyond the measurement date at NAV, the investment is classified at Level 2. If the redemption period extends beyond 180 days, the investment is categorized as Level 3.

Absolute Return (A.I.F.)

The absolute return investments are made up of allocations to partnerships. The fund managers invest in a variety of securities based on the strategy of the fund which may or may not be quoted in an active market. Illiquid investments, if any, are generally designated as a side pocket by hedge fund managers and may be valued based on an appraised value, discounted cash flow, industry comparables or some other method. Limited partnership interests are valued at NAV. If the University has the ability to redeem from the limited partnership up to 180 days beyond the measurement date at NAV, the investment is classified as Level 2. If the redemption period extends beyond 180 days, the investment is categorized as Level 3. Side pocket investments would be classified as Level 3.

Private Equity (A.I.F.)

Investments in private equity are in the form of closed-ended limited partnership interests. The fund managers primarily invest in private investments for which there is no readily determinable market value. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These limited partnership investments are valued at NAV, are not redeemable within 180 days and are categorized as Level 3.

Real Estate (A.I.F.)

Investments in real estate are primarily in the form of close-ended limited partnership interests. The fund managers primarily invest in private investments for which there is no readily determinable market value. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These limited partnership investments are valued at NAV, are not redeemable within 180 days and are categorized as Level 3. Real estate investments also included an open-ended real estate investment trust which is categorized as a Level 2 investment given the University’s ability to redeem from the limited partnership up to 180 days beyond the measurement date at NAV.
2. **Significant Accounting Policies** (continued)

   **Natural Resources (A.I.F.)**

Investments in natural resources are made up of limited partnership interests, securities in a managed account and a commingled fund. The limited partnership fund managers primarily invest in private investments for which there is no readily determinable market value. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These limited partnership investments are valued at NAV, are not redeemable within 180 days and are categorized as Level 3. The University directly holds the securities held in the managed account through a custodial relationship. The securities held in the managed account are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1. The commingled fund is valued at NAV and is categorized as Level 2 investment given the University’s ability to redeem from the limited partnership up to 180 days beyond the measurement date at NAV.

   **Derivatives (A.I.F.)**

In the normal course of business, the investment utilizes derivative financial instruments in connection with its investing activity. Derivatives utilized by the investment include futures, options, swaps and forward currency contracts and are reflected at fair value following the definition of Level 1 and 2 assets and liabilities as previously described. Investments in such derivative contracts are subject to foreign exchange and equity price risks that can result in a loss of all or part of an investment. In addition, the investment is also subject to additional counterparty risk should its counterparties fail to meet the terms of their contracts.

   **Investment Risk (A.I.F.)**

The Health System’s investing activities expose it to a variety of risks, including market, credit and liquidity risks and attempts to identify, measure and monitor risk through various mechanisms including risk management strategies and credit policies.

Market risk is the potential for changes in the fair value of UPHS’ investment portfolio. Commonly used categories of market risk include currency risk (exposure to exchange rate differences between functional currency relative to other foreign currencies), interest rate risk (changes to prevailing interest rates or changes in expectations of futures rates) and price risk (changes in market value other than those related to currency or interest rate risk, including the use of NAV provided).

Credit risk is the risk that one party to a financial investment will cause a financial loss for the other party by failing to discharge an obligation (counterparty risk).

Liquidity risk is the risk that UPHS will not be able to meet its obligations associated with financial liabilities (restrictions on ability to redeem investments). UPHS has made investments in various long-lived partnerships and, in other cases, has entered into contractual agreements that may limit its ability to initiate redemptions due to notice periods, lock-ups and gates. Details on remaining estimated life, current redemption terms and restrictions by asset class and type of investment are provided as follows:
2. **Significant Accounting Policies** (continued)

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Remaining Life</th>
<th>Redemption Terms</th>
<th>Redemption Restrictions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term</td>
<td>N/A</td>
<td>Daily</td>
<td>None</td>
</tr>
</tbody>
</table>

**Equity**

- Managed accounts
  - N/A
  - Daily and semi-annually
  - Lock-up provisions range from none to 1 year

- Mutual funds
  - N/A
  - Daily
  - None

- Exchange traded funds
  - N/A
  - Daily
  - None

- Commingled funds
  - N/A
  - Weekly to quarterly with varying notice periods
  - None

- Partnerships
  - N/A
  - Quarterly to annually with varying notice periods
  - Lock-up provisions ranging from 0 to 2 years and $1 million of side pocket investments

**Total Equity**

**Debt**

- Managed accounts
  - N/A
  - Daily
  - None

- Partnership
  - N/A
  - N/A
  - Illiquid side pocket investments

**Total Debt**

- Absolute return
  - N/A
  - Quarterly, annually, and 2 years with varying notice periods
  - Excludes 14 limited partnerships with no redemptions permitted. Distributions received as underlying investments are liquidated.
  - Lock-up provisions ranging from 0 to 2 years with some earlier redemptions permitted subject to redemption fee. Excludes $54 million in 14 limited partnerships with no redemptions permitted and $18 million of side pocket investments.

- Real estate
  - 1 to 13 years
  - Redemptions not permitted. Distributions received as underlying investments are liquidated. Excludes 1 fund with quarterly liquidity on 90 day notice period.
  - N/A

- Private equity
  - 1 to 16 years
  - Redemptions not permitted. Distributions received as underlying investments are liquidated.
  - N/A

**Natural resources**

- Managed account
  - N/A
  - Daily
  - None

- Commingled fund
  - N/A
  - Daily
  - None

- Partnerships
  - 2 to 14 years
  - Redemptions not permitted. Distributions received as underlying investments are liquidated.
  - N/A
2. Significant Accounting Policies (continued)

   Property, Equipment and Depreciation

Property and equipment are stated at cost at the date of acquisition less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. Useful lives range from 40 years for buildings, 15 years for building improvements, 8 to 10 years for fixed equipment and 5 to 10 years for major movable equipment. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Interest cost incurred on borrowed funds during the period of construction of major capital assets is capitalized as a component of the cost of acquiring those assets.

   Intangible Assets

Goodwill, representing the excess of cost over assets acquired in the 1996 statutory merger of the Presbyterian Medical Center into PPMC, was $52,850,000. The remaining balance of $24,888,000 is included in other assets in the accompanying combined balance sheets. As noted below, goodwill is no longer subject to amortization. UPHS performs an annual impairment test of the PPMC reporting unit during the second quarter of the fiscal year. The calculation compares the reporting unit’s carrying value to its fair value that is calculated using a discounted cash flow approach, which incorporates market participant data. In addition to the annual impairment test, additional evaluations will be done if circumstances exist that may lead to impairment. There were no goodwill impairments during 2014 or 2013.

   Deferred Financing Fees and Bond Insurance

Deferred financing fees and bond insurance, included in other assets at June 30, 2014 and 2013, totaling $7,416,000 and $7,812,000, respectively are amortized using the effective interest method over the life of the related debt.

   Self Insurance

UPHS accrues for estimated risks arising from both asserted and unasserted medical professional and workers’ compensation claims based on historical claims data utilized by an independent actuary. Liabilities were recorded utilizing a discount rate of 2.25% in 2014 and 2013.

   Split-Interest Agreements

UPHS’ split-interest agreements with donors consist primarily of irrevocable charitable perpetual trusts and charitable lead trusts. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements.
2. **Significant Accounting Policies** (continued)

Perpetual trust assets are initially valued at the current market value of the underlying assets using observable market inputs based on its beneficial interest in the trust. The initially contributed assets are categorized as a Level 3 measurement in the fair value hierarchy and are reported as investments, at fair value on the combined balance sheets and as contribution revenue on the combined statements of operations. Subsequent valuation follows this same approach with changes in fair value reported as an adjustment to investments, at fair value on the combined balance sheets and gain/(loss) on investments, net on the combined statements of operations.

Charitable remainder trust assets, where UPHS does not serve as the trustee, are initially valued using the current fair value of the underlying assets, using observable market inputs based on its beneficial interest in the trust, discounted to a single present value using current market rates at the date of the contribution. The initially contributed assets are categorized as Level 3, and reported as Investments, at fair value on the balance sheet and as contribution revenue on the combined statements of operations. Subsequent valuation follows this same approach with changes in fair value reported as an adjustment to donor-restricted investments, net of the statement of changes in net assets.

**Participation in Joint Venture and Member Substitution Activities**

UPHS has entered into these activities to further its missions.

In 2007, UPHS entered into an agreement with Good Shepherd Rehabilitation Network, for a 30% interest in Good Shepherd Penn Partners, a joint venture and strategic alliance that provides post-acute medical care in Eastern Pennsylvania. The investment is accounted for by utilizing the equity method.

Effective September 1, 2013, UPHS has agreed to become the corporate member of the Chester County Hospital and Health System (TCCHHS), a non-profit health system located in West Chester, PA, under the terms of a membership substitution transaction. UPHS acquired $275,183,000 of total assets, consisting primarily of property, plant and equipment, and assumed $118,883,000 of total liabilities consisting primarily of long-term debt obligations. Net assets of $156,300,000 were recorded as contributions in the Combined Statement of Operations in the respective net asset classes, of which $12,254,000 was temporarily restricted and $13,738,000 was permanently restricted.
2. **Significant Accounting Policies (continued)**

**Interest Rate Exchange Agreements**

The Health System enters into interest rate swap agreements to synthetically modify the interest rate terms of its long term debt. The agreements are not entered into for trading or speculative purposes. Fair value of interest rate swap agreements are obtained by quotes from Merrill Lynch, which is based on the income approach that uses observable market data to discount future net payment streams. The quote provided by Merrill Lynch also represents the amount the Health System would accept or be required to pay to transfer the agreement to Merrill Lynch, or exit price as defined by *Fair Value Measurements*. The Health System verifies the reasonableness of the quote provided by Merrill Lynch by comparing it to a similar quote from a swap adviser and the results of similar observable inputs used in a pricing model. The Health System also assesses the risk of nonperformance by reviewing bond ratings, and accordingly considers the agreements to be Level 2 measurements in the fair value hierarchy. The Health System has recognized an asset of $4,582,000 and $4,777,000 and liability of $7,046,000 and $8,235,000 at the years ended June 30, 2014 and June 30, 2013, respectively, which represents the accumulated fair market value of the swaps. All gains/(losses) of the interest rate swap agreements are recorded as interest expense in the combined statement of operations.

<table>
<thead>
<tr>
<th>Merrill Lynch / Bank of America</th>
<th>Merrill Lynch / Bank of America</th>
<th>Merrill Lynch / Bank of America</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Notional Amount</strong></td>
<td>$26,150,000</td>
<td>$26,150,000</td>
</tr>
<tr>
<td><strong>Maturity Date</strong></td>
<td>8/15/2023</td>
<td>8/15/2023</td>
</tr>
<tr>
<td><strong>Rate:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receive</td>
<td>3.184%</td>
<td>2.902%</td>
</tr>
<tr>
<td>Pay</td>
<td>SIFMA</td>
<td>SIFMA</td>
</tr>
<tr>
<td><strong>Default; Optional Termination @ Market Value</strong></td>
<td>Default by UPHS</td>
<td>Default by UPHS</td>
</tr>
<tr>
<td><strong>Optional Termination @ Market Value</strong></td>
<td>UPHS Only</td>
<td>UPHS Only</td>
</tr>
<tr>
<td><strong>Collateral Threshold</strong></td>
<td>AAA/Aaa = Infinite</td>
<td>AAA/Aaa = Infinite</td>
</tr>
<tr>
<td></td>
<td>AA+/Aa(1,2,3) = $40M</td>
<td>AA+/Aa(1,2,3) = $40M</td>
</tr>
<tr>
<td></td>
<td>A+/A(1,2,3) = $20M</td>
<td>A+/A(1,2,3) = $20M</td>
</tr>
<tr>
<td></td>
<td>A+/A(1,2,3) = $20M</td>
<td>A+/A(1,2,3) = $20M</td>
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<td></td>
<td>A+/A(1,2,3) = $20M</td>
<td>A+/A(1,2,3) = $20M</td>
</tr>
<tr>
<td></td>
<td>BBB+ / Baa* = $10M</td>
<td>BBB+ / Baa1 = $10M</td>
</tr>
<tr>
<td></td>
<td>BBB or below = None</td>
<td>BBB or below = None</td>
</tr>
</tbody>
</table>
2. **Significant Accounting Policies** (continued)

**Net Assets**

Net assets are classified for accounting and financial reporting purposes into three net asset categories according to donor imposed restrictions, if any. A description of the three net asset categories is as follows:

Unrestricted net assets are those that are available for the support of operations and whose use is not externally restricted, although their use may be limited by other factors such as by contract or board designation.

Temporarily restricted net assets include gifts or endowment income that has been limited as to use by donors for a specific purpose and/or time period.

Permanently restricted net assets include gifts which have been restricted by donors to be maintained in perpetuity, and only the income to be made available for operations in accordance with donor imposed restrictions. Contributions originated as a result of donors establishing irrevocable trusts, in perpetuity, which distribute the UPHS’ percentage share of the income generated from the assets (Funds Held in Trust by Others) are also included as permanently restricted net assets.

**Excess of revenues over expenses**

The combined statements of operations include excess of revenue over expenses. Changes in unrestricted net assets which are excluded from excess of revenue over expenses, consistent with industry practice, include the change in unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from the PSOM other than for goods and services, net assets released from restrictions for capital, and pension-related changes other than net periodic pension cost.

**Transfers between UPHS entities**

All significant inter-entity accounts and transactions are eliminated in combination.
2. Significant Accounting Policies (continued)

   New Accounting Pronouncements

   In May 2014, the FASB issued a standard on Revenue from Contracts with Customers. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2016. UPHS is evaluating the impact this will have on the consolidated financial statements beginning in Fiscal Year 2018.

   Net Patient Service Revenue

   UPHS has agreements with third-party payers that provide for payments at amounts different from its established rates. A summary of the payment arrangements with major third-party payers is as follows:

   • Medicare: Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient psychiatric services and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. UPHS is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by each hospital and audits thereof by the Medicare fiscal intermediary.

   • Medicaid: Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. Additional amounts are allocated to each hospital for training residents and serving a disproportionate indigent population.

   Revenue from the Medicare and Medicaid programs accounted for approximately 26% and 14%, respectively, of UPHS’ hospital net patient service revenue for the year ended 2014, and 26% and 15%, respectively, of the Health System’s net patient service revenue, for the year ended 2013. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Certain revenue received for third party payers is subject to audit and retrospective adjustments.

   Final adjustments resulting from settlements with third-party payers are recorded in the year in which they are settled. The amount was an increase of $1,197,000 and $4,726,000 to net patient service revenue in 2014 and 2013, respectively, as a result of final settlements and the revision or removal of allowances previously estimated that were no longer necessary.
2. **Significant Accounting Policies (continued)**

**Provision For Bad Debt Expense**

The provision for bad debt expense is based on management’s assessment of expected net collections considering economic conditions, historical experience, trends in health care coverage and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payer category, including not covered by insurance, and history of cash collections. The results of this review are then used to make any modifications to the provision for bad debt expense to establish an appropriate allowance for uncollectible accounts and is recorded in the period of service. No significant modifications were made for fiscal years 2014 and 2013. After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, UPHS follows established guidelines for placing certain past-due patient balances with collection agencies, subject to terms of certain restrictions on collection efforts as determined by UPHS. Account receivables are written off after collection efforts have been followed in accordance with UPHS’ policy.

**Medicaid Modernization Program**

On July 3, 2010, the Pennsylvania General Assembly passed the Public Welfare Code amendment (Act 49) which was signed into law by the Governor, establishing a new program referred to as Medicaid Modernization. The program was subsequently approved by the federal Centers for Medicare and Medicaid Services. The program is designed to provide additional funding to Pennsylvania hospitals for the purpose of enhancing access to quality healthcare for qualifying Medicaid beneficiaries, helping to partially mitigate the losses incurred by hospitals resulting from low reimbursement rates. To accomplish this objective, for fiscal years 2011 through 2016, the program provides participating hospitals with improved inpatient fee-for-service hospital payments, establishes enhanced hospital payments through Medicaid managed care organizations (MCOs), and secures additional federal matching Medicaid funds through a Quality Care Assessment, under which hospitals pay the state a percentage of their net inpatient revenue. After deducting the cost of the assessment due to the state, UPHS recognized additional revenues over expenses of $15,435,000 in FY 2014 and $17,546,000 in FY 2013 from the Pennsylvania Medicaid Modernization program.
2. **Significant Accounting Policies (continued)**

   **Electronic Health Records Incentive Program (EHR)**

   In 2011, UPHS received the initial payment of the incentive relating to electronic Health Records, as part of the American Recovery and Reinvestment Act of 2009 (ARRA). The Health Information Technology for Economic and Clinical Health Act provision within the ARRA allowed for $19 billion worth of incentives to hospitals who implement and meaningfully use Electronic Health Record technology by 2014. UPHS is accounting for payments using FASB Codification Standard 450-30-50-1, Gain Contingency. Accordingly, when all contingencies have been met and the funds have been received, UPHS recognizes these incentives as “Other Operating Revenue” in the Statement of Operations. UPHS received $15,432,000 in FY 2014 and $23,974,000 in FY 2013.

   **Third Party Agreements**

   During 2012, UPHS and Independence Blue Cross (IBC) reached an agreement on terms of a new four-year agreement. Payments made for inpatient services provided to IBC traditional and managed care subscribers are effected on a per case rate basis for most services. Payment for outpatient services is principally based upon negotiated fee schedules. Hospital and physician rates also provide for annual inflationary increases. In addition, incentives are paid for high performance with regard to clinical outcomes and patient quality.

   During 2010, UPHS and Aetna reached agreement on terms of a new five-year agreement. The terms of the new agreement provide payments for inpatient hospital services on a per case rate basis. Payments for outpatient services continue to be predominantly based upon negotiated fee schedules.

   UPHS also has reimbursement agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.
2. **Significant Accounting Policies (continued)**

   **Endowments**

   The Commonwealth of Pennsylvania has not adopted the Uniform Management of Institutional Funds Act (UMIFA) or the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Rather, the Pennsylvania Uniform Principal and Income Act (Pennsylvania Act) governs the investment, use and management of the UPHS’ endowment funds. The Pennsylvania Act allows a nonprofit to elect to spend between 2% and 7% of the endowment market value, determined at least annually and averaged over a period of three or more preceding years.

   The Pennsylvania Act does not require the preservation of the fair value of a donor’s original gift as of the gift date of a donor-restricted endowment fund, absent explicit donor stipulations to the contrary. However, based on its interpretation of the Pennsylvania Act and relevant accounting literature, UPHS classifies as permanently restricted net assets for reporting purposes (i) the original value of gifts donated to the permanent endowment, (ii) the original value of subsequent gifts to the permanent endowment, and (iii) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Health System.

   UPHS follows the University’s endowment spending policy. In accordance with the Pennsylvania Act, the University has elected to adopt and follow an investment policy seeking a total return for the investments held by the A.I.F., whether the return is derived from appreciation of capital or earnings and distributions with respect to capital or both. The endowment spending policy which the Board has elected to govern the expenditure of funds invested in the AIF is designed to manage annual spending levels and is independent of the cash yield and appreciation of investments for the year. The University determines its spending rule target payout based on the sum of: (i) 70% of the prior fiscal year distribution adjusted by an inflation factor; and (ii) 30% of the prior fiscal year-end fair value of the AIF, lagged one year, multiplied by 6.5% for financial aid funds and 4.7% for all other funds.
### 3. Assets Whose Use Is Limited

Assets whose use is limited at June 30, 2014 and 2013 are set forth in the following table (in thousands):

<table>
<thead>
<tr>
<th>Held by Trustees:</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,106</td>
<td>$1,008</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>2,098</td>
<td>7,455</td>
</tr>
<tr>
<td>U.S. Treasury obligations</td>
<td>1,170</td>
<td>1,155</td>
</tr>
<tr>
<td>Marketable equity securities</td>
<td>4,095</td>
<td>3,720</td>
</tr>
<tr>
<td>Other</td>
<td>77</td>
<td>248</td>
</tr>
<tr>
<td>Total Held By Trustees</td>
<td>8,546</td>
<td>13,586</td>
</tr>
</tbody>
</table>

| RRG/Captive                    |       |       |
| Cash and cash equivalents      | 120,181 | 114,569 |
| Total RRG Captive              | 120,181 | 114,569 |

| Designated                     |       |       |
| Cash and cash equivalents      | 5,630 | 1,031 |
| Associated Investment Funds (A.I.F) | 1,141,225 | 973,313 |
| Other                          | 707   | 1,340 |
| Total Designated               | 1,147,562 | 975,684 |

| Donor-Restricted:              |       |       |
| Cash and cash equivalents      | 42,960| 28,911|
| U. S. Treasury obligations     | 1,033 | 1,403 |
| Marketable debt securities     | 7,430 | 5,086 |
| Marketable equity securities   | 90,750| 70,603|
| Associated Investment Funds (A.I.F) | 392,189 | 344,026 |
| Contribution receivable, net   | 5,630 | 948   |
| Notes, mortgages and other     | 1,808 | 2,597 |
| Total Donor-Restricted         | 541,800 | 453,574 |

| Total Assets Whose Use is Limited | $1,818,089 | $1,557,413 |

Designated Associated Investment Funds (A.I.F) was increased by $432,768 at June 30, 2013 for comparability as a result of the inclusion of those funds in the 2014 presentation. Those funds were previously included with reported Investments.
4. Investments

Investments at June 30, 2014 and 2013 are set forth in the following table (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 487</td>
<td>$ 428</td>
</tr>
<tr>
<td>U.S. Treasuries Obligations</td>
<td>356,878</td>
<td>354,337</td>
</tr>
<tr>
<td>Intermediate Investments (GMO)</td>
<td>98,901</td>
<td>81,563</td>
</tr>
<tr>
<td>Other</td>
<td>141</td>
<td>139</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 456,407</strong></td>
<td><strong>$ 436,467</strong></td>
</tr>
</tbody>
</table>

5. Fair Value Measurement

Investments, derivative instruments and assets whose use is limited, excluding contribution receivable, measured at fair value in accordance with the Fair Value Measurements standard as of June 30, 2014 and 2013 are as follows (in thousands):

<table>
<thead>
<tr>
<th>Assets</th>
<th>Quoted Prices in Active Markets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
<th>Total 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$ 184,164</td>
<td>-</td>
<td>-</td>
<td>$ 184,164</td>
</tr>
<tr>
<td>US equities</td>
<td>104,212</td>
<td>-</td>
<td>-</td>
<td>104,212</td>
</tr>
<tr>
<td>US Treasuries</td>
<td>359,632</td>
<td>-</td>
<td>-</td>
<td>359,632</td>
</tr>
<tr>
<td>Split-interest agreements</td>
<td>-</td>
<td>-</td>
<td>93,074</td>
<td>93,074</td>
</tr>
<tr>
<td>Derivative instruments</td>
<td>-</td>
<td>(2,464)</td>
<td>-</td>
<td>(2,464)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 648,008</td>
<td>$ (2,464)</td>
<td>$ 93,074</td>
<td>$ 738,618</td>
</tr>
<tr>
<td>Associated Investment Fund (A.I.F.)</td>
<td>-</td>
<td>1,533,414</td>
<td>-</td>
<td>1,533,414</td>
</tr>
<tr>
<td>Total AWUJIL &amp; Investments</td>
<td><strong>$ 648,008</strong></td>
<td><strong>$ 1,530,950</strong></td>
<td><strong>$ 93,074</strong></td>
<td><strong>$ 2,272,032</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assets</th>
<th>Quoted Prices in Active Markets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
<th>Total 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$ 149,042</td>
<td>$ -</td>
<td>$ -</td>
<td>149,042</td>
</tr>
<tr>
<td>US equities</td>
<td>96,370</td>
<td>-</td>
<td>-</td>
<td>96,370</td>
</tr>
<tr>
<td>US Treasuries</td>
<td>358,360</td>
<td>-</td>
<td>-</td>
<td>358,360</td>
</tr>
<tr>
<td>Split-interest agreements</td>
<td>-</td>
<td>-</td>
<td>72,769</td>
<td>72,769</td>
</tr>
<tr>
<td>Derivative instruments</td>
<td>-</td>
<td>(3,458)</td>
<td>-</td>
<td>(3,458)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 603,772</strong></td>
<td><strong>$ (3,458)</strong></td>
<td><strong>$ 72,769</strong></td>
<td><strong>$ 673,083</strong></td>
</tr>
<tr>
<td>Total AWUJIL &amp; Investments</td>
<td><strong>$ 603,772</strong></td>
<td><strong>$ 1,313,881</strong></td>
<td><strong>$ 72,769</strong></td>
<td><strong>$ 1,990,422</strong></td>
</tr>
</tbody>
</table>
5. Fair Value Measurement (continue)

Changes to the reported amounts of split interest agreements, measured at fair value using unobservable (Level 3) inputs as of June 30, 2014 and 2013 are all recorded as net realized gains and losses. The primary unobservable input used in the fair value measurement of the split interest agreements is the discount rate. Significant fluctuation in the discount rates utilized in this calculation could result in a material change in fair value.

As noted above, UPHS participates in the Associated Investment Fund (A.I.F.). At June 30, 2014 and June 30, 2013, UPHS held 16.465% and 17.0% of the total investment fund respectively. The asset classification for the A.I.F. is as follows:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Quoted Prices in Active Markets (Level 1)</th>
<th>Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
<th>Total 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$ 624,379</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 624,379</td>
</tr>
<tr>
<td>Equity investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US equities</td>
<td>959,195</td>
<td>451,428</td>
<td>313,465</td>
<td>1,724,088</td>
</tr>
<tr>
<td>International equities</td>
<td>442,956</td>
<td>658,309</td>
<td>178,891</td>
<td>1,280,156</td>
</tr>
<tr>
<td>Emerging market equities</td>
<td>113,801</td>
<td>485,870</td>
<td>284,068</td>
<td>883,739</td>
</tr>
<tr>
<td>Debt securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Treasuries</td>
<td>680,876</td>
<td>-</td>
<td>-</td>
<td>680,876</td>
</tr>
<tr>
<td>Corporate Bonds</td>
<td>-</td>
<td>40,523</td>
<td>-</td>
<td>40,523</td>
</tr>
<tr>
<td>High Yield</td>
<td>-</td>
<td>1,225</td>
<td>-</td>
<td>1,225</td>
</tr>
<tr>
<td>Absolute return</td>
<td>-</td>
<td>905,494</td>
<td>1,541,251</td>
<td>2,446,745</td>
</tr>
<tr>
<td>Real estate</td>
<td>-</td>
<td>45,169</td>
<td>410,214</td>
<td>455,383</td>
</tr>
<tr>
<td>Private equity</td>
<td>-</td>
<td>-</td>
<td>845,444</td>
<td>845,444</td>
</tr>
<tr>
<td>Natural resources</td>
<td>73,680</td>
<td>76,033</td>
<td>189,665</td>
<td>339,378</td>
</tr>
<tr>
<td>Derivative instruments</td>
<td>776</td>
<td>4,048</td>
<td>-</td>
<td>4,824</td>
</tr>
<tr>
<td>Less: Liabilities</td>
<td>131,595</td>
<td>15,009</td>
<td>-</td>
<td>146,604</td>
</tr>
<tr>
<td></td>
<td>$ 2,764,068</td>
<td>$ 2,651,865</td>
<td>$ 3,764,223</td>
<td>$ 8,180,156</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assets</th>
<th>Quoted Prices in Active Markets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
<th>Total 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$ 389,722</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 389,722</td>
</tr>
<tr>
<td>Equity investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US equities</td>
<td>1,081,089</td>
<td>218,695</td>
<td>224,440</td>
<td>1,524,224</td>
</tr>
<tr>
<td>International equities</td>
<td>324,845</td>
<td>716,858</td>
<td>135,138</td>
<td>1,176,841</td>
</tr>
<tr>
<td>Emerging market equities</td>
<td>111,698</td>
<td>338,487</td>
<td>73,132</td>
<td>523,317</td>
</tr>
<tr>
<td>Debt securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Treasuries</td>
<td>563,866</td>
<td>-</td>
<td>-</td>
<td>563,866</td>
</tr>
<tr>
<td>Corporate Bonds</td>
<td>-</td>
<td>42,477</td>
<td>1</td>
<td>42,478</td>
</tr>
<tr>
<td>High Yield</td>
<td>-</td>
<td>29,422</td>
<td>1,947</td>
<td>31,369</td>
</tr>
<tr>
<td>Absolute return</td>
<td>-</td>
<td>563,548</td>
<td>1,585,102</td>
<td>2,148,650</td>
</tr>
<tr>
<td>Real estate</td>
<td>-</td>
<td>40,924</td>
<td>410,649</td>
<td>451,573</td>
</tr>
<tr>
<td>Private equity</td>
<td>-</td>
<td>-</td>
<td>674,556</td>
<td>674,556</td>
</tr>
<tr>
<td>Natural resources</td>
<td>63,213</td>
<td>55,805</td>
<td>173,653</td>
<td>292,671</td>
</tr>
<tr>
<td>Derivative instruments</td>
<td>8,206</td>
<td>3,702</td>
<td>-</td>
<td>11,908</td>
</tr>
<tr>
<td>Less: Liabilities</td>
<td>29,595</td>
<td>381</td>
<td>-</td>
<td>29,976</td>
</tr>
<tr>
<td></td>
<td>$ 2,513,044</td>
<td>$ 2,009,537</td>
<td>$ 3,278,618</td>
<td>$ 7,801,199</td>
</tr>
</tbody>
</table>
5. Fair Value Measurement (continue)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity investments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- US equities</td>
<td>224,440</td>
<td>-</td>
<td>37,860</td>
<td>151,670</td>
<td>-</td>
<td>50,724</td>
<td>(151,229)</td>
<td>313,465</td>
</tr>
<tr>
<td>- International equities</td>
<td>136,139</td>
<td>10,702</td>
<td>43,884</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>169,725</td>
</tr>
<tr>
<td>- Emerging market equities</td>
<td>73,132</td>
<td>-</td>
<td>71,061</td>
<td>166,700</td>
<td>(10,833)</td>
<td>-</td>
<td>(20,625)</td>
<td>273,235</td>
</tr>
<tr>
<td><strong>Debt investments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Corporate bonds</td>
<td>1</td>
<td>(1)</td>
<td>1</td>
<td>(1)</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>- High yield</td>
<td>1,647</td>
<td></td>
<td>592</td>
<td>(1,264)</td>
<td>-</td>
<td>-</td>
<td></td>
<td>1,222</td>
</tr>
<tr>
<td>Absolute return</td>
<td>1,585,101</td>
<td>60,402</td>
<td>117,862</td>
<td>267,066</td>
<td>(193,947)</td>
<td>25,028</td>
<td>(320,265)</td>
<td>1,541,256</td>
</tr>
<tr>
<td>Real estate</td>
<td>410,649</td>
<td>35,404</td>
<td>22,126</td>
<td>76,474</td>
<td>(134,439)</td>
<td>-</td>
<td>-</td>
<td>410,214</td>
</tr>
<tr>
<td>Private equity</td>
<td>674,556</td>
<td>74,975</td>
<td>69,363</td>
<td>136,900</td>
<td>(140,360)</td>
<td>-</td>
<td>-</td>
<td>845,444</td>
</tr>
<tr>
<td>Natural resources</td>
<td>173,653</td>
<td>16,717</td>
<td>19,118</td>
<td>26,383</td>
<td>(46,208)</td>
<td>-</td>
<td>-</td>
<td>189,865</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 3,278,618</td>
<td>$ 198,199</td>
<td>$ 411,067</td>
<td>$ 625,986</td>
<td>(527,090)</td>
<td>$ 75,762</td>
<td>(1,496,319)</td>
<td>$ 3,764,222</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity investments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- US equities</td>
<td>-</td>
<td>-</td>
<td>4,444</td>
<td>220,000</td>
<td>-</td>
<td>-</td>
<td></td>
<td>224,444</td>
</tr>
<tr>
<td>- International equities</td>
<td>111,512</td>
<td>-</td>
<td>23,327</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>135,135</td>
</tr>
<tr>
<td>- Emerging market equities</td>
<td>94,068</td>
<td>-</td>
<td>(3,544)</td>
<td>27,601</td>
<td>(74)</td>
<td>-</td>
<td></td>
<td>73,132</td>
</tr>
<tr>
<td><strong>Debt investments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Corporate bonds</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>(2)</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>- High yield</td>
<td>3,323</td>
<td>-</td>
<td>785</td>
<td>(2,161)</td>
<td>-</td>
<td>-</td>
<td></td>
<td>1,162</td>
</tr>
<tr>
<td>Absolute return</td>
<td>910,636</td>
<td>10,837</td>
<td>177,484</td>
<td>458,561</td>
<td>(155,537)</td>
<td>183,324</td>
<td>-</td>
<td>1,585,101</td>
</tr>
<tr>
<td>Real estate</td>
<td>362,872</td>
<td>16,292</td>
<td>15,026</td>
<td>74,706</td>
<td>(57,650)</td>
<td>-</td>
<td>-</td>
<td>410,846</td>
</tr>
<tr>
<td>Private equity</td>
<td>601,908</td>
<td>62,059</td>
<td>5,763</td>
<td>110,602</td>
<td>(105,776)</td>
<td>-</td>
<td>-</td>
<td>674,556</td>
</tr>
<tr>
<td>Natural resources</td>
<td>196,537</td>
<td>34,220</td>
<td>(27,768)</td>
<td>22,566</td>
<td>(54,095)</td>
<td>-</td>
<td>-</td>
<td>173,853</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 2,284,259</td>
<td>$ 123,206</td>
<td>$ 155,466</td>
<td>$ 813,472</td>
<td>(376,105)</td>
<td>$ 183,324</td>
<td>$ (44,910)</td>
<td>$ 2,786,818</td>
</tr>
</tbody>
</table>

6. Other Assets

Other assets at June 30, 2014 and 2013 are set forth in the following table (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill, net</td>
<td>$ 24,888</td>
<td>$ 24,888</td>
</tr>
<tr>
<td>Non-patient related receivables</td>
<td>28,127</td>
<td>27,080</td>
</tr>
<tr>
<td>Malpractice receivable</td>
<td>99,106</td>
<td>72,445</td>
</tr>
<tr>
<td>Inventory</td>
<td>28,829</td>
<td>22,015</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>43,418</td>
<td>30,731</td>
</tr>
<tr>
<td>Interest in partnerships</td>
<td>21,080</td>
<td>2,512</td>
</tr>
<tr>
<td>Net deferred financing fees and other</td>
<td>18,639</td>
<td>16,064</td>
</tr>
<tr>
<td></td>
<td>264,087</td>
<td>195,735</td>
</tr>
<tr>
<td>Less current portion</td>
<td>(100,624)</td>
<td>(80,094)</td>
</tr>
<tr>
<td></td>
<td>$ 163,463</td>
<td>$ 115,641</td>
</tr>
</tbody>
</table>

Amortization expense charged to operations totaled $622,000 and $581,000 in 2014 and 2013, respectively.
7. Property, Equipment and Accumulated Depreciation

Property, equipment and accumulated depreciation at June 30, 2014 and 2013 are set forth in the following table (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and improvements</td>
<td>$ 45,553</td>
<td>$ 40,062</td>
</tr>
<tr>
<td>Building and improvements</td>
<td>1,952,744</td>
<td>1,712,235</td>
</tr>
<tr>
<td>Fixed and movable equipment</td>
<td>1,260,170</td>
<td>1,038,125</td>
</tr>
<tr>
<td></td>
<td>3,258,467</td>
<td>2,790,422</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(1,812,893)</td>
<td>(1,536,331)</td>
</tr>
<tr>
<td></td>
<td>1,445,574</td>
<td>1,254,091</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>406,516</td>
<td>217,888</td>
</tr>
<tr>
<td></td>
<td>$ 1,852,090</td>
<td>$ 1,471,979</td>
</tr>
</tbody>
</table>

Depreciation expense for fiscal year 2014 was $157,214,000 and $138,970,000 in fiscal year 2013.

In accordance with ASC 840-40-55, for build-to-suit lease arrangements where we are involved in the construction of structural improvements prior to the commencement of the lease or take some level of construction risk, we are considered the owner of the assets during the construction period under U.S. GAAP. Accordingly, as the landlord incurs the construction project costs, the assets and corresponding financial obligation are recorded in “Property and equipment, net” and “Other liabilities” on our combined balance sheet. UPHS had recorded a construction in progress asset and other liability of $47,447,000 and $24,409,000 at the years ended June 30, 2014 and June 30, 2013, respectively, related to Penn Presbyterian Medical Center lease arrangements. During FY 14, the Pennsylvania Hospital project was completed, which resulted in the recording of $47,598,000 in “Property and equipment, net” and “Long-term debt”, as UPHS continued to demonstrate “significant involvement” after the completion of the project. Similar accounting treatment is also expected upon the completion of the Penn Presbyterian Medical Center project.
8. **Long-Term Debt and Notes Payable**

Debt obligations comprised of long-term debt at June 30, 2014 and 2013, is set forth in the following table (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pennsylvania Higher Education Facilities Authority</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>(PHEFA) Revenue Bonds</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>UPHS Series A of 2014:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal amount outstanding</td>
<td>$100,000</td>
<td>$ -</td>
</tr>
<tr>
<td><strong>UPHS Series A of 2012:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal amount outstanding</td>
<td>136,950</td>
<td>136,950</td>
</tr>
<tr>
<td>Unamortized bond premium</td>
<td>11,546</td>
<td>12,202</td>
</tr>
<tr>
<td>Total</td>
<td>148,496</td>
<td>149,152</td>
</tr>
<tr>
<td><strong>UPHS Series A of 2011:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal amount outstanding</td>
<td>150,000</td>
<td>150,000</td>
</tr>
<tr>
<td>Unamortized bond discount</td>
<td>(972)</td>
<td>(1,029)</td>
</tr>
<tr>
<td>Total</td>
<td>149,028</td>
<td>148,971</td>
</tr>
<tr>
<td><strong>UPHS Series A of 2009:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal amount outstanding</td>
<td>77,645</td>
<td>80,370</td>
</tr>
<tr>
<td>Unamortized bond premium</td>
<td>1,006</td>
<td>1,166</td>
</tr>
<tr>
<td>Total</td>
<td>78,651</td>
<td>81,536</td>
</tr>
<tr>
<td><strong>UPHS Series A of 2008:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal amount outstanding</td>
<td>81,210</td>
<td>86,510</td>
</tr>
<tr>
<td><strong>UPHS Series B of 2008:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal amount outstanding</td>
<td>149,230</td>
<td>201,230</td>
</tr>
<tr>
<td>Unamortized bond discount</td>
<td>(1,562)</td>
<td>(1,795)</td>
</tr>
<tr>
<td>Total</td>
<td>147,668</td>
<td>199,435</td>
</tr>
<tr>
<td><strong>UPHS Series A of 2005:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal amount outstanding</td>
<td>152,570</td>
<td>170,375</td>
</tr>
<tr>
<td>Unamortized bond premium</td>
<td>2,942</td>
<td>4,036</td>
</tr>
<tr>
<td>Total</td>
<td>155,512</td>
<td>174,411</td>
</tr>
<tr>
<td><strong>UPHS Series B of 2005:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal amount outstanding</td>
<td>33,030</td>
<td>40,600</td>
</tr>
<tr>
<td>Unamortized bond premium</td>
<td>302</td>
<td>472</td>
</tr>
<tr>
<td>Total</td>
<td>33,332</td>
<td>41,072</td>
</tr>
<tr>
<td><strong>Pennsylvania Economic Development Financing</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Authority Taxable Development Revenue Bonds</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mortgages</td>
<td>16,774</td>
<td>-</td>
</tr>
<tr>
<td>Built-to-Suite lease</td>
<td>47,598</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>959,469</td>
<td>883,387</td>
</tr>
<tr>
<td>Current portion of debt obligations</td>
<td>(42,044)</td>
<td>(86,500)</td>
</tr>
<tr>
<td>Total</td>
<td>$917,425</td>
<td>$796,887</td>
</tr>
</tbody>
</table>
8. **Long-Term Debt and Notes Payable** (continued)

Pennsylvania Higher Education Facilities Authority Revenue Bonds

UPHS Series A of 2014 Bonds were issued on June 12, 2014 for the purpose of funding various UPHS capital expenditures. The bonds mature in varying amounts from $1,430,000 to $27,120,000 with a final maturity of $27,120,000 in 2045. Interest on the bonds is reset weekly through a remarketing process (0.47% at June 30, 2014). The holder of the bonds will have the option to put the Bonds on June 12, 2021, as described in a Continuing Covenant Agreement between UPHS and TD Bank. The bonds are subject to optional redemption by the University, the obligated group agent, at any time.

UPHS Series A of 2012 Bonds were issued on May 2, 2012 for the purpose of funding various UPHS capital expenditures. The bonds mature in varying amounts from $525,000 to $9,750,000 with a final maturity of $3,970,000 in 2032. The bonds have stated interest rates that range from 3.00% to 5.00%. The bonds are subject to optional redemption by the University, the obligated group agent, on or after August 15, 2022 at a redemption price of 100% plus accrued interest.

UPHS Series A of 2011 Bonds were issued on March 2, 2011 for the purpose of funding various UPHS capital expenditures. The bonds mature in varying amounts from $3,200,000 to $26,600,000 with a final maturity of $17,810,000 in 2042. The bonds have stated interest rates that range from 4.75% to 5.875%. The bonds are subject to optional redemption by the University, the obligated group agent, on or after August 15, 2021 at a redemption price of 100% plus accrued interest.

On July 1, 2009, UPHS issued the Series A of 2009 Bonds for the purpose of redeeming all maturities of the Pennsylvania Hospital Series of 2004 bonds. The bonds mature in varying amounts ranging from $390,000 to $12,110,000 with a final maturity of $9,320,000 in 2024. The bonds have stated interest rates that range from 3.0% to 5.25%. The bonds maturing on and after August 15, 2020 are subject to optional redemption by the University, the obligated group agent, on or after August 15, 2019 at the redemption price of 100% plus accrued interest. On July 15, 2009, UPHS entered into a $30,000,000 interest rate exchange agreement (the “Agreement”) with Merrill Lynch Capital Services. On January 7, 2010, UPHS entered into a second $30,000,000 interest rate exchange agreement, also with Merrill Lynch Capital Services. Under the terms of the Agreement, which became effective on January 1, 2010 and January 7, 2010, UPHS pays a floating rate based on a Securities Industry and Financial Markets Association (“SIFMA”) index and receives a fixed rate of 3.184% and 2.902%, respectively. The Agreement was not entered into for trading or speculative purposes.

UPHS Series B of 2008 Bonds were issued on November 12, 2008 for the purpose of redeeming the UPHS Series C of 2005 and UPHS Series D of 2005. The bonds mature in varying amounts ranging from $9,825,000 to $52,000,000 with a final maturity of $14,770,000 in 2027. The bonds have stated interest rates that range from 5.5% to 6.0%. The bonds maturing on and after August 15, 2022 are subject to optional redemption by the University, the obligated group agent, on or after August 15, 2018 at the redemption price of 100% plus accrued interest.

UPHS Series A of 2008 Bonds were issued on April 21, 2008 for the purpose of legally defeasing the non-current maturities of the Series 2002 Pennsylvania Hospital Revenue Bonds and funding of various UPHS capital expenditures. The bonds mature in varying amounts ranging from $5,300,000 to $7,655,000, with a final maturity of $7,655,000 in 2038.
Interest on the bonds is reset weekly through a remarketing process (0.06% at June 30, 2014). On October 24, 2007, UPHS entered into an interest rate exchange agreement (the “Agreement”) with Merrill Lynch Capital Services to effectively fix the interest rate. Under the terms of the Agreement, which became effective on December 11, 2007, UPHS pays a fixed rate of 3.755% and receives a floating rate based on a percentage of the one-month London Inter-Bank Offered Rate (“LIBOR”). The Agreement was not entered into for trading or speculative purposes. UPHS has the option under the Agreement to terminate the Agreement at zero on January 1, 2018 and every 6 months thereafter. The bonds are subject to optional redemption by the University, the obligated group agent, on any scheduled Interest Payment Date at a Redemption Price equal to 100% of the principal amount plus accrued interest and option tender by the Holders upon seven days notice. The bonds are enhanced by a renewable direct pay letter of credit issued by Bank of America with an expiration date of April 15, 2018 and UPHS self liquidity policy.

UPHS Series A of 2005 Bonds were issued on February 16, 2005 for the purpose of legally defeasing the non-current maturities of the Health Services Series A of 1996 Bonds. The bonds mature in varying amounts ranging from $6,000,000 to $22,855,000, with a final maturity of $6,000,000 in 2023. The bonds have stated interest rates that range from 4.25% to 5.00%. The bonds are subject to optional redemption by the University, the obligated group agent, on or after August 15, 2015 at a redemption price of 100% plus accrued interest. Payment of principal and interest on the 2009-2022 bond maturities is insured by a bond insurer.

UPHS Series B of 2005 Bonds were issued on February 16, 2005 for the purpose of funding various UPHS capital expenditures. The bonds mature in varying amounts ranging from $4,000,000 to $13,000,000, with a final maturity of $4,000,000 in 2018. The bonds have stated interest rates that range from 3.625% to 5.00%. The bonds are subject to optional redemption by the University, the obligated group agent, on or after August 15, 2015 at a redemption price of 100% plus accrued interest. Payment of principal and interest on the 2009-2017 bond maturities is insured by a bond insurer.

The PHEFA Revenue Bonds are collateralized by master notes issued under the UPHS Master Trust Indenture (MTI). The MTI and related agreements contain certain restrictive covenants which limit the issuance of additional indebtedness and among other things, require UPHS to meet an annual debt service coverage requirement of “income available for debt service” (excess of revenue over expenses plus depreciation, amortization, interest expense and extraordinary items) at an amount equal to 110% of the annual debt service requirements. If the coverage requirement for a particular year is not met, within six months of the close of that fiscal year, UPHS must retain the services of a consultant, to make recommendations to improve the coverage requirement. UPHS must also implement the recommendations of the consultant to the extent that they can be feasibly implemented. UPHS will not be considered to be in default of the provisions of the MTI, so long as UPHS has sufficient cash flow to pay total operating expenses and to pay debt service for the fiscal year. The debt service coverage requirement for 2014 and 2013 was met by UPHS. Additionally, UPHS has pledged its gross revenues to collateralize its obligation under the MTI.

UPHS has various mortgage payables with monthly installments ranging from $29,000 to $4,194,000, including interest. The mortgages have interest rates between 4.875% and 6.25%. The mortgages will fully amortize on or before April 1, 2022 and are collateralized by land and buildings of approximately $20,000,000.
8. **Long-Term Debt and Notes Payable** (continued)

**Pennsylvania Economic Development Financing Authority Taxable Development Revenue Bonds**

Pennsylvania Economic Development Financing Authority Taxable Development Revenue Bonds Series 1994 C Bonds were issued on behalf of Delancy Corporation, a wholly owned subsidiary of PAH-UPHS. The bonds are dated September 14, 1994 and mature in the amount of $1,200,000 in September 2014. The bonds have a variable interest rate (0.17% at June 30, 2014) that is based on market conditions as determined by the remarketing agent. The bonds are subject to optional redemption on any interest payment date, at a redemption price equal to 100% of the principal amount thereof to be redeemed, plus accrued interest to the redemption date. The bonds are collateralized by a letter of credit, issued by PNC Bank with an expiration date of September 14, 2014.

In April 2013 and subsequently amended in July 2013, UPHS extended for three years, ending April 2016, the agreement with a financial institution, whereby the institution has agreed to provide a line of credit in the amount of $100,000,000 in order to supplement liquidity for general purposes of the Health System. UPHS paid an upfront facility fee and a fee on the unused amount of the line of credit. As of June 30, 2014, there are no draws under the agreement.

A summary of maturities of long-term debt and build-to-suite lease payments for the next five years is as follows (in thousands):

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>PHEFA</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>35,335</td>
<td>6,709</td>
<td>42,044</td>
</tr>
<tr>
<td>2016</td>
<td>33,970</td>
<td>1,306</td>
<td>35,276</td>
</tr>
<tr>
<td>2017</td>
<td>34,085</td>
<td>894</td>
<td>34,979</td>
</tr>
<tr>
<td>2018</td>
<td>35,850</td>
<td>874</td>
<td>36,724</td>
</tr>
<tr>
<td>2019</td>
<td>85,670</td>
<td>920</td>
<td>86,590</td>
</tr>
<tr>
<td>Thereafter</td>
<td>655,725</td>
<td>7,271</td>
<td>662,996</td>
</tr>
<tr>
<td>Total Principal</td>
<td>880,635</td>
<td>17,974</td>
<td>898,609</td>
</tr>
<tr>
<td>Unamortized Original Issue Premium</td>
<td>13,262</td>
<td>-</td>
<td>13,262</td>
</tr>
<tr>
<td>Total Debt</td>
<td>$ 893,897</td>
<td>$ 17,974</td>
<td>$ 911,871</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Build-to-Suite Lease</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>3,583</td>
</tr>
<tr>
<td>2016</td>
<td>3,668</td>
</tr>
<tr>
<td>2017</td>
<td>3,755</td>
</tr>
<tr>
<td>2018</td>
<td>3,844</td>
</tr>
<tr>
<td>2019</td>
<td>3,935</td>
</tr>
<tr>
<td>Thereafter</td>
<td>66,585</td>
</tr>
<tr>
<td>Total lease payments</td>
<td>85,370</td>
</tr>
<tr>
<td>Less: Amounts representing interest</td>
<td>(37,772)</td>
</tr>
<tr>
<td>Present value of future lease payments</td>
<td>$ 47,598</td>
</tr>
</tbody>
</table>

Based on the borrowing rates currently available to UPHS for debt and capital leases with similar terms and average maturities, the fair value of long-term debt is $1,017,505,000 and $929,863,000 at June 30, 2014 and 2013, respectively. UPHS considers this to be a level 2 measurement.
9. **Transactions with the University of Pennsylvania**

UPHS transferred $110,926,000 and $87,351,000 in 2014 and 2013, respectively, to further the research and educational activities of the PSOM. In addition, PSOM support totaling $21,411,000 and $21,966,000, which represents academic operating support to the clinical departments of the PSOM, has been recognized as operating expenses in 2014 and 2013, respectively. These activities are integral to the overall Penn Medicine mission and are reported as expenses and transfers in the combined financial statements.

Certain University expenses, such as a portion of the salaries of the PSOM faculty, qualify for reimbursement by third-party payers. Reimbursement for these costs is claimed by UPHS, and recognized as other operating revenue by CPUP and the PSOM.

Due to/(from) the University of Pennsylvania reflects the net balance resulting from transactions conducted between UPHS and the University (primarily inter-entity billings for allocation of common costs, physician salaries and benefits, certain purchased services, and support for the PSOM). UPHS transferred $2,601,000 and $3,576,000 in 2014 and 2013, respectively to the University. The amounts outstanding at June 30, 2014 and 2013 represented normal current inter-entity activity.

10. **Net Assets**

The major components of net assets at June 30, 2014 and 2013 are as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2014 Unrestricted</th>
<th>2014 Temporary Restricted</th>
<th>2014 Permanently Restricted</th>
<th>2014 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Operating</td>
<td>$ 916,152</td>
<td>$ 28,910</td>
<td>$ -</td>
<td>$ 945,062</td>
</tr>
<tr>
<td>Capital</td>
<td>-</td>
<td>30,145</td>
<td>-</td>
<td>30,145</td>
</tr>
<tr>
<td>Endowment: Quasi</td>
<td>1,141,225</td>
<td>-</td>
<td>-</td>
<td>1,141,225</td>
</tr>
<tr>
<td>Endowment: Donor restricted</td>
<td>-</td>
<td>321,782</td>
<td>165,043</td>
<td>486,825</td>
</tr>
<tr>
<td>Total</td>
<td>$ 2,057,377</td>
<td>$ 380,837</td>
<td>$ 165,043</td>
<td>$ 2,603,257</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2013 Unrestricted</th>
<th>2013 Temporary Restricted</th>
<th>2013 Permanently Restricted</th>
<th>2013 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Operating</td>
<td>$ 608,010</td>
<td>$ 24,000</td>
<td>$ -</td>
<td>$ 632,010</td>
</tr>
<tr>
<td>Capital</td>
<td>-</td>
<td>22,418</td>
<td>-</td>
<td>22,418</td>
</tr>
<tr>
<td>Endowment: Quasi</td>
<td>973,315</td>
<td>-</td>
<td>-</td>
<td>973,315</td>
</tr>
<tr>
<td>Endowment: Donor restricted</td>
<td>-</td>
<td>274,952</td>
<td>137,845</td>
<td>412,797</td>
</tr>
<tr>
<td>Total</td>
<td>$ 1,581,325</td>
<td>$ 321,370</td>
<td>$ 137,845</td>
<td>$ 2,040,540</td>
</tr>
</tbody>
</table>
11. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by UPHS has been limited by donors for the following purposes (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specific Purpose (i.e., departmental room funds)</td>
<td>$59,055</td>
<td>$46,418</td>
</tr>
<tr>
<td>Endowment - Realized and Unrealized Gains</td>
<td>321,782</td>
<td>274,952</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$380,837</strong></td>
<td><strong>$321,370</strong></td>
</tr>
</tbody>
</table>

Permanently restricted net assets have been restricted by donors to be maintained by UPHS in perpetuity (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment - Original Cost Basis</td>
<td>$73,439</td>
<td>$72,769</td>
</tr>
<tr>
<td>Endowment - Funds Held by Others - Fair Market Value</td>
<td>91,604</td>
<td>65,076</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$165,043</strong></td>
<td><strong>$137,845</strong></td>
</tr>
</tbody>
</table>
11. Temporarily and Permanently Restricted Net Assets (continued)

Changes to the reported amounts of the UPHS’ endowments and split interests as of June 30, 2014 and June 30, 2013 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowments &amp; split interests at June 30, 2013</td>
<td>$ 973,315</td>
<td>$ 274,952</td>
<td>$ 137,845</td>
<td>$ 1,386,112</td>
</tr>
<tr>
<td>Investment return:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Appreciation (realized and unrealized)</td>
<td>163,817</td>
<td>57,433</td>
<td>6,423</td>
<td>227,673</td>
</tr>
<tr>
<td>Total Investment Return</td>
<td>168,006</td>
<td>60,360</td>
<td>6,423</td>
<td>234,789</td>
</tr>
<tr>
<td>New Gifts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allocation of endowment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>assets for expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chester County Health System membership substitution</td>
<td>-</td>
<td>3,038</td>
<td>15,110</td>
<td>18,148</td>
</tr>
<tr>
<td>Released from restriction</td>
<td>16,568</td>
<td>(16,568)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowments and split interests at June 30, 2014</td>
<td>$ 1,141,225</td>
<td>$ 321,782</td>
<td>$ 165,043</td>
<td>$ 1,628,050</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowments &amp; split interests at June 30, 2012</td>
<td>$ 853,196</td>
<td>$ 246,632</td>
<td>$ 133,620</td>
<td>$ 1,233,448</td>
</tr>
<tr>
<td>Investment return:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Appreciation (realized and unrealized)</td>
<td>111,596</td>
<td>40,326</td>
<td>4,081</td>
<td>156,003</td>
</tr>
<tr>
<td>Total Investment Return</td>
<td>120,133</td>
<td>44,468</td>
<td>4,081</td>
<td>168,682</td>
</tr>
<tr>
<td>New Gifts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allocation of endowment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>assets for expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other transfers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Released from restriction</td>
<td>16,163</td>
<td>(16,163)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowments and split interests at June 30, 2013</td>
<td>$ 973,315</td>
<td>$ 274,952</td>
<td>$ 137,845</td>
<td>$ 1,386,112</td>
</tr>
</tbody>
</table>

At June 30, 2014 and 2013, there were no material donor-restricted endowment funds for which the fair value of assets was less than the level required by donor stipulations or law.
12. Pension and Postretirement Benefit Costs

Effective July 1, 2011, retirement benefits were provided to UPHS employees through a new defined contribution plan (UPHS DC). Employer contributions to the defined contribution plan are based on a formula as defined by the plan document. Contributions amounted to $17,395,000 and $14,193,000, in 2014 and 2013, respectively.

CCA and certain other UPHS entities have a noncontributory defined contribution retirement plan covering all eligible employees, which was frozen to new entrants effective July 1, 2010. Employees enrolled in this plan were moved into the new UPHS defined contribution plan effective January 1, 2011. CCA also has a non-qualified supplemental retirement plan that provides retirement benefits to a select group of physician employees. Contributions to both of these plans are based upon the annual compensation of the eligible employees. Retirement plan expense for these plans was $672,000 and $600,000 for 2014 and 2013, respectively.

Retirement benefits are provided for CPUP physicians and certain administrative personnel through payments to the University of $25,197,000 and $23,790,000 in 2014 and 2013, respectively.

TCCHHS has a number of affiliates with either a 403(b) or 401(k) defined contribution savings plans design. All affiliates share the same employer discretionary matching process; each affiliate will match 50% of an employee’s contribution (subject to the IRS annual contribution limit) up to a total of 4% of the employee’s salary in a given year. Total contributions to the plans were $1,405,791 from September 1, 2013 through June 30, 2014.

TCCHHS also has a defined contribution profit sharing plan covering all eligible employees, as defined. TCCHHS may choose to contribute a discretionary amount to the plan each year. No amount was funded.

UPHS has a non-contributory defined benefit pension plan which was frozen to new entrants effective July 1, 2010. Effective January 1, 2011, UPHS employees who were enrolled in the UPHS defined benefit plan (UPHS DB) were given a one-time opportunity to transfer from the defined benefit plan into the new defined contribution plan. Benefits under this plan generally are based on the employee’s years of service and compensation during the years preceding retirement. Contributions to the plan are made in amounts necessary to at least satisfy the minimum required contributions as specified in the Internal Revenue Service Code and related regulations.

In addition to providing pension benefits, HUP, CPUP, PPMC-UPHS, PAH-UPHS and Corporate Services provide certain healthcare and life insurance benefits (Other Postretirement Employee Benefits or OPEB) for retired employees. Only a limited number of employees may become eligible for such benefits if they reach retirement age while working for the entity. These and similar benefits for active and certain retired employees are provided through insurance contracts. UPHS uses a measurement date of June 30 for their defined benefit and postretirement health care benefit plans.
12. Pension and Postretirement Benefit Costs (continued)

The funded status of the plans is measured as the difference between the plan assets at fair value and the projected benefit obligation or accumulated postretirement benefit obligation. The unrecognized differences between actual amounts and estimates based on actuarial assumptions are recognized as Pension and other postretirement plan adjustments in Change in Unrestricted Net Assets in the period that they occur.

Net Periodic Cost:
The components of the net periodic benefit cost for pension benefits and other postretirement benefits are as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Pension Benefits</th>
<th>Other Postretirement Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>06/30/2014</td>
<td>06/30/2013</td>
</tr>
<tr>
<td>Service cost</td>
<td>$ 56,258</td>
<td>$ 58,250</td>
</tr>
<tr>
<td>Interest cost</td>
<td>70,355</td>
<td>63,799</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(83,742)</td>
<td>(70,297)</td>
</tr>
<tr>
<td>Amortization of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>net prior service cost/(credit)</td>
<td>210</td>
<td>1,326</td>
</tr>
<tr>
<td>net losses/(gains)</td>
<td>18,601</td>
<td>41,667</td>
</tr>
<tr>
<td>Net periodic benefit cost</td>
<td>$ 61,682</td>
<td>$ 94,745</td>
</tr>
</tbody>
</table>

Obligations and Funded Status:

The following shows changes in the benefit obligation, plan assets and funded status. Benefit obligation balances presented below reflect the projected benefit obligation (PBO) for pension plans and accumulated postretirement benefit obligations (APBO) for other postretirement benefits plans (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Pension Benefits</th>
<th>Other Postretirement Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>06/30/2014</td>
<td>06/30/2013</td>
</tr>
<tr>
<td>Change in Benefit Obligation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit obligation at end of prior year</td>
<td>$1,423,697</td>
<td>$1,433,865</td>
</tr>
<tr>
<td>Service costs</td>
<td>56,258</td>
<td>58,250</td>
</tr>
<tr>
<td>Interest costs</td>
<td>70,355</td>
<td>63,799</td>
</tr>
<tr>
<td>Retiree drug subsidy</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Plan participants' contributions</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Plan amendments</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Net actuarial (gain)/loss</td>
<td>133,116</td>
<td>(104,733)</td>
</tr>
<tr>
<td>Benefits paid from fund</td>
<td>(31,227)</td>
<td>(27,484)</td>
</tr>
<tr>
<td>Benefits paid directly by company</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Benefit obligation at end of year</td>
<td>$1,652,199</td>
<td>$1,423,697</td>
</tr>
<tr>
<td>Accumulated benefit obligation</td>
<td>$1,388,032</td>
<td>$1,192,765</td>
</tr>
</tbody>
</table>
12. Pension and Postretirement Benefit Costs (continued)

<table>
<thead>
<tr>
<th>Change in Plan Assets</th>
<th>Pension Benefits</th>
<th>Other Postretirement Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of plan assets at beginning of year</td>
<td>$ 1,040,251</td>
<td>$ 859,282</td>
</tr>
<tr>
<td>Actual return on assets</td>
<td>154,707</td>
<td>113,705</td>
</tr>
<tr>
<td>Company contributions</td>
<td>61,680</td>
<td>94,748</td>
</tr>
<tr>
<td>Plan participants’ contributions</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Benefits paid from fund</td>
<td>(31,227)</td>
<td>(27,484)</td>
</tr>
<tr>
<td>Benefits paid directly by company</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fair value of plan assets at end of year</td>
<td>$ 1,225,411</td>
<td>$ 1,040,251</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Funded Status</th>
<th>Pension Benefits</th>
<th>Other Postretirement Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected benefit obligation/accumulated postretirement benefit obligation</td>
<td>$(1,652,199)</td>
<td>$(1,423,697)</td>
</tr>
<tr>
<td>Plan assets at fair value</td>
<td>1,225,411</td>
<td>1,040,251</td>
</tr>
<tr>
<td>Funded status at end of year</td>
<td>$(426,788)</td>
<td>$(383,446)</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Unrestricted Net Assets - Recognized Under ASC 715</th>
<th>Pension Benefits</th>
<th>Other Postretirement Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net actuarial loss</td>
<td>$ 408,384</td>
<td>$ 364,833</td>
</tr>
<tr>
<td>Net prior service cost / (credit)</td>
<td>-</td>
<td>210</td>
</tr>
<tr>
<td>Accumulated unrestricted net assets</td>
<td>408,384</td>
<td>365,043</td>
</tr>
<tr>
<td>Adjustment to unrestricted net assets</td>
<td>$ 43,342</td>
<td>$(191,135)</td>
</tr>
</tbody>
</table>

The estimated amounts that will be amortized from accumulated other comprehensive income over the next fiscal year are as follows (in thousands):

<table>
<thead>
<tr>
<th>Pension Benefits</th>
<th>Other Postretirement Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortization of prior service cost/(credit)</td>
<td>$ -</td>
</tr>
<tr>
<td>Amortization of net losses/(gains)</td>
<td>$ 20,766</td>
</tr>
</tbody>
</table>
12. **Pension and Postretirement Benefit Costs (continued)**

**Information for Plans with PBO/APBO in Excess of Plan Assets (in thousands):**

<table>
<thead>
<tr>
<th>Projected Benefit Obligation/Accumulated Benefit Obligation</th>
<th>06/30/2014</th>
<th>06/30/2013</th>
<th>06/30/2014</th>
<th>06/30/2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Postretirement Benefit Obligation</td>
<td>$ 1,652,199</td>
<td>$ 1,423,697</td>
<td>$ 163,105</td>
<td>$ 163,456</td>
</tr>
<tr>
<td>Accumulated Benefit Obligation</td>
<td>1,388,032</td>
<td>1,192,765</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Fair Value of Plan Assets</td>
<td>1,225,411</td>
<td>1,040,251</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Actuarial Assumptions:**

The expected long-term rate of return of plan assets is management’s best estimate of the average investment return expected to be received on the assets invested in the plan over the benefit period. The expected long-term rate of return on plan assets has been established by considering historical and future expected returns of the asset classes invested in by the pension trust, and the allocation strategy currently in place among those classes.
12. Pension and Postretirement Benefit Costs (continued)

<table>
<thead>
<tr>
<th>Weighted-Average Assumptions Used to Determine Benefit Obligation at Year End</th>
<th>Pension Benefits</th>
<th>Other Postretirement Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>4.50%</td>
<td>5.00%</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
<td>4.00%</td>
<td>4.00%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Weighted-Average Assumptions for Net Periodic Benefit Cost</th>
<th>Pension Benefits</th>
<th>Other Postretirement Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>5.00%</td>
<td>4.50%</td>
</tr>
<tr>
<td>Expected long-term return on plan assets</td>
<td>8.00%</td>
<td>8.00%</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
<td>4.00%</td>
<td>4.00%</td>
</tr>
</tbody>
</table>

| Assumed Health Care Trend Rates | | | | |
| Health care cost trend rate assumed for next fiscal year | 6.50% | 6.75% |
| Rate to which the cost trend rate is assumed to decline (the Ultimate Trend Rate) | 5.00% | 5.00% |
| Ultimate Trend Rate is reached in fiscal year | 2021 | 2021 |

| Medicare Part B trend rate assumed for next fiscal year | 5.78% | 5.91% |
| Ultimate Trend Rate | 5.00% | 5.00% |
| Ultimate Trend Rate is reached in fiscal year | 2021 | 2021 |

| Assumed Prescription Drug Trend Rates at June 30 | | | |
| Health care cost trend rate assumed for next fiscal year | 6.85% | 7.15% |
| Rate to which the cost trend rate is assumed to decline (the Ultimate Trend Rate) | 5.00% | 5.00% |
| Ultimate Trend Rate is reached in fiscal year | 2021 | 2021 |

Assumed health care cost trend rates have significant effect on the amounts reported for the other postretirement benefits. A one-percentage-point change in assumed health care trend rates would have the following effects on other postretirement benefits (in thousands):

<table>
<thead>
<tr>
<th>One-Percentage Point Increase</th>
<th>One-Percentage Point Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2013</td>
</tr>
<tr>
<td>Effect on total service and interest cost</td>
<td>$ 757</td>
</tr>
<tr>
<td>Effect on accumulated postretirement benefit obligation</td>
<td>$ 13,355</td>
</tr>
</tbody>
</table>
12. **Pension and Postretirement Benefit Costs (continued)**

**Plan Assets:**

UPHS adopted the disclosure provisions of the FASB revised standard on Employers’ Disclosures about Pensions and Other Postretirement Benefits in Fiscal Year 2010. This revised standard provides guidance on employer’s disclosures about plan assets of a defined benefit pension or other postretirement plan. The purpose of this revised standard is to provide users with more transparency surrounding plan assets and associated risks. The impact of adopting this standard did not materially affect UPHS’ consolidated financial statements.

The principal investment objectives for the pension and other postretirement benefits plans are: to ensure the availability of funds to pay pension benefits as they become due under a broad range of future economic scenarios; to maximize long-term investment returns with an acceptable level of risk based on the pension obligations; and to invest the pension trust in a diversified manner across equity and debt investments. The equity investments are diversified, and comprised predominantly of developed market liquid assets, across a range of investment styles.

**Short-Term Investments**

Short-term investments in the plan assets include cash equivalents and fixed income investments with maturities of less than one year. Short-term investments are valued using observable market data and are categorized as Level 1 in the fair value hierarchy to the degree that they can be valued based on quoted market prices in active markets. The majority of these short-term investments are held in a US Treasury money market account.

**Equity Investments**

Equity investments in the plan assets consist of direct holdings of public securities in managed accounts, mutual funds, exchange traded funds, commingled funds and limited partnerships. The securities held in managed accounts, mutual funds and exchange traded funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1 in the fair value hierarchy. Commingled funds are valued at NAV and are categorized as Level 2 in the fair value hierarchy. Limited partnership interests are valued at NAV and are categorized in accordance with the Fair Value Measurement standard. If UPHS has the ability to redeem from the limited partnership up to 180 days beyond the measurement date, the investment would be classified as a Level 2 in the fair value hierarchy. Alternatively, if UPHS does not have the ability to redeem from the investment at the measurement date or is restricted from redeeming for an uncertain or extended period of time from the measurement date, the investment would be classified as a Level 3 in the fair value hierarchy.
12. Pension and Postretirement Benefit Costs (continued)

Debt

Debt investments consist of direct holdings of securities in managed accounts and commingled funds. Securities such as US Treasuries, which are held in managed accounts, are valued based on quoted market prices in active markets and are categorized as Level 1. Securities such as corporate and high yield bonds, also held in managed accounts, are valued based on quoted market prices or dealer or broker quotations and are categorized as Level 2 or in the cases where they trade infrequently as Level 3. Commingled funds are valued at NAV and are categorized as Level 2.

Absolute Return

Absolute return investments are made up of limited partnership. The fund managers invest in a variety of securities based on the strategy of fund which may or may not be quoted in an active market. Illiquid investments, if any, are generally designated as a side pocket by hedge fund managers and may be valued based on an appraised value, discounted cash flow, industry comparables or some other method. Limited partnership interests are valued at NAV and are categorized in accordance with the Fair Value Measurement standard. A limited partnership interest may be categorized as a Level 2 or Level 3 in the fair value hierarchy based on the UPHS’ ability to redeem at the measurement date as described above. Side pocket investments would be classified as a Level 3 in the fair value hierarchy.

Real Estate

Investments in real estate include close-ended limited partnership interests and an open-ended real estate investment trust. The fund managers of the close-ended limited partnership primarily invest in private investments for which there is no readily determinable market value. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. This limited partnership investment is valued at NAV, is not redeemable within 180 days and is categorized as Level 3. Real estate investments also include an open-ended real estate investment trust which is categorized as a Level 2 investment given UPHS’ ability to redeem from the limited partnership up to 180 days beyond the measurement date at NAV.

Derivatives

UPHS enters into forward foreign currency contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date as a hedge or cross hedge against either specific non-US dollar denominated transactions or portfolio positions. UPHS purchases or sells futures contracts to manage changes in interest rates, securities prices, currency exchange rates or to seek increase total return. Forward foreign currency contracts are categorized as Level 2. Futures contracts are categorized as Level 1.
12. Pension and Postretirement Benefit Costs (continued)

Private Equity

Investments in private equite are in the form of close-end limited partnership interests. The fund managers primarily invest in private investments for which there is no readily determinable market value. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These limited partnerships are valued at NAV, are not redeemable within 180 days and are categorized as Level 3.

Natural Resources

Investments in natural resources include a limited partnership interest. The limited partnership fund manager primarily invests in private investments for which there is no readily determinable market value. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. The limited partnership investment is valued at NAV, is not redeemable within 180 days and is categorized as Level 3.

Investment Risk

UPHS’ investing activities expose it to a variety of risks, including market, credit and liquidity risks and attempts to identify, measure and monitor risk through various mechanisms including risk management strategies and credit policies.

Market risk is the potential for changes in the fair value of UPHS’ investment portfolio. Commonly used categories of market risk include currency risk (exposure to exchange rate differences between functional currency relative to other foreign currencies), interest rate risk (changes to prevailing interest rates or changes in expectations of futures rates) and price risk (changes in market value other than those related to currency or interest rate risk, including the use of NAV provided).

Credit risk is the risk that one party to a financial investment will cause a financial loss for the other party by failing to discharge an obligation (counterparty risk).

Liquidity risk is the risk that UPHS will not be able to meet its obligations associated with financial liabilities (restrictions on ability to redeem investments). UPHS has various limited partnerships and, in other cases, has entered into contractual agreements that may limit its ability to initiate redemptions due to notice periods, lock-ups and gates.

Unfunded Commitments

As of June 30, 2014, UPHS has unfunded commitments to limited partnerships totaling $60,026,000, which are expected to be called over the next several years.
12. Pension and Postretirement Benefit Costs (continued)

A summary of plan assets, measured at fair value in accordance with the Employers’ Disclosures about Pensions and Other Postretirement Benefits standard, on a recurring basis, as of June 30, 2014 and 2013 is as follows (in thousands):

<table>
<thead>
<tr>
<th>Assets</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term investments</td>
<td>$ 66,528</td>
<td>$  -</td>
<td>$  -</td>
<td>$ 66,528</td>
</tr>
<tr>
<td>Equity investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Domestic equities</td>
<td>291,483</td>
<td>12,246</td>
<td>38,979</td>
<td>342,708</td>
</tr>
<tr>
<td>- International equities</td>
<td>29,525</td>
<td>195,991</td>
<td>17,575</td>
<td>243,091</td>
</tr>
<tr>
<td>- Emerging markets equities</td>
<td>31,325</td>
<td>45,267</td>
<td>27,941</td>
<td>104,533</td>
</tr>
<tr>
<td>Debt investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- US Treasuries</td>
<td>110,531</td>
<td>$  -</td>
<td>$  -</td>
<td>110,531</td>
</tr>
<tr>
<td>- Corporate bonds</td>
<td>$  -</td>
<td>47,468</td>
<td>$  -</td>
<td>47,468</td>
</tr>
<tr>
<td>- High yield bonds</td>
<td>$  -</td>
<td>9,639</td>
<td>$  -</td>
<td>9,639</td>
</tr>
<tr>
<td>Absolute return</td>
<td>$  -</td>
<td>173,719</td>
<td>109,527</td>
<td>283,246</td>
</tr>
<tr>
<td>Real estate</td>
<td>$  -</td>
<td>11,292</td>
<td>431</td>
<td>11,723</td>
</tr>
<tr>
<td>Private equity</td>
<td>$  -</td>
<td>$  -</td>
<td>4,284</td>
<td>4,284</td>
</tr>
<tr>
<td>Natural resources</td>
<td>$  -</td>
<td>$  -</td>
<td>1,786</td>
<td>1,786</td>
</tr>
<tr>
<td>Derivative instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Forward currency contracts</td>
<td>$  -</td>
<td>$ 129</td>
<td>$  -</td>
<td>$ 129</td>
</tr>
<tr>
<td>Total</td>
<td>$ 529,392</td>
<td>$ 495,622</td>
<td>$ 200,523</td>
<td>$1,225,537</td>
</tr>
</tbody>
</table>

Liabilities

| Derivative instruments         |         |         |         |         |
| - Forward currency contracts   | $  -    | $ 129   | $  -    | $ 129   |
| Total                          | $  -    | $ 129   | $  -    | $ 129   |
12. Pension and Postretirement Benefit Costs (continued)

<table>
<thead>
<tr>
<th>Assets</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term investments</td>
<td>$ 79,520</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 79,520</td>
</tr>
<tr>
<td>Equity investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Domestic equities</td>
<td>272,953</td>
<td>-</td>
<td>17,522</td>
<td>290,475</td>
</tr>
<tr>
<td>- International equities</td>
<td>89,575</td>
<td>109,461</td>
<td>-</td>
<td>199,036</td>
</tr>
<tr>
<td>- Emerging markets equities</td>
<td>25,353</td>
<td>35,343</td>
<td>-</td>
<td>60,696</td>
</tr>
<tr>
<td>Debt investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- US Treasuries</td>
<td>111,960</td>
<td>-</td>
<td>-</td>
<td>111,960</td>
</tr>
<tr>
<td>- Corporate bonds</td>
<td>-</td>
<td>39,014</td>
<td>-</td>
<td>39,014</td>
</tr>
<tr>
<td>- High yield bonds</td>
<td>-</td>
<td>8,750</td>
<td>-</td>
<td>8,750</td>
</tr>
<tr>
<td>Absolute return</td>
<td>-</td>
<td>112,111</td>
<td>128,421</td>
<td>240,532</td>
</tr>
<tr>
<td>Real estate</td>
<td>-</td>
<td>10,231</td>
<td>-</td>
<td>10,231</td>
</tr>
<tr>
<td>Private equity</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Natural resources</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Derivative instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Forward currency contracts</td>
<td>-</td>
<td>38</td>
<td>-</td>
<td>38</td>
</tr>
<tr>
<td>Total</td>
<td>$ 579,361</td>
<td>$ 314,948</td>
<td>$ 145,943</td>
<td>$ 1,040,252</td>
</tr>
</tbody>
</table>

**Liabilities**

| Derivative instruments      |         |         |         |         |
| - Forward currency contracts| $ -     | $ 1     | $ -     | $ 1     |
| Total                       | $ -     | $ 1     | $ -     | $ 1     |
12. Pension and Postretirement Benefit Costs (continued)

Changes to the reported amounts of plan assets measured at fair value on a recurring basis using unobservable (Level 3) inputs as of June 30, 2014 and 2013 are as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic equities</td>
<td>$17,522</td>
<td>$-</td>
<td>$3,867</td>
<td>$26,529</td>
<td>$-</td>
<td>$-</td>
<td>$(8,939)</td>
<td>$38,979</td>
</tr>
<tr>
<td>International equities</td>
<td>-</td>
<td>-</td>
<td>49</td>
<td>17,526</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>17,575</td>
</tr>
<tr>
<td>Emerging market equities</td>
<td>-</td>
<td>-</td>
<td>7,177</td>
<td>20,764</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>27,941</td>
</tr>
<tr>
<td>Absolute return</td>
<td>128,421</td>
<td>1,854</td>
<td>10,702</td>
<td>29,951</td>
<td>(8,378)</td>
<td>16,969</td>
<td>(69,992)</td>
<td>109,527</td>
</tr>
<tr>
<td>Real estate</td>
<td>-</td>
<td>-</td>
<td>(131)</td>
<td>562</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>431</td>
</tr>
<tr>
<td>Private equity</td>
<td>-</td>
<td>-</td>
<td>(69)</td>
<td>4,353</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,284</td>
</tr>
<tr>
<td>Natural resources</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,786</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,786</td>
</tr>
<tr>
<td>Total</td>
<td>$145,943</td>
<td>$1,854</td>
<td>$21,595</td>
<td>$101,471</td>
<td>(8,378)</td>
<td>$16,969</td>
<td>$(78,931)</td>
<td>$200,523</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic equities</td>
<td>$-</td>
<td>$-</td>
<td>$186</td>
<td>$17,336</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$17,522</td>
</tr>
<tr>
<td>Absolute return</td>
<td>58,086</td>
<td>885</td>
<td>13,299</td>
<td>44,276</td>
<td>(7,552)</td>
<td>37,646</td>
<td>(18,219)</td>
<td>128,421</td>
</tr>
<tr>
<td>Total</td>
<td>$58,086</td>
<td>$885</td>
<td>$13,485</td>
<td>$61,612</td>
<td>(7,552)</td>
<td>$37,646</td>
<td>(18,219)</td>
<td>$145,943</td>
</tr>
</tbody>
</table>

Transfers between leveled assets are based on the actual date of the event which caused the transfer. As of June 30, 2014 and 2013 there were no transfers between Level 1 and 2. Transfers between Level 3 and Level 2 as of June 30, 2014 and 2013 were due to redemption period changes at the underlying commingled funds and partnerships as well as side pocket activity in Absolute Return investments.
12. Pension and Postretirement Benefit Costs (continued)

Allocation of Plan Assets:

<table>
<thead>
<tr>
<th></th>
<th>Target</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term investments</td>
<td>0.0%</td>
<td>5.4%</td>
<td>7.6%</td>
</tr>
<tr>
<td>Equity investments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Domestic equities</td>
<td>34.3%</td>
<td>28.0%</td>
<td>28.0%</td>
</tr>
<tr>
<td>- International equities</td>
<td>19.3%</td>
<td>19.8%</td>
<td>19.1%</td>
</tr>
<tr>
<td>- Emerging markets equities</td>
<td>5.0%</td>
<td>8.5%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Debt investments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- US Treasuries</td>
<td>20.0%</td>
<td>9.0%</td>
<td>10.8%</td>
</tr>
<tr>
<td>- Corporate bonds</td>
<td>0.0%</td>
<td>3.9%</td>
<td>3.8%</td>
</tr>
<tr>
<td>- High yield bonds</td>
<td>0.0%</td>
<td>0.8%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Absolute return</td>
<td>20.0%</td>
<td>23.1%</td>
<td>23.1%</td>
</tr>
<tr>
<td>Real estate</td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Private equity</td>
<td>0.3%</td>
<td>0.4%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Natural resources</td>
<td>0.1%</td>
<td>0.1%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

The average quality of debt investments at June 30, 2014 was Aa1/AA with an effective duration of 2.76 years.

Cash Flows & Estimated Future Benefit Payments (in thousands):

<table>
<thead>
<tr>
<th>UPHS Contributions For the Year Ending:</th>
<th>Pension Benefits</th>
<th>Other Postretirement Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2013</td>
<td>$ 94,748</td>
<td>$ 7,444</td>
</tr>
<tr>
<td>June 30, 2014</td>
<td>61,680</td>
<td>6,449</td>
</tr>
<tr>
<td>June 30, 2015</td>
<td>58,100</td>
<td>8,117</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Benefits Paid Directly by UPHS For the Year Ending:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2013</td>
<td>$ -</td>
<td>$ 8,102</td>
</tr>
<tr>
<td>June 30, 2014</td>
<td>-</td>
<td>7,079</td>
</tr>
<tr>
<td>June 30, 2015</td>
<td>-</td>
<td>8,879</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Plan Participants’ Contributions For the Year Ending:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2013</td>
<td>$ -</td>
<td>$ 359</td>
</tr>
<tr>
<td>June 30, 2014</td>
<td>-</td>
<td>395</td>
</tr>
<tr>
<td>June 30, 2015</td>
<td>-</td>
<td>415</td>
</tr>
</tbody>
</table>
12. Pension and Postretirement Benefit Costs (continued)

**Expected Benefits Payments in Total (in thousands):**

<table>
<thead>
<tr>
<th>Actual For the Year Ending:</th>
<th>Pension Benefits</th>
<th>Medicare Part D Subsidy</th>
<th>Medicare Part D Subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2013</td>
<td>$ 27,484</td>
<td>$ 8,102</td>
<td>$ (299)</td>
</tr>
<tr>
<td>June 30, 2014</td>
<td>31,227</td>
<td>7,079</td>
<td>(235)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expected For the Year Ending:</th>
<th>Pension Benefits</th>
<th>Medicare Part D Subsidy</th>
<th>Medicare Part D Subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2015</td>
<td>37,262</td>
<td>8,879</td>
<td>(347)</td>
</tr>
<tr>
<td>June 30, 2016</td>
<td>41,223</td>
<td>9,499</td>
<td>(367)</td>
</tr>
<tr>
<td>June 30, 2017</td>
<td>45,344</td>
<td>9,880</td>
<td>(383)</td>
</tr>
<tr>
<td>June 30, 2018</td>
<td>50,557</td>
<td>10,446</td>
<td>(398)</td>
</tr>
<tr>
<td>June 30, 2019</td>
<td>55,892</td>
<td>10,813</td>
<td>(414)</td>
</tr>
<tr>
<td>June 30, 2020 to June 30, 2024</td>
<td>380,551</td>
<td>59,858</td>
<td>(2,239)</td>
</tr>
</tbody>
</table>

13. **Net Patient Revenue by Payor**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare (including Managed Medicare)</td>
<td>26%</td>
<td>26%</td>
</tr>
<tr>
<td>Medicaid (including Managed Medicaid)</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>Managed Care</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td>Blue Cross</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>Commercial</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Self Pay</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

(in thousands)

<table>
<thead>
<tr>
<th>Third Party Payors</th>
<th>Self-Pay</th>
<th>Total All Payors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Service Revenue</td>
<td>$3,714,037</td>
<td>$ 237,066</td>
</tr>
</tbody>
</table>
14. Concentrations of Credit Risk

UPHS grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers prior to the allowance for uncollectible accounts at June 30, 2014 and 2013, respectively, is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>Medicaid</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Managed Care (including Managed Medicare &amp; Medicaid)</td>
<td>43%</td>
<td>43%</td>
</tr>
<tr>
<td>Blue Cross</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Commercial</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>Patients</td>
<td>17%</td>
<td>16%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

15. Lease Commitments

Expenses for equipment and office space under operating leases during 2014 and 2013 were $43,576,000 and $40,576,000, respectively, and are included in the accompanying combined financial statements.

A summary of future minimum payments under operating leases at June 30, 2014, is as follows (in thousands):

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$37,404</td>
</tr>
<tr>
<td>2016</td>
<td>31,256</td>
</tr>
<tr>
<td>2017</td>
<td>28,891</td>
</tr>
<tr>
<td>2018</td>
<td>23,287</td>
</tr>
<tr>
<td>2019</td>
<td>19,154</td>
</tr>
<tr>
<td>Thereafter</td>
<td>80,013</td>
</tr>
<tr>
<td>Total</td>
<td>$220,005</td>
</tr>
</tbody>
</table>

16. Medical Professional Liability Claims

UPHS is insured for medical professional liability claims through the combination of the Medical Care Availability and Reduction of Error Fund (Mcare - formally the Medical Professional Liability Catastrophe Loss Fund of the Commonwealth of Pennsylvania - CAT Fund), various commercial insurance companies, and a risk retention program.

Mcare levies health care provider surcharges, as a percentage of the Pennsylvania Joint Underwriters Association (JUA) rates for basic coverage, to pay claims and pay administrative expenses of the Mcare participants. These surcharges are recognized as expenses in the period incurred. In March 2002, the Pennsylvania General Assembly approved reforming the Commonwealth’s medical malpractice insurance system. Mcare operates on a pay-as-you-go basis and no provision has been made for any future Mcare assessments in the accompanying combined financial statements, as UPHS’ portion of the unfunded Mcare liability cannot be estimated.
16. Medical Professional Liability Claims (continue)

UPHS retains insurance for primary and excess coverage, in addition to the self-insured amounts. The coverage provided by the captive is done through its purchase of commercial insurance. The excess professional liability coverage is provided on a claim-made basis.

Effective July 1, 2001, UPHS funded RRG/Captive, for purposes of administering its risk retention program and covering its primary layer exposures. The assets and respective liabilities of RRG/Captive are included in the accompanying combined financial statements.

UPHS accrues for estimated retained risks arising from both asserted and unasserted medical professional liability claims. UPHS has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of these claims. The estimate of the gross liability and corresponding receivable for unasserted claims arising from unreported incidents is based on analysis of historical claims data by an independent actuary, which is recorded utilizing a 2.25% discount rate at June 30, 2014 and June 30, 2013. Total liability under this program is approximately $626,482,000 and $591,118,000 with a corresponding receivable of $99,106,000 and $72,445,000 at June 30, 2014 and 2013, respectively.

17. Charity, Uncompensated and Under-Compensated Care

UPHS accepts patients in serious need of professional medical care, independent of their financial status. This definition includes those patients suffering from a medical condition manifesting itself by acute symptoms of sufficient severity (including severe pain) such that the absence of immediate medical attention could reasonably be expected to result in (1) placing the health of the individual (or, with respect to a pregnant woman, the health of the woman or her unborn child) in serious jeopardy, or (2) serious impairment to bodily functions. Accordingly, UPHS provides services to patients, who meet certain criteria under its charity care policy, without charge or at amounts less than UPHS’ established rates. Because UPHS does not pursue collections, such amounts have been excluded from net patient service revenue. UPHS estimated $10,680,000 and $8,530,000 arose during 2014 and 2013, respectively, from providing services to charity patients. The estimated costs of providing charity services are based on data derived from a combination of the UPHS’ cost accounting system and the ratio of costs to charges.

UPHS also provides care to patients who do not have health insurance or meet the criteria to qualify for its charity care policy. UPHS pursues collection of these amounts, however certain amounts are deemed to be uncollectible. These amounts are classified in the provision for bad debts in the accompanying combined statements of operations. UPHS’ provision for bad debts totaled $239,649,000 and $191,479,000 for 2014 and 2013, respectively.

Additionally, the costs of providing services to eligible welfare recipients, who participate in the Pennsylvania Medical Assistance and local Managed Medicaid programs exceeded reimbursement by $120,414,000 and $111,179,000 in 2014 and 2013, respectively.
17. Charity, Uncompensated and Under-Compensated Care (continue)

In addition to providing direct patient charity care and in furtherance of its exempt purpose to benefit the community, UPHS operates emergency rooms open to the public 24-hours per day, 7 days per week; maintains research facilities for the study of disease and injuries; provides facilities for teaching and training various medical personnel; facilitates the advancement of medical and surgical education; and provides various community services such as screenings for the detection of breast, colorectal and skin cancer, cancer support groups, a toll free number for cancer information, free immunization shots, training programs for the City Fire and Police Departments, health education classes, speeches and regularly provides health related information to television and radio news programs and to reporters at newspapers and magazines.

18. Contingencies and Commitments

UPHS is subject to litigation and regulatory investigations that arise in the ordinary course of its business. To cover claims arising out of its operations, UPHS maintains various levels of insurance coverage with deductibles that UPHS believes to be sufficient. UPHS cannot assure that professional liability insurance will cover all claims or continue to be available at reasonable costs for UPHS to maintain adequate levels of insurance.

At June 30, 2014, construction contract commitments are estimated to total $103,345,000.

19. Subsequent Event

UPHS has evaluated subsequent events through September 19, 2014, which is the date the combined financial statements were widely distributed.
### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>CPUP</th>
<th>CCA</th>
<th>HUP Presbyterian</th>
<th>TCCHS Pennsylvania</th>
<th>Wissahickon Hospice/ Homecare</th>
<th>Corporate</th>
<th>RRG/ Captive</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 29,215</td>
<td>$ -</td>
<td>$ 2,097</td>
<td>$ 665,952</td>
<td>$ - $ 697,264</td>
</tr>
<tr>
<td>Due from (to) UPHS central treasury</td>
<td>149,285 (624)</td>
<td>770,342 (28,215)</td>
<td>(37,691)</td>
<td>50,462</td>
<td>31,623</td>
<td>(935,182)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Short-term investments for uncollectible accounts</td>
<td>50,614</td>
<td>4,104</td>
<td>198,404</td>
<td>49,557</td>
<td>29,664</td>
<td>16,342</td>
<td>-</td>
<td>399,821</td>
</tr>
<tr>
<td>Third party payer receivables</td>
<td>-</td>
<td>-</td>
<td>780</td>
<td>-</td>
<td>889</td>
<td>-</td>
<td>1,669</td>
<td>-</td>
</tr>
<tr>
<td>Due from the University of Pennsylvania</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,008</td>
<td>1,908</td>
<td>-</td>
</tr>
<tr>
<td>Other current assets</td>
<td>10,529</td>
<td>3,329</td>
<td>34,352</td>
<td>10,633</td>
<td>11,946</td>
<td>9,065</td>
<td>2,419</td>
<td>100,624</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>210,428</td>
<td>6,809</td>
<td>1,003,878</td>
<td>31,975</td>
<td>33,134</td>
<td>52,481</td>
<td>(249,871)</td>
<td>1,200,386</td>
</tr>
<tr>
<td><strong>Assets whose use is limited:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held by trustee</td>
<td>-</td>
<td>-</td>
<td>504</td>
<td>-</td>
<td>2,240</td>
<td>-</td>
<td>5,802</td>
<td>8,546</td>
</tr>
<tr>
<td>RRG/Captive</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,147,562</td>
</tr>
<tr>
<td>Designated</td>
<td>1,026</td>
<td>-</td>
<td>452,180</td>
<td>5,311</td>
<td>46,076</td>
<td>624,969</td>
<td>-</td>
<td>1,181,089</td>
</tr>
<tr>
<td>Donor-restricted</td>
<td>-</td>
<td>-</td>
<td>128,681</td>
<td>133,266</td>
<td>31,737</td>
<td>247,128</td>
<td>690</td>
<td>541,800</td>
</tr>
<tr>
<td><strong>Total restricted assets</strong></td>
<td>1,026</td>
<td>-</td>
<td>581,365</td>
<td>133,266</td>
<td>37,048</td>
<td>295,444</td>
<td>690</td>
<td>1,851,089</td>
</tr>
<tr>
<td>Long-term investments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>456,266</td>
<td>456,407</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>21,101</td>
<td>37,151</td>
<td>862,514</td>
<td>290,481</td>
<td>137,487</td>
<td>256,453</td>
<td>4,779</td>
<td>242,124</td>
</tr>
<tr>
<td>Other assets</td>
<td>554</td>
<td>296</td>
<td>4,380</td>
<td>26,857</td>
<td>17,858</td>
<td>1,243</td>
<td>-</td>
<td>163,463</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$ 233,109</td>
<td>$ 44,256</td>
<td>$ 2,452,137</td>
<td>$ 482,579</td>
<td>$ 225,527</td>
<td>$ 664,833</td>
<td>$ 57,950</td>
<td>$ 5,490,435</td>
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</table>

### LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>CPUP</th>
<th>CCA</th>
<th>HUP Presbyterian</th>
<th>TCCHS Pennsylvania</th>
<th>Wissahickon Hospice/ Homecare</th>
<th>Corporate</th>
<th>RRG/ Captive</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Accounts payable</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 165</td>
<td>$ -</td>
<td>$ 10,407</td>
<td>$ 699</td>
<td>$ -</td>
<td>$ 118,774</td>
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<tr>
<td>Accrued expenses</td>
<td>76,305</td>
<td>12,570</td>
<td>83,995</td>
<td>29,424</td>
<td>15,955</td>
<td>21,240</td>
<td>4,404</td>
<td>155,329</td>
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<tr>
<td>Current portion of long-term debt</td>
<td>-</td>
<td>-</td>
<td>28,027</td>
<td>2,817</td>
<td>5,398</td>
<td>5,802</td>
<td>-</td>
<td>42,044</td>
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<td>-</td>
<td>-</td>
<td>16,694</td>
<td>11,070</td>
<td>14,083</td>
<td>4,501</td>
<td>-</td>
<td>46,348</td>
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<tr>
<td><strong>Total current liabilities</strong></td>
<td>76,305</td>
<td>12,570</td>
<td>128,881</td>
<td>43,311</td>
<td>31,760</td>
<td>41,824</td>
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<td>-</td>
<td>-</td>
<td>595,071</td>
<td>72,765</td>
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<td>188,213</td>
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<td>917,425</td>
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<td>20,356</td>
<td>52,626</td>
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<td>763,398</td>
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<tr>
<td>Pension and post retirement benefit liability</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>581,778</td>
<td>581,778</td>
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<td>744,308</td>
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<td>112,851</td>
<td>231,618</td>
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<td><strong>Net assets:</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>156,804</td>
<td>31,686</td>
<td>1,577,540</td>
<td>180,471</td>
<td>82,083</td>
<td>186,087</td>
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<td>170,187</td>
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<td>112,676</td>
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<td>$ 225,527</td>
<td>$ 664,833</td>
<td>$ 57,950</td>
<td>$ 5,490,435</td>
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## Combining Balance Sheets at June 30, 2013

### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>CPUP</th>
<th>CCA</th>
<th>HUP</th>
<th>Presbyterian</th>
<th>Pennsylvania</th>
<th>Wissahickon Hospice/ Homecare</th>
<th>Corporate</th>
<th>RRG/ Captive</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Cash and cash equivalents</td>
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<td>-</td>
<td>-</td>
<td>-</td>
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<td>2,069</td>
<td>$ 736,702</td>
<td>-</td>
<td>$ 738,771</td>
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<td>656,896</td>
<td>35,677</td>
<td>89,919</td>
<td>33,848</td>
<td>(924,685)</td>
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<td>Patient receivables, net of reserve for uncollectible accounts</td>
<td>48,192</td>
<td>3,763</td>
<td>193,028</td>
<td>37,539</td>
<td>36,150</td>
<td>12,296</td>
<td>-</td>
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<td>-</td>
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<td>623</td>
<td>2,080</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8,776</td>
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<td>19,548</td>
<td>-</td>
<td>- 80,944</td>
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<td>135,554</td>
<td>50,483</td>
<td>(168,435)</td>
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<td>1,158,609</td>
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<td>Held by trustee</td>
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<td>-</td>
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<td>-</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>114,569</td>
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<td>39,100</td>
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<td>-</td>
<td>550,495</td>
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<td>-</td>
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<td>120,009</td>
<td>635</td>
<td>157</td>
<td>-</td>
<td>453,574</td>
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<td>635</td>
<td>561,604</td>
<td>114,569</td>
<td>1,557,413</td>
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<td>436,326</td>
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<td>806,966</td>
<td>165,858</td>
<td>239,136</td>
<td>5,447</td>
<td>194,815</td>
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<td>81,581</td>
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<td>$ 180,919</td>
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<td>$ 2,193,518</td>
<td>$ 396,468</td>
<td>$ 636,770</td>
<td>$ 56,565</td>
<td>$ 1,105,891</td>
<td>$ 114,569</td>
<td>$ 4,740,109</td>
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</table>

### LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>CPUP</th>
<th>CCA</th>
<th>HUP</th>
<th>Presbyterian</th>
<th>Pennsylvania</th>
<th>Wissahickon Hospice/ Homecare</th>
<th>Corporate</th>
<th>RRG/ Captive</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>43</td>
<td>-</td>
<td>426</td>
<td>-</td>
<td>349</td>
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<td>72,202</td>
<td>17,430</td>
<td>24,945</td>
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<td>383,632</td>
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<td>4,997</td>
<td>-</td>
<td>-</td>
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<td>86,500</td>
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<td>Due to the University of Pennsylvania</td>
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<td>119</td>
<td>-</td>
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<td>6,433</td>
<td>6,894</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>35,270</td>
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<td><strong>Total current liabilities</strong></td>
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<td>37,262</td>
<td>3,095</td>
<td>291,246</td>
<td>2,005</td>
<td>613,214</td>
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<td>Long-term debt, net of current portion</td>
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<td>-</td>
<td>209</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>209</td>
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<tr>
<td>Other liabilities</td>
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<td>-</td>
<td>549,593</td>
<td>102,671</td>
<td>750,629</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>538,630</td>
<td>-</td>
<td>-</td>
<td>538,630</td>
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<td></td>
</tr>
<tr>
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<td>1,288,923</td>
<td>159,681</td>
<td>191,153</td>
<td>52,599</td>
<td>(277,200)</td>
<td>9,893</td>
<td>1,581,325</td>
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<tr>
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<td>-</td>
<td>-</td>
<td>82,031</td>
<td>84,297</td>
<td>150,889</td>
<td>531</td>
<td>3,622</td>
<td>-</td>
<td>321,370</td>
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<tr>
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<td>-</td>
<td>-</td>
<td>33,752</td>
<td>35,468</td>
<td>68,494</td>
<td>131</td>
<td>-</td>
<td>-</td>
<td>137,845</td>
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<tr>
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<td>122,362</td>
<td>33,914</td>
<td>1,404,706</td>
<td>279,446</td>
<td>410,536</td>
<td>53,261</td>
<td>(273,578)</td>
<td>9,893</td>
<td>2,040,540</td>
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<td><strong>Total liabilities and net assets</strong></td>
<td>$ 180,919</td>
<td>$ 45,409</td>
<td>$ 2,193,518</td>
<td>$ 396,468</td>
<td>$ 636,770</td>
<td>$ 56,565</td>
<td>$ 1,105,891</td>
<td>$ 114,569</td>
<td>$ 4,740,109</td>
</tr>
</tbody>
</table>
## Combing Statements of Operations

**for the year ended June 30, 2014**

**Revenues:**

<table>
<thead>
<tr>
<th></th>
<th>CPUP</th>
<th>CCA</th>
<th>HUP</th>
<th>Penn Presbyterian</th>
<th>TCCHS</th>
<th>Pennsylvania</th>
<th>Wissahickon Hospice/ Homecare</th>
<th>Corporate</th>
<th>RG/ Captive</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues</td>
<td>550,931</td>
<td>111,188</td>
<td>2,000,540</td>
<td>476,661</td>
<td>235,418</td>
<td>519,142</td>
<td>83,363</td>
<td>39,385</td>
<td>43,768</td>
<td>(121,170)</td>
<td>3,939,226</td>
</tr>
</tbody>
</table>

**Expenses:**

<p>| | | | | | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total expenses</td>
<td>504,252</td>
<td>113,554</td>
<td>1,735,488</td>
<td>458,378</td>
<td>242,613</td>
<td>542,883</td>
<td>84,593</td>
<td>43,768</td>
<td></td>
<td></td>
<td>3,647,836</td>
</tr>
</tbody>
</table>

**Excess/(deficit) of revenue over expenses from operations**

|                      | 46,679 | (2,366) | 265,052 | 18,283           | (7,195) | (23,741)     | (4,092)                       | 38,282    | (121,170)   | 438,565     | 3,910,103   |

**Non-Operating Gains/(Loss):**

|                      | 3,112  | 14     | 9,281   | 2,086            | 361     | 7,227        | 464                           | 30,211    |              |              | 438,565     |

**Increase/(decrease) in unrestricted net assets**

|                      | $ 34,442| ($ 2228) | $ 288,617| $ 20,790         | $ 82,083| ($ 5,066)   | $ 191                         | $ 57,193  | $ 30        |              | $ 476,052   |
UNIVERSITY OF PENNSYLVANIA HEALTH SYSTEM
Combining Statements of Operations
for the year ended June 30, 2013
(thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>CPUP</th>
<th>CCA</th>
<th>HUP</th>
<th>Penn Presbyterian</th>
<th>Pennsylvania Hospice/ Homecare</th>
<th>Corporate</th>
<th>RRG/ Captive</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net patient service revenue</td>
<td>$428,077</td>
<td>$115,397</td>
<td>$1,920,723</td>
<td>$463,024</td>
<td>$479,832</td>
<td>$80,394</td>
<td>$204</td>
<td>$-</td>
<td>$3,487,651</td>
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<td>Provision for bad debts</td>
<td>$(11,737)</td>
<td>(4,141)</td>
<td>(102,333)</td>
<td>(35,821)</td>
<td>(34,750)</td>
<td>(2,697)</td>
<td>-</td>
<td>-</td>
<td>(191,479)</td>
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<tr>
<td>Net patient service revenue less provision for bad debts</td>
<td>416,340</td>
<td>111,256</td>
<td>1,818,390</td>
<td>427,203</td>
<td>445,082</td>
<td>77,697</td>
<td>204</td>
<td>-</td>
<td>3,296,172</td>
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<tr>
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<td>9,563</td>
<td>56,941</td>
<td>31,548</td>
<td>33,716</td>
<td>543</td>
<td>52,586</td>
<td>44,600</td>
<td>119,844</td>
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<tr>
<td>Total revenues</td>
<td>511,493</td>
<td>120,819</td>
<td>1,875,331</td>
<td>458,751</td>
<td>478,798</td>
<td>78,240</td>
<td>52,790</td>
<td>44,600</td>
<td>3,500,978</td>
</tr>
</tbody>
</table>

| Expenses:            |          |          |          |                  |                                |           |             |              |            |
| Salaries and wages   | 447,289  | 59,376   | 490,142  | 160,702          | 168,535                        | 38,569    | 119,134     | -            | 1,483,747  |
| Employee benefits    | 94,472   | 16,603   | 179,347  | 54,341           | 60,423                         | 12,053    | 39,567      | -            | 456,806    |
| Supplies and expenses| 82,702   | 38,627   | 488,655  | 139,293          | 150,270                        | 26,477    | 157,712     | 996          | 1,067,924  |
| Corporate services / Inter-Entity Support | (184,111) | 1,905    | 369,450  | 75,581           | 83,124                         | 4,107     | (291,620)   | -            | (58,436)   |
| Depreciation and amortization | 2,951    | 2,101    | 78,197   | 15,434           | 713                             | 22,570    | -           | -            | -139,551   |
| Malpractice          | 48,441   | 8,343    | 29,949   | 4,854            | 14,923                         | -         | 2,601       | 43,604       | 108,115    |
| Interest             | -        | -        | 31,895   | 2,671            | 4,726                           | -         | (1,555)     | -            | -37,737    |
| SOM support          | 3,886    | -        | 11,200   | 2,561            | -                               | -         | 4,319       | -            | 21,966     |
| Total expenses       | 495,630  | 126,955  | 1,678,835 | 455,437         | 499,586                        | 81,919    | 52,728      | 44,600       | 3,315,846  |

| Excess/(deficit) of revenue over expenses from operations | 15,863   | (6,136)  | 196,496  | 3,314            | (20,788)                       | (3,679)   | 62          | -            | 185,132    |

| Non-Operating Gains/(Loss): |          |          |          |                  |                                |           |             |              |            |
| Investment income       | 2,160    | (2)      | 11,564   | 2,248            | 7,090                          | 274       | 1,023       | 184          | -          | 24,541     |
| Net realized gain/(loss), contributions and other support | 163      | 257      | 38,672   | 1,127            | 5,399                          | 931       | 10,107      | -            | -          | 56,656     |
| Change in unrealized gain/(loss) on alternative investments | (344)    | -        | 9,634    | -                | 1,099                          | (3)       | 19,623      | -            | -          | 30,009     |
| Excess/(deficit) of revenue over expenses | 17,842   | (5,881)  | 256,366  | 6,689            | (7,200)                        | (2,477)   | 30,815      | 184          | -          | 296,338    |
| Change in unrealized gain/(loss) on other investments | (416)    | -        | 11,620   | -                | 1,325                          | (3)       | 23,666      | -            | -          | 36,192     |
| Transfers and net assets released from restrictions for capital | (12,735) | 10,364   | (69,451) | (1,965)          | (2,312)                        | (1,126)   | (13,180)    | -            | -          | (90,405)   |
| Pension and other postretirement plan adjustments | -        | -        | -         | -                | -                              | -         | 199,771     | -            | -          | 199,771    |

| Increase/(decrease) in unrestricted net assets | $4,691   | $4,483   | $198,535 | $4,724           | (8,187)                        | (3,606)   | $241,072    | $184         | -          | $441,896   |
### Combining Statements of Changes in Net Assets

#### for the year ended June 30, 2014

(Thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>CPUP</th>
<th>CCA</th>
<th>HUP</th>
<th>Penn Presbyterian</th>
<th>TCCHS</th>
<th>Pennsylvania</th>
<th>Hospice/ Homecare</th>
<th>Corporate</th>
<th>RRG</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted net assets, June 30, 2013</td>
<td>$122,362</td>
<td>$33,914</td>
<td>$1,288,923</td>
<td>$159,681</td>
<td>-</td>
<td>$191,153</td>
<td>$52,599</td>
<td>($277,200)</td>
<td>$9,893</td>
<td>$1,581,325</td>
</tr>
<tr>
<td>Excess/(deficit) of revenue over expenses</td>
<td>49,724</td>
<td>(2,228)</td>
<td>346,081</td>
<td>20,790</td>
<td>(6,834)</td>
<td>(7,477)</td>
<td>197</td>
<td>38,282</td>
<td>30</td>
<td>438,565</td>
</tr>
<tr>
<td>Change in unrealized gain/(loss) on other investments</td>
<td>(431)</td>
<td>-</td>
<td>20,663</td>
<td>-</td>
<td>-</td>
<td>2,474</td>
<td>(6)</td>
<td>35,211</td>
<td>-</td>
<td>57,911</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>-</td>
<td>-</td>
<td>250</td>
<td>-</td>
<td>-</td>
<td>480</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>730</td>
</tr>
<tr>
<td>Pension and other postretirement plan adjustments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(37,935)</td>
<td>-</td>
</tr>
<tr>
<td>Transfer to the Other Health Entities</td>
<td>15,554</td>
<td>-</td>
<td>(769)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(14,785)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer to the academic accounts at the School of Medicine and University, net</td>
<td>(30,405)</td>
<td>-</td>
<td>(77,608)</td>
<td>-</td>
<td>-</td>
<td>(543)</td>
<td>-</td>
<td>(4,971)</td>
<td>-</td>
<td>(113,527)</td>
</tr>
<tr>
<td>Increase/(decrease) in unrestricted net assets</td>
<td>34,442</td>
<td>(2,228)</td>
<td>288,617</td>
<td>20,790</td>
<td>82,083</td>
<td>(5,066)</td>
<td>191</td>
<td>57,193</td>
<td>30</td>
<td>476,052</td>
</tr>
<tr>
<td>Temporarily restricted net assets, June 30, 2013</td>
<td>$156,804</td>
<td>$31,686</td>
<td>$1,577,540</td>
<td>$180,471</td>
<td>$82,083</td>
<td>$186,078</td>
<td>$52,790</td>
<td>($220,007)</td>
<td>$9,923</td>
<td>$2,057,377</td>
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<td>-</td>
<td>-</td>
<td>1,067</td>
<td>3,702</td>
<td>3,093</td>
<td>4,763</td>
<td>219</td>
<td>157</td>
<td>-</td>
<td>13,001</td>
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<tr>
<td>Net assets released from restrictions</td>
<td>-</td>
<td>-</td>
<td>(1,142)</td>
<td>(4,041)</td>
<td>-</td>
<td>(4,865)</td>
<td>(226)</td>
<td>-</td>
<td>-</td>
<td>(10,274)</td>
</tr>
<tr>
<td>Chester County Health System membership substitution</td>
<td>-</td>
<td>-</td>
<td>12,254</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>12,254</td>
</tr>
<tr>
<td>Realized and unrealized gain/(loss) on endowment funds, net</td>
<td>-</td>
<td>-</td>
<td>11,629</td>
<td>13,457</td>
<td>-</td>
<td>19,400</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>44,486</td>
</tr>
<tr>
<td>Increase/(decrease) in temporarily restricted net assets</td>
<td>-</td>
<td>-</td>
<td>11,554</td>
<td>13,118</td>
<td>15,347</td>
<td>19,298</td>
<td>(7)</td>
<td>157</td>
<td>-</td>
<td>59,467</td>
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<tr>
<td>Temporarily restricted net assets, June 30, 2014</td>
<td>$93,585</td>
<td>$97,415</td>
<td>$15,347</td>
<td>$170,187</td>
<td>$524</td>
<td>$3,779</td>
<td>-</td>
<td>$380,837</td>
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<td></td>
</tr>
<tr>
<td>Permanently restricted net assets, June 30, 2013</td>
<td>$33,752</td>
<td>$35,468</td>
<td>$68,494</td>
<td>$131</td>
<td>-</td>
<td>$137,845</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions and investment income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,199</td>
</tr>
<tr>
<td>Realized and unrealized gain/(loss) on endowment funds, net</td>
<td>-</td>
<td>-</td>
<td>2,952</td>
<td>523</td>
<td>-</td>
<td>3,786</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,261</td>
</tr>
<tr>
<td>Chester County Health System membership substitution</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13,738</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13,738</td>
</tr>
<tr>
<td>Increase/(decrease) in permanently restricted net assets</td>
<td>-</td>
<td>-</td>
<td>2,952</td>
<td>523</td>
<td>15,246</td>
<td>8,447</td>
<td>30</td>
<td>-</td>
<td>-</td>
<td>27,198</td>
</tr>
<tr>
<td>Permanently restricted net assets, June 30, 2014</td>
<td>$36,704</td>
<td>$35,991</td>
<td>$15,246</td>
<td>$76,941</td>
<td>$161</td>
<td>$165,043</td>
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<td></td>
</tr>
</tbody>
</table>
## UNIVERSITY OF PENNSYLVANIA HEALTH SYSTEM

### Combining Statements of Changes in Net Assets

**for the year ended June 30, 2013**

(thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>CPUP</th>
<th>CCA</th>
<th>HUP</th>
<th>Penn Presbyterian</th>
<th>Pennsylvania Hospital</th>
<th>Wissahickon Hospital</th>
<th>Corporate</th>
<th>RRG</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unrestricted net assets, June 30, 2012</strong></td>
<td>$117,671</td>
<td>$29,431</td>
<td>$1,090,388</td>
<td>$154,957</td>
<td>$199,340</td>
<td>$56,205</td>
<td>$(518,272)</td>
<td>$9,709</td>
<td>$1,139,429</td>
</tr>
<tr>
<td><strong>Excess (deficit) of revenue over expenses</strong></td>
<td>17,842</td>
<td>(5,881)</td>
<td>256,366</td>
<td>6,689</td>
<td>(7,200)</td>
<td>(2,477)</td>
<td>30,815</td>
<td>184</td>
<td>296,338</td>
</tr>
<tr>
<td><strong>Change in unrealized gain/(loss) on other investments</strong></td>
<td>(416)</td>
<td>-</td>
<td>11,620</td>
<td>-</td>
<td>1,325</td>
<td>(3)</td>
<td>23,666</td>
<td>-</td>
<td>36,192</td>
</tr>
<tr>
<td><strong>Net assets released from restrictions</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>525</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>525</td>
</tr>
<tr>
<td><strong>Pension and other postretirement plan adjustments</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>199,771</td>
<td>199,771</td>
</tr>
<tr>
<td><strong>Transfer to the Other Health Entities</strong></td>
<td>5,617</td>
<td>10,364</td>
<td>(5,001)</td>
<td>(1,965)</td>
<td>(2,837)</td>
<td>(1,126)</td>
<td>(5,052)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Transfer to the academic accounts at the School of Medicine and University, net</strong></td>
<td>(18,352)</td>
<td>64,450</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(8,128)</td>
<td>-</td>
<td>(90,930)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Increase/(decrease) in unrestricted net assets</strong></td>
<td>4,691</td>
<td>4,483</td>
<td>198,535</td>
<td>4,724</td>
<td>(8,187)</td>
<td>(3,606)</td>
<td>241,072</td>
<td>184</td>
<td>441,896</td>
</tr>
<tr>
<td><strong>Unrestricted net assets, June 30, 2013</strong></td>
<td>$122,362</td>
<td>$33,914</td>
<td>$1,288,923</td>
<td>$159,681</td>
<td>$191,153</td>
<td>$52,599</td>
<td>$(277,200)</td>
<td>$9,893</td>
<td>$1,581,325</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>CPUP</th>
<th>CCA</th>
<th>HUP</th>
<th>Penn Presbyterian</th>
<th>Pennsylvania Hospital</th>
<th>Wissahickon Hospital</th>
<th>Corporate</th>
<th>RRG</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Temporarily restricted net assets, June 30, 2012</strong></td>
<td>$ -</td>
<td>$ -</td>
<td>$75,690</td>
<td>$77,915</td>
<td>$135,294</td>
<td>$444</td>
<td>$3,796</td>
<td>$ -</td>
<td>$293,139</td>
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<tr>
<td><strong>Contributions and investment income</strong></td>
<td>-</td>
<td>-</td>
<td>2,651</td>
<td>3,895</td>
<td>5,924</td>
<td>295</td>
<td>(174)</td>
<td>-</td>
<td>12,591</td>
</tr>
<tr>
<td><strong>Net assets released from restrictions</strong></td>
<td>-</td>
<td>-</td>
<td>(779)</td>
<td>(5,172)</td>
<td>(5,321)</td>
<td>(208)</td>
<td>-</td>
<td>-</td>
<td>(11,480)</td>
</tr>
<tr>
<td><strong>Realized and unrealized gain/(loss) on endowment funds, net</strong></td>
<td>-</td>
<td>-</td>
<td>4,469</td>
<td>7,659</td>
<td>14,992</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>27,120</td>
</tr>
<tr>
<td><strong>Increase/(decrease) in temporarily restricted net assets</strong></td>
<td>-</td>
<td>-</td>
<td>6,341</td>
<td>6,382</td>
<td>15,595</td>
<td>87</td>
<td>(174)</td>
<td>-</td>
<td>28,231</td>
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<tr>
<td><strong>Temporarily restricted net assets, June 30, 2013</strong></td>
<td>$ -</td>
<td>$ -</td>
<td>$82,031</td>
<td>$84,297</td>
<td>$150,889</td>
<td>$531</td>
<td>$3,622</td>
<td>$ -</td>
<td>$321,370</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>CPUP</th>
<th>CCA</th>
<th>HUP</th>
<th>Penn Presbyterian</th>
<th>Pennsylvania Hospital</th>
<th>Wissahickon Hospital</th>
<th>Corporate</th>
<th>RRG</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Permanently restricted net assets, June 30, 2012</strong></td>
<td>$ -</td>
<td>$ -</td>
<td>$32,120</td>
<td>$35,099</td>
<td>$66,309</td>
<td>$92</td>
<td>$ -</td>
<td>$ -</td>
<td>$133,620</td>
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<td><strong>Contributions and investment income</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>100</td>
<td>78</td>
<td>39</td>
<td>-</td>
<td>-</td>
<td>217</td>
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<tr>
<td><strong>Realized and unrealized gain/(loss) on endowment funds, net</strong></td>
<td>-</td>
<td>-</td>
<td>1,632</td>
<td>209</td>
<td>2,107</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,008</td>
</tr>
<tr>
<td><strong>Increase/(decrease) in permanently restricted net assets</strong></td>
<td>-</td>
<td>-</td>
<td>1,632</td>
<td>369</td>
<td>2,185</td>
<td>39</td>
<td>-</td>
<td>-</td>
<td>4,225</td>
</tr>
<tr>
<td><strong>Permanently restricted net assets, June 30, 2013</strong></td>
<td>$ -</td>
<td>$ -</td>
<td>$33,752</td>
<td>$35,468</td>
<td>$68,494</td>
<td>$131</td>
<td>$ -</td>
<td>$ -</td>
<td>$137,845</td>
</tr>
</tbody>
</table>
Combining Statements of Cash Flows
for the year ended June 30, 2014
(thousands of dollars)

<table>
<thead>
<tr>
<th>CPUP</th>
<th>CCA</th>
<th>HUP Presbyterian</th>
<th>TCHS</th>
<th>Pennsylvania Homecare</th>
<th>Corporate</th>
<th>RRG</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in net assets</td>
<td>$34,442</td>
<td>$(2,228)</td>
<td>$303,123</td>
<td>$34,431</td>
<td>$112,676</td>
<td>$22,679</td>
<td>$214</td>
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<tr>
<td>to net cash provided (used) by operating activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>3,262</td>
<td>1,809</td>
<td>78,964</td>
<td>15,857</td>
<td>10,872</td>
<td>21,937</td>
<td>695</td>
</tr>
<tr>
<td>Provision for bad debts</td>
<td>16,656</td>
<td>3,945</td>
<td>116,685</td>
<td>38,747</td>
<td>13,085</td>
<td>47,071</td>
<td>3,460</td>
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<tr>
<td>Increase/(decrease) from changes in:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Patient receivables</td>
<td>(19,078)</td>
<td>(4,286)</td>
<td>(122,061)</td>
<td>(50,765)</td>
<td>(11,684)</td>
<td>(62,057)</td>
<td>(7,506)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>1,176</td>
<td>(2,077)</td>
<td>6,323</td>
<td>(748)</td>
<td>665</td>
<td>(1,660)</td>
<td>(149)</td>
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<tr>
<td>Other assets</td>
<td>94</td>
<td>293</td>
<td>40</td>
<td>3,779</td>
<td>47</td>
<td>18,628</td>
<td>-</td>
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<td>1,073</td>
<td>3,463</td>
<td>1,395</td>
<td>1,031</td>
<td>2,306</td>
<td>1,303</td>
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<tr>
<td>Estimated third party payer settlements</td>
<td>-</td>
<td>-</td>
<td>44</td>
<td>5,260</td>
<td>1,427</td>
<td>8,380</td>
<td>45,101</td>
</tr>
<tr>
<td>Due to University of Pennsylvania</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(3,347)</td>
<td>(308)</td>
<td>7,270</td>
<td>(320)</td>
</tr>
<tr>
<td>Pension and post-retirement benefit liability</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net realized and unrealized (gain) loss on investments</td>
<td>493</td>
<td>(123)</td>
<td>(105,567)</td>
<td>(14,353)</td>
<td>-</td>
<td>(34,712)</td>
<td>(1,215)</td>
</tr>
<tr>
<td>Transfers, restricted contributions and pension adjustment</td>
<td>14,851</td>
<td>-</td>
<td>75,905</td>
<td>(3,750)</td>
<td>(106,223)</td>
<td>(8,867)</td>
<td>(249)</td>
</tr>
<tr>
<td>Net cash provided by/used for operating activities</td>
<td>59,647</td>
<td>(1,887)</td>
<td>334,253</td>
<td>25,806</td>
<td>23,278</td>
<td>(5,290)</td>
<td>(3,585)</td>
</tr>
<tr>
<td>Cash flows from investing activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of property and equipment</td>
<td>(3,227)</td>
<td>(336)</td>
<td>(118,760)</td>
<td>(106,804)</td>
<td>(26,809)</td>
<td>(42,039)</td>
<td>(21)</td>
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<tr>
<td>Net (purchase)/sale of assets whose use is limited and investments</td>
<td>847</td>
<td>123</td>
<td>22,840</td>
<td>3,735</td>
<td>(7,962)</td>
<td>2,345</td>
<td>1,160</td>
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<td>Chester County Health System membership substitution</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>15,397</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Net cash provided (used) by investing activities from continuing operations</td>
<td>(2,380)</td>
<td>(213)</td>
<td>(95,920)</td>
<td>(103,069)</td>
<td>(19,374)</td>
<td>(39,694)</td>
<td>1,139</td>
</tr>
<tr>
<td>Sale of Phoenixville property and equipment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net cash used for investing activities</td>
<td>(2,380)</td>
<td>(213)</td>
<td>(95,920)</td>
<td>(103,069)</td>
<td>(19,374)</td>
<td>(39,694)</td>
<td>1,139</td>
</tr>
<tr>
<td>Cash flows from financing activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment of long-term debt and notes payable</td>
<td>-</td>
<td>-</td>
<td>(78,823)</td>
<td>(2,680)</td>
<td>(63,687)</td>
<td>(4,886)</td>
<td>-</td>
</tr>
<tr>
<td>Cost of issuance of debt</td>
<td>-</td>
<td>-</td>
<td>(119)</td>
<td>(60)</td>
<td>(200)</td>
<td>(5)</td>
<td>-</td>
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<tr>
<td>Proceeds from restricted contributions</td>
<td>-</td>
<td>-</td>
<td>1,432</td>
<td>1,111</td>
<td>1,507</td>
<td>6,961</td>
<td>249</td>
</tr>
<tr>
<td>Proceeds from issuance of long-term debt</td>
<td>-</td>
<td>-</td>
<td>31,000</td>
<td>15,000</td>
<td>50,000</td>
<td>4,000</td>
<td>-</td>
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<tr>
<td>Due from/to HSC central treasury</td>
<td>(42,416)</td>
<td>2,100</td>
<td>(113,446)</td>
<td>63,892</td>
<td>37,691</td>
<td>39,457</td>
<td>2,225</td>
</tr>
<tr>
<td>Transfers and other</td>
<td>(14,851)</td>
<td>-</td>
<td>(78,377)</td>
<td>(543)</td>
<td>-</td>
<td>(19,756)</td>
<td>-</td>
</tr>
<tr>
<td>Net cash provided by/used for financing activities</td>
<td>(57,267)</td>
<td>2,100</td>
<td>(238,333)</td>
<td>77,263</td>
<td>25,311</td>
<td>44,984</td>
<td>2,474</td>
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<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net cash provided by/used for financing activities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cash and cash equivalents, end of year</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 31,825</td>
<td>$ 2,985</td>
<td>$ 502</td>
<td>$ 4,987</td>
<td>$ -</td>
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<tr>
<td>Supplemental disclosure of cash flow information:</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash paid for interest</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 31,825</td>
<td>$ 2,985</td>
<td>$ 502</td>
<td>$ 4,987</td>
<td>$ -</td>
</tr>
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</table>
Combining Statements of Cash Flows
for the year ended June 30, 2013
(thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>CPUP</th>
<th>CCA</th>
<th>HUP</th>
<th>Presbyterian</th>
<th>Pennsylvania</th>
<th>Wissahickon Hospice</th>
<th>Corporate</th>
<th>RRG</th>
<th>Total</th>
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<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in net assets</td>
<td>$ 4,691</td>
<td>$ 4,483</td>
<td>$ 206,508</td>
<td>$ 11,475</td>
<td>$ 9,593</td>
<td>(3,480)</td>
<td>$ 240,898</td>
<td>$ 184</td>
<td>$ 474,352</td>
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<tr>
<td>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>2,951</td>
<td>2,101</td>
<td>78,197</td>
<td>15,434</td>
<td>17,585</td>
<td>713</td>
<td>22,570</td>
<td>-</td>
<td>139,551</td>
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<tr>
<td>Provision for bad debts</td>
<td>11,737</td>
<td>4,141</td>
<td>102,333</td>
<td>35,821</td>
<td>34,750</td>
<td>2,697</td>
<td>-</td>
<td>-</td>
<td>191,479</td>
</tr>
<tr>
<td>Increase/(decrease) from changes in:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Patient receivables</td>
<td>312</td>
<td>(3,344)</td>
<td>(114,617)</td>
<td>(37,840)</td>
<td>(26,497)</td>
<td>(1,923)</td>
<td>-</td>
<td>-</td>
<td>(183,909)</td>
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<tr>
<td>Other current assets</td>
<td>(612)</td>
<td>2,988</td>
<td>22,732</td>
<td>403</td>
<td>3,515</td>
<td>(667)</td>
<td>46,668</td>
<td>-</td>
<td>75,027</td>
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<tr>
<td>Other assets</td>
<td>(648)</td>
<td>-</td>
<td>367</td>
<td>50</td>
<td>225</td>
<td>-</td>
<td>14,723</td>
<td>-</td>
<td>14,717</td>
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<td>Accounts payable and accrued expenses</td>
<td>3,871</td>
<td>932</td>
<td>(322)</td>
<td>22,088</td>
<td>(1,814)</td>
<td>(80)</td>
<td>3,016</td>
<td>(166)</td>
<td>3,369</td>
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<tr>
<td>Estimated third party payer settlements</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,598</td>
<td>590</td>
<td>5,108</td>
<td>209</td>
<td>(2,800)</td>
<td>-</td>
</tr>
<tr>
<td>Due to University of Pennsylvania</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,049</td>
<td>-</td>
<td>1,049</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>-</td>
<td>-</td>
<td>(2,173)</td>
<td>24,250</td>
<td>44,673</td>
<td>-</td>
<td>(62,878)</td>
<td>14,489</td>
<td>18,361</td>
</tr>
<tr>
<td>Pension and post-retirement benefit liability</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,931</td>
<td>-</td>
<td>4,931</td>
</tr>
<tr>
<td>Net realized and unrealized (gain) loss on investments</td>
<td>597</td>
<td>(27)</td>
<td>(65,648)</td>
<td>(8,970)</td>
<td>(24,771)</td>
<td>(925)</td>
<td>(53,104)</td>
<td>-</td>
<td>(152,848)</td>
</tr>
<tr>
<td>Transfers, restricted contributions and pension adjustment</td>
<td>12,735</td>
<td>(10,594)</td>
<td>66,440</td>
<td>(2,114)</td>
<td>(3,317)</td>
<td>792</td>
<td>(186,628)</td>
<td>-</td>
<td>(122,686)</td>
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<tr>
<td>Net cash provided (used) by operating activities</td>
<td>35,634</td>
<td>680</td>
<td>297,415</td>
<td>37,031</td>
<td>59,050</td>
<td>(2,664)</td>
<td>28,445</td>
<td>14,507</td>
<td>470,098</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of property and equipment</td>
<td>(3,949)</td>
<td>526</td>
<td>(116,153)</td>
<td>(45,931)</td>
<td>(88,175)</td>
<td>(259)</td>
<td>52,142</td>
<td>-</td>
<td>(201,799)</td>
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<tr>
<td>Net (purchase)/sale of assets whose use is limited and investments</td>
<td>744</td>
<td>257</td>
<td>13,855</td>
<td>5,120</td>
<td>4,808</td>
<td>1,026</td>
<td>12,398</td>
<td>(14,507)</td>
<td>23,701</td>
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<td>Net cash provided (used) by investing activities</td>
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<td>783</td>
<td>(102,298)</td>
<td>(40,811)</td>
<td>(83,367)</td>
<td>767</td>
<td>64,540</td>
<td>(14,507)</td>
<td>(178,098)</td>
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<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment of long-term debt and notes payable</td>
<td>-</td>
<td>-</td>
<td>(25,664)</td>
<td>(2,548)</td>
<td>(5,049)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(33,261)</td>
</tr>
<tr>
<td>Cost of issuance of debt</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from restricted contributions</td>
<td>-</td>
<td>-</td>
<td>2,996</td>
<td>1,441</td>
<td>3,832</td>
<td>327</td>
<td>(180)</td>
<td>-</td>
<td>8,416</td>
</tr>
<tr>
<td>Proceeds from issuance of long-term debt</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Due from/to HSC central treasury</td>
<td>(19,694)</td>
<td>(11,827)</td>
<td>(102,998)</td>
<td>6,852</td>
<td>28,371</td>
<td>2,844</td>
<td>96,452</td>
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<tr>
<td>Transfers and other</td>
<td>(12,735)</td>
<td>10,364</td>
<td>(69,451)</td>
<td>(1,985)</td>
<td>(2,837)</td>
<td>(1,126)</td>
<td>(13,180)</td>
<td>-</td>
<td>(90,930)</td>
</tr>
<tr>
<td>Net cash provided (used) for financing activities</td>
<td>(32,429)</td>
<td>(1,463)</td>
<td>(195,117)</td>
<td>3,780</td>
<td>24,317</td>
<td>2,045</td>
<td>83,092</td>
<td>-</td>
<td>(115,775)</td>
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<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>148</td>
<td>176,077</td>
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<td>176,225</td>
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<td>Cash and cash equivalents, beginning of year</td>
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<td>-</td>
<td>1,921</td>
<td>560,625</td>
<td>-</td>
<td>562,546</td>
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<tr>
<td>Cash and cash equivalents, end of year</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 2,069</td>
<td>$ 736,702</td>
<td>$ -</td>
<td>$ 738,771</td>
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<td><strong>Supplemental disclosure of cash flow information:</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash paid for interest</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 33,363</td>
<td>$ 2,910</td>
<td>$ 4,881</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 41,154</td>
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</tbody>
</table>