CONSOLIDATED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

OhioHealth Corporation

Years Ended June 30, 2018 and 2017

With Report of Independent Auditors

OhioHealth Corporation

Consolidated Financial Statements

Years Ended June 30, 2018 and 2017

Contents

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Independent Auditor's Report

To the Finance and Audit Committee
OhioHealth Corporation

We have audited the accompanying consolidated financial statements of OhioHealth Corporation and its Subsidiaries (the "Corporation"), which comprise the consolidated balance sheet as of June 30, 2018 and the related consolidated statements of operations and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements referred to above present fairly, in all material respects, the financial position of OhioHealth Corporation and its Subsidiaries as of June 30, 2018 and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

October 1, 2018

OhioHealth Corporation

Consolidated Balance Sheets

	June 30 2018	2017
	(In Thousands)	
Assets		
Current Assets		
Cash and Cash Equivalents	$ 121,808	$ 319,726
Patient Accounts Receivable, Less Allowances		
for Doubtful Accounts ($116,428 in 2018, $98,575 in 2017)	408,695	369,967
Other Receivables	57,679	44,395
Inventories	65,845	58,402
Other Current Assets	58,927	62,809
Total Current Assets	712,954	855,299
Property and Equipment, Less Accumulated		
Depreciation *(Note 3)*	1,584,552	1,474,529
Assets Limited As To Use *(Note 4, Note 8)*		
Funds Held by Trustee	60,551	55,732
Unrestricted Foundation Investments	39,082	32,639
Funds Designated for Future Expansion	4,180,672	3,643,498
Board Designated Funds	14,660	14,204
Total Assets Limited As To Use	4,294,965	3,746,073
Total Other Assets	129,967	131,244
Restricted Assets		
Restricted Foundation Investments *(Note 4, Note 8)*	74,705	72,976
Restricted Pledges	20,018	10,590
Total Restricted Assets	94,723	83,566
Total Assets	$ 6,817,161	$ 6,290,711

(Continued on following page)

OhioHealth Corporation

Consolidated Balance Sheets

	June 30 2018	June 30 2017
	(In Thousands)	
Liabilities and Net Assets		
Current Liabilities		
Line of Credit *(Note 6)*	$ 1,060	$ 29
Current Portion of Long-Term Debt *(Note 6)*	23,396	19,711
Long-Term Debt Subject to Short Term Remarketing Arrangements *(Note 6)*	183,530	122,505
Accounts Payable	115,517	140,857
Wages and Benefits Payable	255,263	250,077
Estimated Third-Party Settlements *(Note 2)*	19,759	23,330
Accrued Interest Payable	4,352	4,496
Other Current Liabilities	171,819	132,209
Total Current Liabilities	774,696	693,214
Long-Term Liabilities		
Long-Term Debt, Net of Unamortized Bond Premium and Discount *(Note 6)*	820,873	901,309
Accrued Malpractice, Pension and Other *(Note 5)*	211,877	194,483
Interest Rate Swap Liability *(Note 7)*	24,398	35,404
Total Long-Term Liabilities	1,057,148	1,131,196
Net Assets		
Unrestricted Net Assets	4,890,594	4,382,735
Temporarily Restricted Net Assets	70,037	61,518
Permanently Restricted Net Assets	24,686	22,048
Total Net Assets	4,985,317	4,466,301
Total Liabilities and Net Assets	$ 6,817,161	$ 6,290,711

See accompanying notes

OhioHealth Corporation

Consolidated Statements of Operations and Changes in Net Assets

	Year Ended June 30 2018	2017
	(In Thousands)	
Revenues		
Patient Service Revenue Net of Contractual Adjustments *(Note 9)*	$ 4,013,927	$ 3,811,868
Provision for Bad Debts	(135,681)	(143,441)
Patient Service Revenue Net of Bad Debts *(Note 9)*	3,878,246	3,668,427
Operating Income from Equity Ventures *(Note 11)*	9,021	11,031
Net Assets Released from Restrictions	5,268	4,831
Other Revenues	153,151	152,921
Total Operating Revenues	4,045,686	3,837,210
Operating Expenses		
Salaries and Wages	1,784,689	1,674,383
Employee Benefits	445,308	427,004
Drugs and Supplies	661,726	618,253
Purchased Services	452,935	407,667
Depreciation and Amortization	193,072	181,805
Interest *(Note 6 and 7)*	34,206	35,081
Other	239,620	220,983
Total Operating Expenses	3,811,556	3,565,176
Net Operating Income	234,130	272,034
Nonoperating Income (Loss)		
Interest Income, Dividends and Realized Gains *(Note 4)*	218,046	160,958
Net Unrealized Gains on Investment Securities *(Note 4)*	53,160	159,217
Change in Fair Value of Interest Rate Swaps *(Note 7)*	10,971	18,307
Nonoperating Loss from Equity Ventures *(Note 11)*	(132)	(1,207)
Contributions and Other	(3,959)	1,307
Total Nonoperating Income	278,086	338,582
Excess of Revenues Over Expenses	$ 512,216	$ 610,616

(Continued on following page)

OhioHealth Corporation

Consolidated Statements of Operations
and Changes in Net Assets
(continued)

	Year Ended June 30	
	2018	**2017**
	(In Thousands)	
Unrestricted Net Assets		
Excess of Revenues Over Expenses	$ 512,216	$ 610,616
Change in Net Unrealized Gains on Alternative Investments *(Note 4)*	30,436	29,070
Net Assets Released from Restrictions used for Purchase of Property and Equipment	3,968	3,748
Pension Related Changes other than Net Periodic Pension Cost	(11,148)	16,004
Change in Fair Value of Interest Rate Swaps	135	171
Other	(27,748)	(33,063)
Increase in Unrestricted Net Assets	507,859	626,546
Temporarily Restricted Net Assets		
Investment Income *(Note 4)*	1,674	1,028
Net Unrealized Gains on Investments *(Note 4)*	663	1,344
Net Assets Released from Restrictions	(9,237)	(8,579)
Contributions and Other	15,419	10,413
Increase in Temporarily Restricted Net Assets	8,519	4,206
Permanently Restricted Net Assets		
Contributions and Other	2,638	706
Increase in Permanently Restricted Net Assets	2,638	706
Increase in Net Assets	519,016	631,458
Net Assets at Beginning of Year	4,466,301	3,834,843
Net Assets at End of Year	$ 4,985,317	$ 4,466,301

See accompanying notes

OhioHealth Corporation

Consolidated Statements of Cash Flows

	Year Ended June 30 2018	2017
	(In Thousands)	
Operating Activities		
Increase in Net Assets	$ 519,016	$ 631,458
Adjustments to Reconcile Increase in Net Assets to Cash Provided by Operating Activities:		
Depreciation and Amortization	193,072	181,805
Amortization of Debt Issuance Costs	345	342
Bad Debt Expense	135,681	143,441
Contributions	(5,636)	(6,178)
Gain on Disposition of Assets	(5,147)	(8,041)
Contributions of Cash for Long-lived Assets	(3,968)	(3,748)
Interest Income, Dividends and Realized Gains	(219,720)	(161,986)
Change in Net Unrealized Losses on Investments	(84,259)	(189,631)
Pension Related Changes other than Net Periodic Pension Cost	11,148	(16,004)
Change in Fair Value of Interest Rate Swaps	(11,006)	(18,478)
Cash (Used for) Provided by Operating Assets and Liabilities		
Patient Accounts Receivable	(174,409)	(124,738)
Other Receivables, Inventories, Other Current Assets and Other Assets	(16,125)	(2,161)
Accounts Payable, Accrued Interest Payable and Other Current Liabilities	17,542	13,656
Wages and Benefits Payable	5,186	16,851
Estimated Third-Party Settlements	(3,571)	3,327
Accrued Malpractice and Other	6,246	(10,370)
Net Cash Provided by Operating Activities	364,395	449,545
Investing Activities		
Additions to Property and Equipment, Less Accumulated Depreciation	(303,047)	(249,818)
Contributions of Cash for Long-lived Assets	3,968	3,748
Purchases of Assets Limited As To Use and Restricted Assets	(11,979,376)	(5,671,409)
Sales of Assets Limited As To Use and Restricted Assets	11,728,941	5,491,057
Net Cash Used for Investing Activities	(549,514)	(426,422)
Financing Activities		
Principal Payments on Long-Term Debt Obligations	(12,799)	(19,141)
Net Cash Used for Financing Activities	(12,799)	(19,141)
(Decrease) Increase in Cash and Cash Equivalents	(197,918)	3,982
Cash and Cash Equivalents at Beginning of Year	319,726	315,744
Cash and Cash Equivalents at End of Year	$ 121,808	$ 319,726

See accompanying notes

1. Organization

OhioHealth Corporation (OhioHealth or the Corporation) is a nonprofit corporation organized under the laws of the State of Ohio. The sole member of OhioHealth is the West Ohio Conference of The United Methodist Church. OhioHealth operates general acute care hospitals including: Grant Medical Center (Grant), Riverside Methodist Hospital (Riverside), and Doctors Hospital (Doctors) each in Columbus, Ohio; and the Dublin Methodist Hospital (Dublin) in Dublin, Ohio. OhioHealth also operates several outpatient facilities. OhioHealth is the parent organization and sole voting member of the following Ohio nonprofit corporations: Grady Memorial Hospital (Grady), Marion General Hospital, Inc. (Marion), Hardin Memorial Hospital (Hardin), HomeReach and Subsidiary (HomeReach Home Care), The Sheltering Arms Hospital Foundation, Inc. dba O'Bleness Memorial Hospital (O'Bleness), and MedCentral Health System dba Mansfield Hospital / Shelby Hospital (Mansfield / Shelby). In addition, OhioHealth is the parent organization and sole corporate member of OhioHealth Star Corporation (OhioHealth Star), an Ohio for-profit corporation, Intel Health Services Insurance Co. (SPC), Ltd., OhioHealth Foundation, Inc., OhioHealth Research Institute, and Hospital Properties, Inc., and is the beneficial owner of all of the issued and outstanding shares of OhioHealth Physician Group, Inc.

Grady, is an Ohio nonprofit corporation.

Marion, is an Ohio nonprofit corporation.

Hardin, an Ohio nonprofit corporation, is the sole voting member of Hardin Memorial Hospital Foundation, an Ohio nonprofit corporation. HardinCare, Inc. is a for-profit wholly-owned subsidiary of Hardin. Hardin is also the sole voting member of Hardin Physician Foundation, Inc. (the Physician Foundation). The Physician Foundation is an Ohio professional association, which employs physicians qualified and licensed to practice medicine in the state of Ohio. The Physician Foundation provides Hardin with physicians to render medical education services in addition to operating several clinics.

HomeReach, an Ohio nonprofit corporation, is the parent and sole voting member of HomeReach Home Care (Home Care) and Appalachian Community Visiting Nurse Association, Hospice and Health Services, Inc. (ACVNA). HomeReach operates as a multidisciplinary home care business, which includes hospice services, IV therapy, respiratory therapy and durable medical equipment. Home Care and ACVNA operate as certified home health agencies and provide skilled nursing, home health aide and various rehabilitation services.

MedCentral, an Ohio nonprofit corporation, is the parent organization and sole voting member of MedCentral Professional Foundation, an Ohio nonprofit single-member LLC.

1. Organization (continued)

OhioHealth Star is an Ohio for-profit corporation.

Intel Health Services Insurance Co. (SPC), Ltd. (Captive Insurance), is a wholly-owned for-profit captive insurance corporation.

OhioHealth Foundation, Inc. is an Ohio nonprofit corporation that conducts fund-raising activities and accepts contributions for the benefit and support of the Corporation.

OhioHealth Research Institute is an Ohio nonprofit corporation that supports medical research at OhioHealth's hospitals.

Hospital Properties, Inc. is an Ohio nonprofit corporation that maintains properties related to the operations of the Corporation.

OhioHealth Physician Group, Inc. is an Ohio nonprofit corporation that employs physicians who practice at Corporation hospitals, and is the parent organization and sole voting member of Grant Anesthesia Services, Ltd., Athens Medical Associates, LLC, Orthopedic Trauma Services, Ltd., Healthworks, LLC, and OhioHealth Regional Physician Services, LLC, which are Ohio nonprofit single-member LLC entities.

2. Significant Accounting Policies

The significant accounting policies used in the consolidated financial statements are summarized below.

Principles of Consolidation

The consolidated financial statements include the accounts of OhioHealth and its subsidiaries (the Corporation). All significant intercompany balances and transactions have been eliminated.

Cash Equivalents

The Corporation considers investments, classified as current assets, with a maturity of 182 days or less when purchased to be cash equivalents. The Corporation's cash and cash equivalents fall into several categories, money market funds, funds rated or meeting Standard & Poor's or Moody's criteria for AAAm/AAA-mf that have a stable value and do not have any restrictions on withdrawals; deposits at banking institutions and commercial paper rated at least A1/P1, with a maximum aggregate limit of $50 million. The Corporation's assets are insured at the $250,000 maximum per banking institution provided through the Federal Deposit Insurance Corporation ("FDIC"), with the excess being uninsured in banking deposits and highly rated money market mutual funds.

2. Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable for patients, insurance companies, and governmental agencies are based on gross charges. An allowance for contractual adjustments is based on expected payment rates from payors based on historical reimbursement rates and expected contractual changes. This amount also includes amounts received as interim payments against unpaid claims by certain payors. An allowance for uncollectible accounts is established on an aggregate basis by using historical write-off rate factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and adjusted for economic conditions and other trends affecting the Corporation's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible.

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

Third-Party Reimbursement

The Corporation is a provider of services under contractual arrangements with the Medicare and Medicaid programs. In addition, the Corporation has other third-party reimbursement arrangements. Net patient service revenues include amounts estimated to be reimbursable by these programs under the provisions of various payment formulas. Amounts received by the Corporation for treatment of patients covered by such programs are generally less than the established billing rates. The differences between established billing rates and amounts received are deducted in arriving at net patient service revenues. Medicare, Medicaid, Anthem, and United Healthcare represented approximately 66% of the Corporation's net patient service revenues for years ended June 30, 2018 and 2017.

Amounts earned under the Medicare and Medicaid contractual arrangements are subject to audit by appropriate government authorities or their agents. Adequate provision has been made in the financial statements for any adjustments that may result from such audits. At June 30, 2018, final

2. Significant Accounting Policies (continued)

Third-Party Reimbursement (continued)

determinations have not been made for all entities. The amounts reported on the financial statements represent estimated settlements outstanding at June 30, 2018 and 2017. Gains related to prior year settlement and other reserve estimates resulted in an increase to net operating income in 2018 and 2017 of approximately $9,866,000 and $9,022,000, respectively.

In the health care industry, laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Corporation believes that it is in compliance with all applicable laws and regulations. Compliance with health care industry laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. As a result, there is a less than probable but greater than remote possibility as described in the accounting standards regarding the recognition of contingencies that recorded estimates will change by a material amount in the near term.

Inventories

Inventories, consisting primarily of medical supplies and pharmaceuticals, are valued at the lower of cost or market value using first-in, first-out or, the weighted average costing method depending on whether it is tracked as periodic or perpetual.

Property and Equipment

Additions to property and equipment have been recorded at cost, or at fair market value if acquired by gift. The carrying amounts of assets sold, retired, or otherwise disposed of and the related allowances for depreciation are eliminated from the accounts and any resulting gain or loss is included in other operating revenues as a gain (loss) on disposition of assets. Depreciation of property and equipment is provided by annual charges to expense on a straight-line basis over the estimated useful lives of the assets. Equipment under capital leases is depreciated over the shorter of the estimated useful lives or lease terms. The estimated useful lives of buildings and improvements vary generally from 10 to 40 years and the estimated useful lives of equipment vary generally from 3 to 10 years.

Business Combinations

The assets acquired and liabilities assumed in a business combination, including identifiable intangible assets, are based on their estimated fair values as of the acquisition date.

2. Significant Accounting Policies (continued)

Goodwill

The recorded amounts of goodwill from business combinations are based on management's best estimates of the fair value of assets acquired and liabilities assumed at the acquisition date. The Corporation assesses goodwill for impairment annually, or more frequently when indicators of impairment exists. No significant impairment charge was recognized in the years ended June 30, 2018 and June 30, 2017, with the exception of OhioHealth Sleep Services, LLC. OhioHealth Sleep Services, LLC., a consolidating joint venture, recorded approximately $1,684,000.

Assets Limited As To Use and Restricted Foundation Investments

Assets limited as to use consists of funds held by trustee, unrestricted foundation investments, funds internally designated for future expansion and replacement, deferred compensation plans, and board designated funds. Funds held by trustee are principally for debt service and payment of malpractice and general patient liability losses. Earnings on these funds are included in investment income. Restricted foundation investments consist of assets whose use by the Corporation has been restricted by the donor.

All investments in equity and debt securities, with the exception of alternative investments, are recorded at fair value based upon quoted market prices. Alternative investments are recorded at estimated fair market value. The fair value of certain alternative investments has been estimated by the investment manager in the absence of readily ascertainable market values.

Investment income or loss (including realized gains and losses on the sale of investments, losses on investments deemed to be other-than-temporary for alternative investments, interest, and dividends) is included in excess of revenues over expenses unless the income is restricted by donor or law. The change in unrealized gains and losses on investment securities are included in excess of revenues over expenses. Unrealized gains and losses on alternative investments are excluded from excess of revenues over expenses.

Equity Investments

Investments in jointly owned companies and other investees in which the Corporation has an equity basis interest are carried at cost, adjusted for the entities proportionate share of their undistributed earnings or losses. These investments ($28,468,000 and $30,287,000 as of June 30, 2018 and 2017, respectively) are included in other assets in the accompanying balance sheets (see Note 11).

2. Significant Accounting Policies (continued)

Malpractice and General Patient Liability Contingencies

Because of the nature of its operations, the Corporation is, at all times, subject to pending and threatened legal actions which arise in the normal course of its activities. Malpractice and general patient liability claims for incidents which may give rise against the Corporation by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. There are also known incidents that have occurred through June 30, 2018 and June 30, 2017, that may result in the assertion of additional claims. At June 30, 2018 and June 30, 2017, an estimate of these contingent losses has been accrued. There may be other claims from unreported incidents arising from services provided to patients. The reserve for medical malpractice at June 30, 2018 and 2017 includes amounts for claims and related legal expenses for these unreported incidents. The reserve was actuarially determined by combining the Corporation's historical experience and industry data. The Corporation established a trust for incidents that have occurred and been reported through March 31, 2015 for the purpose of setting aside assets for the payment of claims based on actuarial funding recommendations. Under the trust agreements, the trust assets can only be used for payment of malpractice losses, related expenses and the cost of administering the trust. As of April 1, 2015, the majority of the Corporation was insured for professional liability on a claims-made basis by Captive Insurance with the remaining business units being covered by Captive Insurance as of March 1, 2016. Effective March 2018, the trust assets and the liability for all known (reported) self-insurance claims have been transferred to the Captive Insurance. The liability for all claims that have not been reported (Tail/IBNR) remain in the Self-Insured program. The Corporation accrues an estimate of the ultimate expense, including litigation and settlement expenses, of incidents of potential improper professional services occurring during the year as well as for the claims that have not yet been reported, which is based on estimates provided by an independent actuary.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time period or purpose. When a donor restriction expires, temporarily restricted net assets used for non-capital expenditures are reclassified to unrestricted net assets and are included in excess of revenues over expenses. The release of restrictions on temporarily restricted net assets restricted for the purchase of property and equipment are excluded from excess of revenues over expenses and are reported as an increase in unrestricted net assets. Contributions received that are limited by donor restrictions are reported as increases in unrestricted net assets if the restrictions are met in the same reporting period.

Permanently restricted net assets have been restricted by donors to be maintained by the Corporation in perpetuity, the income from which is expendable to support health care services. The Corporation has interpreted the Uniform Prudent Management of Institutional Funds Act

2. Significant Accounting Policies (continued)

Temporarily and Permanently Restricted Net Assets (continued)

(UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Corporation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. All earnings on permanently restricted net assets during the years ended June 30, 2018 and 2017 have been included in nonoperating income in the years earned.

The Corporation invests these funds consistent with the investment policies of the Corporation. The Corporation has a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Corporation targets a diversified asset allocation to achieve these objectives. Changes in the endowment funds (permanently restricted) are presented in the consolidated statement of changes in net assets for the years ended June 30, 2018, and 2017.

Federal Income Taxes

OhioHealth and substantially all of its subsidiaries are tax-exempt organizations as defined under various sections of the Internal Revenue Code. With respect to the taxable corporations, income taxes are insignificant in fiscal years 2018 and 2017. The Corporation files all applicable federal, state and local income tax returns. Fiscal years 2015 through 2018 are subject to audit by appropriate government authorities or their agents. Management has analyzed the tax positions taken by the Corporation and its subsidiaries and has concluded that as of June 30, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of any tax benefits or liabilities, or disclosure in the financial statements.

Charity Care and Benefits to the Community

The Corporation provides medically necessary services without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policies. In assessing a patient’s ability to pay, the Corporation not only utilizes generally recognized poverty income levels of the communities it serves, but also includes certain cases where incurred charges are significant when compared to the patient’s financial resources. Because the Corporation does not expect to receive payment of amounts determined to qualify as charity care, these amounts are not included in net patient service revenues. Charity care is determined based on established policies, using patient income to determine payment ability.

The amount reflects the cost of free or discounted health services, net of contributions and other revenues received, as direct assistance for the provision of charity care. The estimated cost of providing charity services is based on a calculation which applies a ratio of cost to charges to the

2. Significant Accounting Policies (continued)

Charity Care and Benefits to the Community (continued)

gross uncompensated charges associated with providing care to charity patients. The Corporation estimates that it provided approximately $90,014,000 and $69,626,000 of services to indigent patients during 2018 and 2017, respectively.

In addition, the Corporation provides community services intended to benefit the underserved and enhance the health status of the communities it serves. These services include 24 hour a day emergency rooms, community health screenings, forums for various support groups, health education classes, speakers and publications, hospice and medical research. The Corporation has been able to achieve a greater impact in the community by partnering financial and human resources with other organizations. These expenditures include a commitment to the project to reduce infant mortality, pastoral care service, various civic sponsorships, and other community partnership programs.

The Corporation's total benefit to the community includes the cost of charity care (net of assistance received from the Hospital Care Assurance Program), unpaid cost of Medicaid, and medical education programs as well as certain programs discussed above. The Corporation's benefit to the community was approximately $393,674,000 and $335,554,000 for the years ended June 30, 2018 and 2017, respectively. In addition, the unpaid cost of Medicare of approximately $279,403,000 and $259,636,000 was provided as an uncompensated service to the community for the years ended June 30, 2018 and 2017, respectively.

Hospital Care Assurance Program

The Hospital Care Assurance Program (HCAP) provides financial assistance to hospitals for care provided to the indigent. Under HCAP, hospitals are assessed amounts, which are matched with federal funds and subsequently redistributed to the hospitals. The Corporation recognized approximately $46,395,000 and $54,411,000 in net HCAP distributions for the years ended June 30, 2018 and 2017, respectively.

Operating Activities

The Corporation’s primary purpose is to provide diversified health care services to the community. As such, activities related to the ongoing operations of the Corporation are classified as operating revenues. Operating revenues include those generated from direct patient care, related support services, system service fee revenues, income (loss) from equity ventures in core business patient service facilities, gains (losses) on the disposition of assets, and sundry revenues related to the operations of the Corporation. Nonoperating income (loss) includes investment income and losses, unless the income or loss is restricted by the donor, change in net unrealized gains (losses) on investment securities, realized losses deemed other than temporary

2. Significant Accounting Policies (continued)

Operating Activities (continued)

on alternative investments, change in fair value of interest rate swaps, income (loss) from non-core business equity ventures, and unrestricted contributions. Excluded from the performance indicator (excess of revenues over expenses) are changes in net unrealized gains and losses on alternative investments, net assets released from restrictions used for purchase of property and equipment, and pension-related changes other than net periodic pension cost.

The Corporation provides general health care services to residents within its geographic location. Expenses related to providing these services for 2018 and 2017 include health care expenses of approximately $3,145,261,000 and $2,949,358,000 respectively, and general and administrative expenses of approximately $666,295,000 and $615,818,000, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Patient Service Revenues

The Corporation has agreements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors.

Third-party settlements are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. For uninsured patients that do not qualify for charity care, the Corporation recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates provided by policy). On the basis of historical experience, a significant portion of the Corporation's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Corporation records a provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before provision for bad debts), recognized from these major payor sources in total for 2018 and 2017 was $4,013,927,000 and $3,811,868,000 respectfully. The amounts (net of contractual allowance

2. Significant Accounting Policies (continued)

Net Patient Service Revenues (continued)

and discounts, after provision for bad debts) are made up of amounts from third-party payors of $3,865,791,000 and $3,657,695,000, and amounts from self-pay payors of $12,456,000 and $10,732,000, for a total of $3,878,247,000 and $3,668,427,000 for years ended June 30, 2018 and June 30, 2017, respectively.

Conditional Asset Retirement Obligations

Financial accounting standards clarified when an entity is required to recognize a liability for a conditional asset retirement obligation. Management has considered the standards, specifically as it relates to its legal obligation to perform asset retirement activities on its existing properties and determined any potential exposure to be immaterial. Management believes that there is an indeterminate settlement date for the asset retirement obligations because the range of time over which the Corporation may settle any obligations is unknown and cannot be estimated. As a result, management cannot reasonably estimate any liability related to these asset retirement activities as of June 30, 2018 and 2017.

Noncontrolling Interests in Consolidated Financial Statements

The Corporation has noncontrolling interest, sometimes called a minority interest, which is the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent. In accordance with Accounting Standards Update (ASU) 2010-07 Not-for-Profit Entities (Topic 958) Not-for-Profit Entities: Mergers and Acquisitions, the Corporation consolidates excess of revenues over expenses at amounts that include the amounts attributable to both the parent and the noncontrolling interest. As a result, excess of revenues over expenses includes $25,676,000 and $27,038,000 for the years ended June 30, 2018 and June 30, 2017, respectively, attributable to noncontrolling interest.

Unrestricted net assets includes $14,012,000 and $16,550,000 for the years ended June 30, 2018 and June 30, 2017, respectively, attributable to noncontrolling interest.

2. Significant Accounting Policies (continued)

Noncontrolling Interests in Consolidated Financial Statements (continued)

The following table reflects the components of the Corporation's entities with both controlling and noncontrolling interest for the years ended June 30, 2018 and June 30, 2017, respectively (in thousands):

	Controlling Interest	Non-Controlling Interest	Total
Balance at June 30, 2016	$ 26,982	$ 18,928	$ 45,910
Excess of revenues over expenses	28,503	27,038	55,541
Distributions	(21,449)	(29,917)	(51,366)
Contributions and Share Exchanges	(1,513)	501	(1,012)
Balance at June 30, 2017	32,523	16,550	49,073
Excess of revenues over expenses	**27,066**	**25,676**	**52,742**
Distributions	**(28,122)**	**(26,342)**	**(54,464)**
Contributions and Share Exchanges	**(371)**	**(1,872)**	**(2,243)**
Balance at June 30, 2018	**$ 31,096**	**$ 14,012**	**$ 45,108**

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 1, 2018, which is the date the financial statements were issued. During the period, there were no material subsequent events that required recognition or disclosure in the accompanying consolidated financial statements.

Upcoming Accounting Changes

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities in August, 2016. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow FASB not-for-profit rules, including moving from three classes of net assets down to two classes, net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Corporation, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Corporation's year ending June 30, 2019 and must be applied on a retrospective basis. The Corporation is currently evaluating the impact this standard will have on the financial statements.

2. Significant Accounting Policies (continued)

Upcoming Accounting Changes (continued)

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606), which will supersede the current revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Corporation's year ending June 30, 2019. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Organization has not yet determined which application method it will use. The Organization is in the process of evaluating the impact of the new standard on its financial statements.

In March 2017, the FASB issued ASU No. 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. This standard requires service cost to be included with salaries and wages within operating expenses, the other components of net benefit cost to be presented separately outside of income from operations and capitalization of only the service cost component, when applicable. The new standard is effective for the Corporation's year ending June 30, 2020 and must be applied on a retrospective basis.

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02, Leases, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right of use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The new lease guidance will be effective for the Corporation's year ending June 30, 2020 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is expected to have a significant effect on the Corporation's financial statements as a result of the leases for buildings and equipment classified as operating leases. The expected impact on the balance sheet is a significant increase in long-term assets and lease liabilities. The effects on the results of operations are not expected to be significant as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

3. Property and Equipment

Property and equipment is summarized as follows:

	June 30	
	2018	2017
	(In Thousands)	
Land and land improvements	**$ 127,237**	$ 122,419
Buildings and fixed equipment	**1,679,937**	1,631,452
Equipment	**1,056,458**	1,008,073
Construction-in-progress	**229,606**	172,533
	3,093,238	2,934,477
Accumulated depreciation	**(1,508,686)**	(1,459,948)
	$ 1,584,552	$ 1,474,529

Title to certain land and buildings of the Corporation with net book value of $77,838,000 is held by various governmental agencies pursuant to lease agreements in connection with the issuance of tax-exempt revenues bonds. Since the terms of the leases are essentially equivalent to a purchase, such assets are included in property and equipment and are subject to depreciation over the lesser of the related estimated useful lives of the assets or lease term. The related obligations have been recorded as long-term obligations.

During fiscal year 2017 the Corporation began construction on the OhioHealth Administrative Office Building. The total cost will be approximately $89,860,000, with $44,899,000 remaining at June 30, 2018 and scheduled for completion in 2019.

4. Assets Limited As To Use and Restricted Foundation Investments

Investment income is comprised of the following:

	Year ended June 30	
	2018	2017
	(In Thousands)	
Income:		
Interest and dividend income	$ 77,359	$ 59,432
Net realized gains on sale of investment securities	140,687	101,526
Net unrealized gains on investment securities	53,160	159,217
	$ 271,206	$ 320,175
Other changes in net assets:		
Net unrealized gains on alternative investments	30,436	29,070
Investment income on temporarily restricted investments	1,674	1,028
Net unrealized gains on temporarily restricted investments	663	1,344
	$ 32,773	$ 31,442

4. Assets Limited As To Use and Restricted Foundation Investments (continued)

The Corporation is exposed to changes in fair value of foreign currency due to changes in foreign currency exchange rates. The Corporation has recorded unrealized losses on foreign currency in net assets of approximately $168,000, and $244,000 as of June 30, 2018 and June 30, 2017, respectively. All realized gains and losses on foreign currency are included in the statement of operations. The Corporation has not recorded significant realized gains or losses on foreign currency.

The following is a description of the aggregate carrying amount of investments by major type of investment carried at fair value:

	June 30	
	2018	2017
	(In Thousands)	
Money markets and short-term investments	$ 52,322	$ 104,563
U.S. Government obligations	380,288	340,880
Common and preferred stocks	769,121	677,759
Corporate bonds and certificates of deposit	605,559	524,446
Asset backed and collateralized mortgage obligations (CMO)	621,757	487,738
Mutual funds	177,930	152,138
Investments valued at net asset value (NAV)	1,762,693	1,531,525
	$ 4,369,670	$ 3,819,049

Of the above amounts, $4,294,965,000 and $3,746,073,000 are classified as assets limited as to use at June 30, 2018 and 2017, respectively. $74,705,000 and $72,976,000 are classified as restricted foundation investments at the same respective dates in the Corporation's consolidated financial statements.

Other-Than-Temporary Declines in Investments

OhioHealth evaluates its available-for-sale holdings for other-than-temporary declines in fair value below cost basis. If an investment is determined to have an other-than-temporary decline in fair value, the unrealized losses for the investment are realized in nonoperating income.

4. Assets Limited As To Use and Restricted Foundation Investments (continued)

The following table reflects OhioHealth's investment gross unrealized losses and fair value, at June 30, 2018 (in thousands):

	Loss Position for Less than 12 Months		Loss Position for 12 Months or More		Total	
Description of Securities	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Alternative investments	$ 49,519	$ (7,100)	$ -	$ -	$ 49,519	$ (7,100)

The following table reflects OhioHealth's investment gross unrealized losses and fair value, at June 30, 2017 (in thousands):

	Loss Position for Less than 12 Months		Loss Position for 12 Months or More		Total	
Description of Securities	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Alternative investments	$ 34,229	$ (1,165)	$ -	$ -	$ 34,229	$ (1,165)

For the fiscal years ended June 30, 2018 and 2017, existing impairments are temporary and no adjustments to the cost basis are deemed necessary due to the long term nature of the alternative investments. In addition, OhioHealth has the intent and ability to retain investments for a period of time sufficient to allow for the anticipated recovery in market value.

In order to evaluate the realizable value of its investments, OhioHealth evaluates the available facts and circumstances, including the investment intent, estimated twelve month target prices, and the nature of the investment. This evaluation requires significant judgment including determinations involving the estimation of the outcome of future events, and also consists of an accumulation of factors about general market conditions which reflect prospects for the economy as a whole, the specific industries, and/or the specific securities under consideration. These factors are considered by management in determining whether the security still has earnings potential in the near future, and whether the security has an anticipated recovery in market value.

5. Pension Plans

The Corporation has separate contributory and non-contributory defined benefit pension plans (the Plans) for employees who meet certain requirements as to age and length of service. The Corporation has two defined benefit pension plans. The following table provides a reconciliation of the changes in the Plans' projected benefit obligations and fair value of assets for the years ended June 30, 2018 and 2017, and a statement of the funded status as of June 30, 2018 and 2017.

	June 30	
	2018	**2017**
	(In Thousands)	
Change in projected benefit obligation		
Projected benefit obligation at beginning of year:	**$ 729,955**	$ 714,837
Service cost	**29,457**	30,619
Interest cost	**29,280**	28,803
Actuarial gains	**(5,540)**	(6,538)
Benefits paid	**(40,043)**	(37,766)
Projected benefit obligation at end of year	**743,109**	729,955
Change in plans assets		
Fair value of plans assets at beginning of year	**689,544**	638,402
Actual return on plans assets	**24,932**	44,755
Contributions	**30,872**	44,153
Benefits paid	**(40,043)**	(37,766)
Fair value of plans assets at end of year	**705,305**	689,544
Funded status of the plans at end of year	**$ (37,804)**	$ (40,411)

The Plans' funded status as a percentage of the projected benefit obligation at June 30, 2018 and 2017, was 95% and 94%, respectively.

At June 30, 2018 and 2017, the Plans' accumulated benefit obligation was approximately $694,612,000 and $683,767,000 respectively.

5. Pension Plans (continued)

The components of net periodic pension expense are:

	Year ended June 30	
	2018	2017
	(In Thousands)	
Service cost	**$ 29,457**	$ 30,619
Interest cost	**29,280**	28,803
Expected return on plan assets	**(43,634)**	(40,849)
Net amortization	**178**	178
Net loss recognition	**3,766**	5,382
Pension expense	**$ 19,047**	$ 24,133

The estimated net loss and prior service cost for the defined benefit pension plans that will be amortized from net assets into net periodic benefit cost over the next fiscal year is approximately $4,310,000.

The amount of net loss and prior service cost that has not been amortized into net periodic benefit cost was $111,214,000 and $100,066,000 at June 30, 2018 and 2017, respectively. The amounts not yet reflected in net periodic benefit cost and included in unrestricted net assets are shown in the following table:

	Year ended June 30	
	2018	2017
Amounts not yet reflected in net periodic benefit cost and included in unrestricted net assets	(In Thousands)	
Accumulated prior service cost	**$ (388)**	$ (566)
Actuarial losses	**(110,826)**	(99,500)
Amounts not yet reflected in net periodic benefit cost and included in unrestricted net assets	**(111,214)**	(100,066)
Cumulative employer contributions in excess of net periodic pension cost	**73,410**	59,655
Funded status of the plan at end of year	**$ (37,804)**	$ (40,411)

The assumptions used in the measurement of the Corporation's benefit obligation are shown in the following table:

	2018	2017
Assumptions - used to determine the benefit obligation as of June 30		
Discount rate	**4.44%**	4.00%-4.16%
Rate of compensation increase	**4.00%-6.06%**	3.96%-7.10%

5. Pension Plans (continued)

	2018	2017
Assumptions - used to determine net periodic pension expense for the year ended		
Discount rate	**4.16%**	3.90%-4.18%
Expected return on plan assets	**6.60%**	4.38%-6.40%
Rate of compensation increase	**1.76%-4.00%**	1.84%-4.00%

Asset Allocation

OhioHealth's weighted–average asset allocations and mix by asset category are as follows:

	June 30			
	2018	**2017**	**Target Range**	**Target**
Fixed income	**57%**	59%	50%-68%	59%
Domestic and international securities	**28%**	26%	19%-35%	27%
Alternatives	**15%**	15%	9%-19%	14%
Cash equivalents	**0%**	0%	0%-5%	0%
	100%	100%		100%

OhioHealth is utilizing a dynamic Liability Driven Investment (LDI) strategy using a glide path approach. The asset allocation reflects the desire to reduce both risk, as measured by funded status volatility, and required contributions. OhioHealth monitors the asset allocation and funded status on a monthly basis. OhioHealth's policy is to rebalance the asset allocations periodically as deemed necessary to maintain compliance with target ranges or if a specific funded status trigger is reached. The expected long-term rate of return is based on target-weighted asset class return expectations.

Future Contributions

Contributions made to the Plans in fiscal year 2018 were in excess of required amounts. Estimated contributions to be made by OhioHealth into the Plans during fiscal year 2019 are $16,343,000 based on current actuarial assumptions.

Future Benefit Payments

The benefits expected to be paid by the Plans over the next ten years, as estimated based on the same assumptions used to measure the Corporation's benefit obligation at the end of the year, are as follows:

2019	$ 47,435,000
2020	62,116,000
2021	47,476,000
2022	49,214,000
2023	50,164,000
2024-2028	267,345,000

5. Pension Plans (continued)

Effective January 1, 2012, OhioHealth froze entrance for new associates to the largest non-contributory defined benefit pension plan. For associates hired after January 1, 2012, OhioHealth offers a defined contribution savings plan with an annual matching employer contribution and an automatic annual retirement contribution.

Effective January 1, 2016, the Corporation approved a hard freeze of the Hardin Memorial Hospital Retirement Plan (Hardin Plan), and Hardin Memorial Hospital elected to adopt the 403(b) Plan on behalf of eligible employees.

Effective January 1, 2016, the Corporation approved a hard freeze of the Employees' Retirement Plan of MedCentral Health System (MedCentral Plan). This will result in no further benefit accruals for all participants currently in the MedCentral Plan beyond December 31, 2015, and no new participants will be added to the MedCentral Plan.

Effective June 30, 2018, the MedCentral Plan and the Hardin Plan were merged with and into the OhioHealth Cash Balance Retirement Plan.

Defined Contribution Plans

The Corporation has multiple 403(b) and 401(k) retirement savings plans. Expenses incurred in connection with the retirement plans were approximately $48,734,000 and $36,080,000 for the years ended June 30, 2018 and 2017, respectively.

Effective January 1, 2015, the Corporation amended the Marion General Hospital Retirement Fund Plan so that only new bargaining unit employees may enter the plan and no further contributions will be made to non-bargaining unit employees. Effective January 1, 2015, Marion elected to adopt the 403(b) Plan on behalf of eligible employees.

Effective January 1, 2016, the Corporation approved a hard freeze of the O'Bleness Health System 401(k) Plan/Safe Harbor and the Nelsonville Hospital Retirement Savings Plan 403(b), and The Sheltering Arms Hospital Foundation, Inc. elected to adopt the 403(b) Plan on behalf of eligible employees.

Effective January 1, 2016, the Corporation approved a hard freeze of the MedCentral Health System Employees' Retirement Plan 403(b), and MedCentral Health System elected to adopt the 403(b) Plan on behalf of eligible employees.

5. Pension Plans (continued)

The fair values of the Corporation's defined benefit pension plan assets at June 30, 2018 and 2017 by major asset categories and the valuation techniques used by the Corporation to determine those fair values (see Note 8), are as follows:

Fair Value Measurements at June 30, 2018 (In Thousands)

Asset category	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money markets and short-term investments	$ -	$ 3,001	$ -	$ 3,001
Common stocks	16,777	-	-	16,777
Corporate bonds	-	11,735	-	11,735
Mutual Funds	26,363	-	-	26,363
Subtotal	43,140	14,736	-	57,878
Investments valued at NAV	-	-	-	647,429
Total	$ 43,140	$ 14,736	$ -	$ 705,305

Fair Value Measurements at June 30, 2017 (In Thousands)

Asset category	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money markets and short-term investments	$ -	$ 4,687	$ -	$ 4,687
U.S. Government obligations	-	11,939	-	11,939
Common stocks	37,050	-	-	37,050
Corporate bonds	-	33,529	-	33,529
Asset backed and CMO	-	4,198	-	4,198
Mutual Funds	26,874	-	-	26,874
Subtotal	63,924	54,353	-	118,277
Investments valued at NAV	-	-	-	571,267
Total	$ 63,924	$ 54,353	$ -	$ 689,544

The Plans policy is to recognize transfers between levels of the fair value hierarchy as of the actual date of the event of change in circumstances that caused the transfer. There were no significant transfers between levels of the fair value hierarchy during 2018 and 2017.

6. Long-Term Obligations and Notes Payable

Long-term debt and notes payable consist of the following:

Series	Description	Principal Maturities Ranges	June 30, 2018 Interest Rate	Outstanding Principal June 30 2018	2017
				(in thousands)	
2015	Fixed Rate Hospital Facilities Revenue Bonds	From $1,545,000 on May 15, 2019 to $59,495,000 at maturity on May 15, 2045	4.67%	**$276,720**	**$278,240**
2013	Fixed Rate Hospital Facilities Revenue Refunding and Improvement Bonds	From $2,885,000 on May 15, 2034 to $42,450,000 at maturity on May 15, 2043	4.26%	**197,325**	**203,670**
2011A	Fixed Rate Hospital Facilities Revenue Bonds	From $125,000 on November 15, 2027 to $19,280,000 at maturity on November 15, 2041	4.99%	**119,320**	**121,330**
2011B	Variable Rate Hospital Facilities Refunding Revenue Bonds-Mandatory Tender November 1, 2018	From $55,000 on November 15, 2018 to $7,105,000 at maturity on November 15, 2033	4.00%	**61,140**	**61,195**
2011C	Variable Rate Demand Hospital Facilities Refunding Revenue Bonds	From $55,000 on November 15, 2018 to $7,110,000 at maturity on November 15, 2033	1.53%	**61,175**	**61,230**
2011D	Variable Rate Demand Hospital Facilities Refunding Revenue Bonds	From $60,000 on November 15, 2019 to $7,115,000 at maturity on November 15, 2033	1.53%	**61,215**	**61,275**
2009A&B	Variable Rate Demand Hospital Facilities Refunding Revenue Bonds	From $17,950,000 on November 15, 2039 to $24,350,000 on November 15, 2037, maturing on November 15, 2041	1.53%	**165,800**	**165,800**
2003D	Variable Rate Demand Hospital Facilities Refunding Revenue Bonds	From $295,000 on July 1, 2018 to $455,000 at maturity on July 1, 2029	1.53%	**8,545**	**9,120**
1998B	Variable Rate Demand Hospital Facilities Refunding Revenue Bonds	From $1,760,000 on December 1, 2018 to $2,765,000 at maturity on December 1, 2028	1.53%	**24,535**	**26,220**
1996A	Variable Rate Demand Hospital Facilities Refunding and Improvement Revenue Bonds	From $2,395,000 on December 1, 2018 to $3,355,000 on June 1, 2021, maturing on December 1, 2021	1.53%	**19,355**	**24,040**
1996B	Variable Rate Demand Hospital Facilities Refunding Revenue Bonds	From $1,115,000 on December 1, 2018 to $1,220,000 at maturity on December 1, 2020	1.53%	**5,890**	**8,070**
	Line of Credit Draw	N/A		**1,060**	**29**
	Other	Various obligations	Various	**8,727**	**3,550**
		Unamortized debt issuance costs		**(6,815)**	**(7,160)**
		Total obligations		**1,003,992**	**1,016,609**
		Unamortized net premium and discount		**24,282**	26,945
		Current Unamortized Premium		**585**	-
				1,028,859	**1,043,554**
		Less current portion of debt including line of credit		**24,456**	**19,740**
		Less long-term debt subject to short-term remarketing arrangements		**183,530**	**122,505**
		Long-term portion of debt		**$ 820,873**	**$ 901,309**

6. Long-Term Obligations and Notes Payable (continued)

OhioHealth and certain subsidiaries have entered into a Master Trust Indenture and formed the OhioHealth Obligated Group to accomplish common financing plans. The Obligated Group consists of the Corporation, which operates Grant, Riverside, Doctors and the Dublin facilities; and the following nonprofit corporations of which the Corporation is the sole corporate member: Grady, Marion, Hardin, O'Bleness and MedCentral. Pursuant to this Master Trust Indenture, each member of the OhioHealth Obligated Group is jointly and severally obligated with respect to all of the Bond obligations. The terms of the OhioHealth Obligated Group's Master Trust Indenture require the OhioHealth Obligated Group members to, among other things, comply with certain financial ratios and restrict additional encumbrances.

In June 2015, the County of Franklin, Ohio issued, on behalf of the OhioHealth Obligated Group, $281,470,000 of Hospital Facilities Revenue Bonds, Series 2015. The Series 2015 Bond proceeds were used to finance, through reimbursement of prior capital expenditures, the acquisition, construction, installation and equipping of certain hospital facilities owned and/or operated by the Corporation and its affiliates.

In May 2013, the County of Franklin, Ohio issued, on behalf of the OhioHealth Obligated Group, $226,000,000 of Hospital Facilities Revenue Refunding and Improvement Bonds, Series 2013. The Series 2013 Bond proceeds were used to finance, through reimbursement of prior capital expenditures, the acquisition, construction, installation and equipping of certain hospital facilities owned and/or operated by the Corporation and its affiliates, and to refund the Series 2003C-1 and 2003C-2 Bonds in the amounts of $86,350,000 and $33,145,000, respectively.

In June 2011, the County of Franklin, Ohio issued, on behalf of the OhioHealth Obligated Group, $313,765,000 Revenue and Refunding Revenue Bonds consisting of $130,025,000 Hospital Facilities Revenue Bonds, Series 2011A, $61,205,000 Hospital Facilities Refunding Revenue Bonds, Series 2011B, $61,240,000 Hospital Facilities Refunding Revenue Bonds, Series 2011C, and $61,295,000 Hospital Facilities Refunding Revenue Bonds, Series 2011D. The Series 2011 Bond proceeds were used to finance and refinance, including reimbursement of prior capital expenditures, the acquisition, construction, installation and equipping of certain hospital facilities owned and/or operated by the Corporation and its affiliates, to refund the Series 2008A Bonds in the amount of $186,700,000, to terminate a tax-exempt synthetic operating lease and to pay the costs of issuance relating to this financing.

The Series 2011B bonds were subject to a mandatory tender date of July 12, 2017. On July 12, 2017, the 2011B bonds were remarketed with a new mandatory tender date of November 1, 2018.

6. Long-Term Obligations and Notes Payable (continued)

The OhioHealth Obligated Group's Hospital Facilities Refunding Revenue Bonds, Series 2011C of $61,240,000 and Series 2011D of $61,295,000 were subject to a mandatory tender to the Corporation on June 1, 2016 and August 2, 2016, respectively, and were converted to weekly variable rate demand bonds. To address the possibility that a material amount of these bonds could be tendered to the Corporation, steps have been taken to provide various sources of liquidity in such event, including maintaining unrestricted assets as a source of self-liquidity.

In February 2009, the County of Franklin, Ohio issued, on behalf of the OhioHealth Obligated Group, $82,900,000 Demand Hospital Facilities Refunding Revenue Bonds, Series 2009A and $82,900,000 Demand Hospital Facilities Refunding Revenue Bonds, Series 2009B. The Series 2009A and B Bonds were issued as variable rate demand securities. These Series 2009A and B Bonds are secured by Standby Bond Purchase Agreements (Liquidity Facilities) with expiration dates of February 21, 2020 and February 22, 2019, respectively.

The owners of the 2009A and B Bonds have the option to demand payment of their outstanding bond. OhioHealth has entered into a remarketing agreement that requires the remarketing agent to utilize its best efforts to remarket any such bonds that may be tendered for payment. In the event that the 2009A and B Bonds cannot be remarketed, or the Standby Bond Purchase Agreement (SBPA) expires without a replacement liquidity facility, the SBPA provides that the liquidity provider will make payment for the 2009A and B Bonds tendered. OhioHealth has an obligation to make payments to the liquidity facility provider in equal quarterly principal installments, the first such installment being payable on the first quarterly business day following the first anniversary of the draw on the facility, such that the draw is paid in full no later than the fifth anniversary of the draw.

In November 2003, the County of Franklin, Ohio issued, on behalf of the OhioHealth Obligated Group, $150,375,000, Hospital Facilities Refunding Revenue Bonds, Series 2003C-1, 2003C-2 and Series 2003D. The 2003D Bonds are secured by a letter of credit with an expiration date of November 20, 2019. In May 2013, the 2003 C-1 and 2003 C-2 Bonds were refunded by the Series 2013 Bonds. The owners of the 2003D Bonds have the option to demand payment of their outstanding bonds. OhioHealth has entered into a remarketing agreement that requires the remarketing agent to utilize its best efforts to remarket any such bonds that may be tendered for payment. In the event the 2003D Bonds cannot be remarketed, the letter of credit provides that the letter of credit bank will make payment for the 2003D Bonds tendered. The OhioHealth Obligated Group has an obligation to make payments to the letter of credit bank for unremarketed bonds over a period of five years from the date of a draw on the letter of credit with no principal being due in the first year.

6. Long-Term Obligations and Notes Payable (continued)

In November 1998, the County of Franklin, Ohio issued on behalf of the Doctors OhioHealth Obligated Group $46,500,000 of County of Franklin, Ohio Variable Rate Demand Hospital Facilities Revenue Bonds, Subordinate Series 1998B (1998B Bonds). In November 2014, the Corporation passed a resolution changing the 1998B debt from Subordinated to Parity Debt under the corporation's Master Trust Indenture. The Corporation (as successor by merger to Doctors OhioHealth Corporation) has obtained a letter of credit from a bank expiring on November 20, 2019, to guarantee payment of the 1998B Bonds outstanding principal plus 45 days accrued interest. The letter of credit also guarantees payment for any unremarketed bonds resulting from tender drawings. OhioHealth Corporation's obligation to reimburse the letter of credit bank for draws against the letter of credit is guaranteed by OhioHealth.

OhioHealth Corporation has entered into a remarketing agreement that requires the remarketing agent to utilize its best efforts to remarket any such bonds that may be tendered for payment. In the event the 1998B Bonds cannot be remarketed, the letter of credit provides that the letter of credit bank will make payment for the 1998B Bonds tendered. The OhioHealth Obligated Group has an obligation to make payment to the letter of credit bank for unremarketed bonds over a period of five years from the date of a draw on the letter of credit with no principal being due in the first year.

In November 1996, the County of Franklin, Ohio on behalf of the OhioHealth Obligated Group issued $168,000,000 County of Franklin, Ohio Variable Rate Demand Hospital Facilities Refunding and Improvement Revenue Bonds, Series 1996 A, B and C (1996 Bonds). The OhioHealth Obligated Group has obtained letters of credit from a bank expiring on November 20, 2019, to guarantee payment of the 1996 Bonds outstanding principal plus accrued interest. The letters of credit also guarantee payment for any unremarketed bonds resulting from tender drawings. The owners of the 1996 Bonds have the option to demand payment of their outstanding bonds. OhioHealth has entered into a Remarketing Agreement which requires the remarketing agent to utilize its best efforts to remarket any such bonds that may be tendered for payment. In the event the 1996 Bonds cannot be remarketed, the letters of credit provide that the letter of credit bank will make payment for the 1996 Bonds tendered. The OhioHealth Obligated Group has an obligation to make payment to the letter of credit bank for unremarketed bonds over a period of five years from the date of a draw on the letter of credit with no principal being due in the first year. The final maturity of the 1996C bonds was satisfied on December 1, 2011.

Certain of the financing agreements contain financial and non-financial covenant provisions. As of June 30, 2018 and 2017, the Corporation was in compliance with these covenants.

6. Long-Term Obligations and Notes Payable (continued)

Interest costs incurred on the above debt obligations and line of credit agreements in 2018 and 2017 were approximately $35,192,000 and $35,484,000, respectively. At June 30, 2018 and June 30, 2017, the Corporation capitalized interest costs of approximately $1,327,000 and $745,000, respectively, as part of the cost of various construction projects. Interest paid on the above debt obligations and line of credit agreements was approximately $35,678,000 and $36,468,000 for the years ended June 30, 2018 and 2017, respectively.

Long-term obligation scheduled principal payments, excluding capital leases, over the next five years are approximately:

2019	$ 19,880,000
2020	20,610,000
2021	21,415,000
2022	22,360,000
2023	23,370,000

As of June 30, 2018, the Corporation had an outstanding line of credit with a bank totaling $1,060,000 and $29,000 at June 30, 2018 and June 30, 2017, respectively. The credit limit for this credit line was $3,000,000 and $50,000 at June 30, 2018 and June 30, 2017, respectively. This expires in December 2018.

7. Derivatives and Hedging Activities

The Corporation's objectives with respect to its use of derivative instruments include managing the risk of increased debt service resulting from rising long-term interest rates. Consistent with its interest rate risk management objectives, the Corporation entered into various interest rate swap agreements with a total outstanding notional amount of $184,650,000 at June 30, 2018 and June 30, 2017.

7. Derivatives and Hedging Activities (continued)

The following table summarized the Corporation's interest rate swap agreements:

Swap Type	Expiration Date	Corporation Receives	Corporation Pays	Notional Amount at June 30, 2018	Notional Amount at June 30, 2017
				(In Thousands)	
Fixed Payor	11/14/2031	75% of 1 month LIBOR	4.17%	**$ 67,250**	$ 67,250
Fixed Payor	10/17/2031	75% of 1 month LIBOR	4.17%	**67,400**	67,400
Fixed Payor	11/15/2041	62% of 1 month LIBOR+0.31%	2.414%	**50,000**	50,000

As of June 30, the fair value of derivatives held was as follows (in thousands):

	June 30 2018	June 30 2017
Derivatives not designated as hedging instruments		
Asset derivatives interest rate swaps	**$ -**	$ -
(Liability) derivatives interest rate swaps	**(24,398)**	(35,404)

For the year ended June 30, the amounts of gain or loss recognized in the consolidated statements of operations attributable to derivative instruments and their locations in the consolidated statement of operations are as follows:

Amount of loss or gain recognized on interest rate swap agreements held (in thousands):

	Year ended June 30 2018	Year ended June 30 2017	Reported in Consolidated Statement of Operations as:
Interest expense	**$ (4,572)**	$ (5,707)	Interest expense
Change in fair value of interest swap agreements	**(10,971)**	(18,307)	Nonoperating income
Total	**$ (6,399)**	$ (12,600)	

8. Assets and Liabilities Measured at Fair Value

The following tables present information about the Corporation’s assets and liabilities measured at fair value on a recurring basis at June 30, 2018 and June 30, 2017, and the valuation techniques used by the Corporation to determine those fair values.

As a basis for considering market participant assumptions in fair value measurements, accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity’s own assumptions about market participants assumptions (unobservable inputs

8. Assets and Liabilities Measured at Fair Value (continued)

classified within Level 3 of the hierarchy).

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. Level 3 inputs are estimated by the investment manager in the absence of readily ascertainable market values.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Corporation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Fair Value Measurements at June 30, 2018 (In Thousands)

Assets	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money markets and short-term investments (Note 4)	$ 14,387	$ 37,935	$ -	$ 52,322
U.S. Government obligations	-	380,288	-	380,288
Common and preferred stocks	767,695	1,426	-	769,121
Certificates of deposit	-	116	-	116
Corporate bonds	639	604,804	-	605,443
Asset backed and CMO	-	621,757	-	621,757
Mutual funds	177,930	-	-	177,930
Subtotal	960,651	1,646,326	-	2,606,977
Investments valued at NAV	-	-	-	1,762,693
Total Assets Limited As To Use and Restricted Foundation Investments	**$ 960,651**	**$ 1,646,326**	**$ -**	**$ 4,369,670**
Liabilities				
Swap liability	**$ -**	**$ 24,398**	**$ -**	**$ 24,398**

8. Assets and Liabilities Measured at Fair Value (continued)

Fair Value Measurements at June 30, 2017 (In Thousands)

Assets	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money markets and short-term investments (Note 4)	$ 104,160	$ 403	$ -	$ 104,563
U.S. Government obligations	-	340,880	-	340,880
Common and preferred stocks	677,572	187	-	677,759
Certificates of deposit	-	349	-	349
Corporate bonds	-	524,097	-	524,097
Asset backed and CMO	-	487,738	-	487,738
Mutual funds	152,138	-	-	152,138
Subtotal	**933,870**	1,353,654	-	2,287,524
Investments valued at NAV	-	-	-	1,531,525
Total Assets Limited As To Use and Restricted Foundation Investments	**$ 933,870**	**$ 1,353,654**	**$ -**	**$ 3,819,049**
Liabilities				
Swap liability	**$ -**	**$ 35,404**	**$ -**	**$ 35,404**

The fair value of all Level 2 securities at June 30, 2018 and June 30, 2017 was determined by the Corporation's custodial bank based on automated feeds and supplemental sources such as evaluated prices received from fixed income vendors.

The Corporation's policy is to recognize transfers between levels of the fair value hierarchy as of the actual date of the event of change in circumstances that caused the transfer. There were no significant transfers between levels of the fair value hierarchy during 2018 and 2017.

The Corporation holds shares or interests in investment companies at year end where the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company. See Note 4.

8. Assets and Liabilities Measured at Fair Value (continued)

Investments in Entities that Calculate Net Asset Value per Share

At June 30, 2018 and 2017, respectively, the fair value, unfunded commitments, and redemption rules of those investments is as follows:

	Investments Held at June 30, 2018 (In Thousands)			
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Multi-strategy hedge fund	$ 146,978	-	Semi-annual	95 days
Multi-strategy hedge fund	128,756	-	Quarterly	65 days
International equities	292,020	-	Monthly	30 days
International equities	121,791	-	Monthly	5 days
International equities	121,166	-	Monthly	15 days
International equities	80,150	-	Monthly	30 days
Global equities	267,053	-	Daily	3 days
Global equities	268,547	-	Daily	5 days
Real estate funds	52,825	109,015	Not redeemable	N/A
Private equity funds	233,989	403,188	Not redeemable	N/A
Private debt fund	49,418	51,785	Not redeemable	N/A
Total	$ 1,762,693	$ 563,988		

	Investments Held at June 30, 2017 (In Thousands)			
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Multi-strategy hedge fund	$ 139,368	-	Semi-annual	95 days
Multi-strategy hedge fund	123,998	-	Quarterly	65 days
International equities	278,528	-	Monthly	30 days
International equities	108,976	-	Monthly	5 days
International equities	107,539	-	Monthly	15 days
International equities	76,627	-	Monthly	30 days
Global equities	226,127	-	Daily	3 days
Global equities	229,077	-	Daily	5 days
Real estate funds	40,233	51,743	Not redeemable	N/A
Private equity funds	154,081	257,113	Not redeemable	N/A
Private debt fund	46,971	36,202	Not redeemable	N/A
Total	$ 1,531,525	$ 345,058		

8. Assets and Liabilities Measured at Fair Value (continued)

Disclosures Regarding Redemption Only Upon Liquidation

The multi-strategy hedge fund class are investments in hedge fund of funds that pursue multiple strategies to generate investment return, diversify risks and reduce volatility. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

International and global equities includes seven funds whose objectives range from capital appreciation to capital preservation. These funds invest primarily in open-end funds, closed-end funds, common stocks, preferred stocks, and convertible securities (including warrants) as well as private placement, ADR/GDR and SEC Rule 144 securities in developed, emerging and frontier markets. Strategies include small cap, value and growth tilts as well as tactical currency hedges. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

The real estate funds class includes six real estate funds. One invests in U.S. university student housing, two invest in real estate assets and real estate companies globally, two invest in the domestic hospitality sector and the last one is a domestic opportunistic real estate fund. The fair values of the investments in this class have been estimated using the net asset value of the company's ownership interest in partners' capital.

The private equity funds class includes 23 private equity funds. These investments cover various strategies across the U.S. as well as Europe and Asia such as investments in energy, mezzanine financing, secondaries, special situations and distressed credit funds as well as venture, growth and buyout strategies. The fair values of the investments in this class have been estimated using the net asset value of the company's ownership interest in partners' capital.

The private debt class includes two direct lending funds that invest in senior secured debt of private U.S. lower middle-market companies following a credit focused preservation of capital strategy. The fair values of the investments in this class have been estimated using the net asset value of the company's ownership interest in partners' capital.

The investments in the real estate, private debt and private equity funds above can never be redeemed with the funds but could be sold in the secondary market, providing OhioHealth the opportunity to receive some liquidity for the funded investments as well as a release from any remaining unfunded obligations to the fund. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of each fund will be liquidated over a time period of up to 12 years.

9. Net Patient Service Revenues

	Year ended June 30	
	2018	2017
	(In Thousands)	
Charges at established rates	**$ 12,242,875**	$ 11,518,438
Deductions:		
Governmental	**5,870,635**	5,561,748
HCAP receipts	**(46,395)**	(54,411)
Non-governmental	**2,057,313**	1,928,124
Charity care	**347,395**	271,109
Total deductions	**8,228,948**	7,706,570
Patient service revenue net of contractual adjustments	**$ 4,013,927**	$ 3,811,868
Provision for bad debts	**(135,681)**	(143,441)
Patient service revenue net of bad debts	**$ 3,878,246**	$ 3,668,427

10. Commitments

The Corporation purchases laundry services under a long-term agreement expiring in 2022. The service provider is an entity in which OhioHealth is a 50% equity owner. Total expenses incurred under this contract were approximately $9,004,000 and $8,866,000 for the years ended June 30, 2018 and 2017, respectively.

The Corporation leases various equipment and facilities under operating lease arrangements. Total rental expense for the years ended June 30, 2018 and 2017 was $85,092,000 and $69,731,000, respectively. Minimum non-cancelable operating lease payments over the next five years are as follows: 2019—$60,209,000, 2020—$45,974,000, 2021—$33,040,000, 2022—$20,851,000, 2023—$11,378,000 and thereafter—$39,212,000.

11. Equity Investments

Summarized unaudited financial information reported by unconsolidated entities accounted for on the equity method for the years ended June 30, 2018 and 2017 follows:

	2018	2017
	(In Thousands)	
Total assets	**$ 77,615**	$ 87,573
Total liabilities	**$ 35,997**	$ 36,434
Net revenues	**$ 131,667**	$ 152,710
Net earnings	**$ 11,647**	$ 25,789
OhioHealth's equity share	**3% -50%**	3% - 50%
OhioHealth's share of income	**$ 8,889**	$ 9,824