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Form 990

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 07-01-2011 and ending 06-30-2012

B Check if applicable

☒ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization

UNIVERSITY PHYSICIANS HEALTHCARE

Doing Business As

THE UNIVERSITY OF ARIZONA PHYSICIANS

Number and street (or P O box if mail is not delivered to street address)

1501 N CAMPBELL AVENUE

Room/suite

City or town, state or country, and ZIP + 4

TUCSON, AZ 85724

F Name and address of principal officer

MICHAEL R WALDRUM MD

1501 N CAMPBELL AVENUE

TUCSON, AZ 85724

D Employer identification number

94-2958258

E Telephone number

(520) 694-2700

G Gross receipts \$ 590,986,498

I Tax-exempt status

☒ 501(c)(3) ☐ 501(c) () ☐ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website:

WWW.UAHEALTH.COM

K Form of organization

☒ Corporation ☐ Trust ☐ Association ☐ Other

L Year of formation 1983

M State of legal domicile AZ

Part I

Summary

Activities & Governance	1	Briefly describe the organization's mission or most significant activities ADVANCING HEALTH AND WELLNESS THROUGH EDUCATION, RESEARCH AND PATIENT CARE		
	2	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3	Number of voting members of the governing body (Part VI, line 1a)	3	13
	4	Number of independent voting members of the governing body (Part VI, line 1b)	4	4
	5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	3,276
	6	Total number of volunteers (estimate if necessary)	6	118
	7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	1,572,507
Revenue	b	Net unrelated business taxable income from Form 990-T, line 34	7b	-246,911
	8	Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9	Program service revenue (Part VIII, line 2g)	12,163,133	9,085,900
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	581,664,978	581,450,041
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	21,894	-19,722
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	387,495	401,726
			594,237,500	590,917,945
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	11,932,102	8,495,923
	14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	221,099,969	225,002,387
	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0
	b	Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0		
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	364,279,019	357,523,310
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	597,311,090	591,021,620
Net Assets or Fund Balances	19	Revenue less expenses Subtract line 18 from line 12	-3,073,590	-103,675
	20	Total assets (Part X, line 16)	Beginning of Current Year	End of Year
	21	Total liabilities (Part X, line 26)	182,576,174	180,122,021
	22	Net assets or fund balances Subtract line 21 from line 20	126,366,357	124,015,879
			56,209,817	56,106,142

Part II

Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature of officer

2013-05-09

Date

MISTY D HANSEN CHIEF FINANCIAL OFFICER

Type or print name and title

Paid Preparer's Use Only

Preparer's signature

KELLY L MELTZER CPA

Date

Check if self-employed ☐

Preparer's taxpayer identification number (see instructions)
P00633511

Firm's name (or yours if self-employed), address, and ZIP + 4

BEACHFLEISCHMAN PC
PO BOX 64130
TUCSON, AZ 857284130

EIN ☐ 86-0683059

Phone no ☐ (520) 321-4600

May the IRS discuss this return with the preparer shown above? (see instructions)

☒ Yes ☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2011)

Part III

Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III

1

Briefly describe the organization's mission

ADVANCING HEALTH AND WELLNESS THROUGH EDUCATION, RESEARCH, AND PATIENT CARE

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

Yes

☒ No

If "Yes," describe these new services on Schedule O

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services?

Yes

☒ No

If "Yes," describe these changes on Schedule O

4

Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a

(Code) (Expenses \$ 277,074,180 including grants of \$) (Revenue \$ 288,676,503)

UNIVERSITY OF ARIZONA HEALTH PLANS COORDINATES THE DELIVERY OF HEALTH CARE TO ENROLLEES OF THE ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM (ARIZONA'S MEDICAID PROGRAM), THE MEDICARE ADVANTAGE SPECIAL NEEDS PROGRAM (CENTERS FOR MEDICARE AND MEDICAID DUAL ELIGIBLE MEDICARE PROGRAM) AND HEALTH CARE GROUP (ARIZONA'S SMALL BUSINESS HEALTH CARE PROGRAM)

4b

(Code) (Expenses \$ 120,020,797 including grants of \$ 38,389) (Revenue \$ 131,606,650)

UNIVERSITY OF ARIZONA MEDICAL CENTER-SOUTH CAMPUS IS A 197 BED, FULL SERVICE HOSPITAL THAT PROVIDES VITAL MEDICAL SERVICES TO THE CITIZENS OF SOUTHERN ARIZONA. THE HOSPITAL PROVIDES PATIENTS WITH DIRECT ACCESS TO THE EXPERTISE, GROUNDBREAKING RESEARCH, AND THE LATEST TREATMENTS OF THE UNIVERSITY OF ARIZONA COLLEGE OF MEDICINE. THE HOSPITAL IS LOCATED IN A PRIMARILY UNDERSERVED AREA AND GIVES CITIZENS EASY ACCESS TO EMERGENCY AND SPECIALTY CARE.

4c

(Code) (Expenses \$ 145,200,494 including grants of \$ 8,340,460) (Revenue \$ 159,594,381)

THE UNIVERSITY OF ARIZONA PHYSICIANS (UAP) IS THE PRACTICE PLAN OF THE FACULTY-PHYSICIANS OF THE UNIVERSITY OF ARIZONA COLLEGE OF MEDICINE SERVING AS THE LARGEST PHYSICIAN PRACTICE IN ARIZONA. IT EMPLOYS MORE THAN 700 PHYSICIANS WHO ARE THE FULL-TIME FACULTY OF THE UNIVERSITY OF ARIZONA COLLEGE OF MEDICINE. UAP PHYSICIANS PRACTICE AT THE UNIVERSITY OF ARIZONA HEALTH NETWORK'S HOSPITALS AND AT NUMEROUS HOSPITALS AND CLINICS ACROSS TUCSON, SOUTHERN ARIZONA, AND NEVADA. AS FACULTY OF THE UA COLLEGE OF MEDICINE, UAP PHYSICIANS EDUCATE MORE THAN 500 MEDICAL STUDENTS AND TRAIN NEARLY AS MANY POST-GRADUATE MEDICAL RESIDENTS ANNUALLY. THEY ALSO CONDUCT RESEARCH AT THE UNIVERSITY OF ARIZONA'S CANCER CENTER, STEELE CHILDREN'S RESEARCH CENTER, ARIZONA ARTHRITIS CENTER, SARVER HEART CENTER, AND MANY OTHER FACILITIES AND PROGRAMS.

4d

Other program services (Describe in Schedule O)

(Expenses \$ including grants of \$) (Revenue \$)

4e


















Total program service expenses

\$ 542,295,471

Form 990 (2011)

Part IV

Checklist of Required Schedules

		Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A.</i> 	1	Yes
2	Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)? 	2	Yes
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I.</i>	3	No
4	Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II.</i>	4	No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III.</i>	5	No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I.</i> 	6	No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? <i>If "Yes," complete Schedule D, Part II.</i> 	7	No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III.</i> 	8	No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV.</i> 	9	No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V.</i> 	10	No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI.</i> 	11a	Yes
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII.</i> 	11b	No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII.</i> 	11c	No
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX.</i> 	11d	Yes
e	Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X.</i> 	11e	Yes
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X.</i> 	11f	No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI, XII, and XIII.</i> 	12a	No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional.</i> 	12b	Yes
13	Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E.</i>	13	No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b	Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Part I.</i>	14b	No
15	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the U S ? <i>If "Yes," complete Schedule F, Part II and IV.</i>	15	No
16	Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the U S ? <i>If "Yes," complete Schedule F, Part III and IV.</i>	16	No
17	Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I.</i>	17	No
18	Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II.</i>	18	No
19	Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III.</i>	19	No
20a	Did the organization operate one or more hospitals? <i>If "Yes," complete Schedule H.</i> 	20a	Yes
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? Note. All Form 990 filers that operated one or more hospitals must attach audited financial statements. 	20b	Yes

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22		No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer questions 24b-24d and complete Schedule K. If "No," go to line 25</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33	Yes	
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i>	34	Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a	Yes	
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V Statements Regarding Other IRS Filings and Tax Compliance			
Check if Schedule O contains a response to any question in this Part V <input type="checkbox"/>			
		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable. .	1a	2,190
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes
2a	Enter the number of employees reported on Form W-3, <i>Transmittal of Wage and Tax Statements</i> filed for the calendar year ending with or within the year covered by this return.	2a	3,276
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?	4a	No
b	If "Yes," enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c	
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6a	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
7	Organizations that may receive deductible contributions under section 170(c).		
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a	No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c	No
d	If "Yes," indicate the number of Forms 8282 filed during the year.	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8	
9	Sponsoring organizations maintaining donor advised funds.		
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10	Section 501(c)(7) organizations. Enter		
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11	Section 501(c)(12) organizations. Enter		
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
a	Is the organization licensed to issue qualified health plans in more than one state? Note. All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state.	13a	
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b	
c	Enter the aggregate amount of reserves on hand.	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	

Part VI

Governance, Management, and Disclosure

For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.
Check if Schedule O contains a response to any question in this Part VI

Section A. Governing Body and Management

			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a13		
b	Enter the number of voting members included in line 1a, above, who are independent	1b4		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5		No
6	Did the organization have members or stockholders?	6	Yes	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	8a	Yes	
b	Each committee with authority to act on behalf of the governing body?	8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9		No

Section B. Policies

(This Section B requests information about policies not required by the Internal Revenue Code.)

			Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a		No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review the Form 990			
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes	
b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes	
13	Did the organization have a written whistleblower policy?	13	Yes	
14	Did the organization have a written document retention and destruction policy?	14	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	15a	Yes	
b	Other officers or key employees of the organization	15b	Yes	
	If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		No
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b		

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	AZ
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request	
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public. See Additional Data Table.	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization.	DONELLA FONES 1501 N CAMPBELL AVENUE TUCSON, AZ 85724 (520) 694-2700

Check if Schedule O contains a response to any question in this Part VII ☐

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

☐ Check this box if neither the organization nor any related organizations compensated any current or former officer, director, or trustee

[illegible]

Part VII

1b	Sub-Total			
c	Total from continuation sheets to Part VII, Section A			
d	Total (add lines 1b and 1c)	4,818,831	6,799,120	1,055,676

2 Total number of individuals (including but not limited to those listed in Item 1) who received or accrued more than \$100,000 of reportable compensation from the organization. 73

		Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>	3 Yes	
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>	4 Yes	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>	5	No

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation
HURON HEALTHCARE 3005 MOMENTUM PLACE CHICAGO, IL 60689	CONSULTING	5,189,714
ALVAREZ & MARSAL HEALTHCARE 600 LEXINGTON AVENUE NEW YORK, NY 10022	CONSULTING	2,515,800
OPTUMINSIGHT PO BOX 88050 CHICAGO, IL 60680	CONSULTING	2,382,159
SPM MARKETING & COMMUNICATION 15 W HARRIS SUITE 300 LA GRANGE, IL 60525	CONSULTING	1,458,754
MORRISON MANAGEMENT SPECIAL PO BOX 102289 ATLANTA, GA 30368	FOOD SERVICE	1,187,897

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ►137

Part VIII

Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . .	1a					
	b	Membership dues	1b					
	c	Fundraising events	1c					
	d	Related organizations	1d	9,085,680				
	e	Government grants (contributions)	1e					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	220				
	g	Noncash contributions included in lines 1a-1f \$ _____						
	h	Total. Add lines 1a-1f			9,085,900			
Program Service Revenue			Business Code					
	2a	CAPITATION & CONTRACT	621111	356,453,992	356,453,992			
	b	NET PATIENT SERVICE	621111	224,996,049	223,423,542	1,572,507		
	c							
	d							
	e							
	f	All other program service revenue						
	g	Total. Add lines 2a-2f			581,450,041			
Other Revenue	3	Investment income (including dividends, interest and other similar amounts)			48,831		48,831	
	4	Income from investment of tax-exempt bond proceeds . .						
	5	Royalties						
	6a	(i) Real		(ii) Personal				
		401,726						
		b Less rental expenses		0				
		c Rental income or (loss)		401,726				
	d	Net rental income or (loss)			401,726		401,726	
	7a	(i) Securities		(ii) Other				
		b Less cost or other basis and sales expenses		68,553				
		c Gain or (loss)		-68,553				
	d	Net gain or (loss)			-68,553		-68,553	
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18		a				
		b Less direct expenses		b				
		c Net income or (loss) from fundraising events . .						
	9a	Gross income from gaming activities See Part IV, line 19		a				
		b Less direct expenses		b				
		c Net income or (loss) from gaming activities . .						
	10a	Gross sales of inventory, less returns and allowances		a				
		b Less cost of goods sold		b				
		c Net income or (loss) from sales of inventory . .						
Miscellaneous Revenue		Business Code						
11a								
b								
c								
d	All other revenue							
e	Total. Add lines 11a-11d							
12	Total revenue. See Instructions			590,917,945	579,877,534	1,572,507	382,004	

Part IX

Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns

All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D)

Check if Schedule O contains a response to any question in this Part IX

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	8,495,923	8,495,923		
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees	5,197,330	5,197,330		
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7	Other salaries and wages	185,495,511	185,495,511		
8	Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	1,819,875	1,819,875		
9	Other employee benefits	26,237,177	26,237,177		
10	Payroll taxes	6,252,494	6,252,494		
11	Fees for services (non-employees)				
a	Management	4,832,608	4,832,608		
b	Legal	71,190	71,190		
c	Accounting				
d	Lobbying				
e	Professional fundraising See Part IV, line 17				
f	Investment management fees				
g	Other	55,706,084	23,817,728	31,888,356	
12	Advertising and promotion	2,510,891	443,353	2,067,538	
13	Office expenses	5,410,198	2,183,280	3,226,918	
14	Information technology	3,947,034	1,585,625	2,361,409	
15	Royalties				
16	Occupancy	6,698,485	6,304,613	393,872	
17	Travel	2,212,110	1,975,030	237,080	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials				
19	Conferences, conventions, and meetings	242,191	206,445	35,746	
20	Interest	954,040	742,887	211,153	
21	Payments to affiliates				
22	Depreciation, depletion, and amortization	8,887,211	1,554,864	7,332,347	
23	Insurance	8,103,238	8,103,238		
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a	MEDICAL CLAIMS FOR HEAL	228,858,027	228,858,027		
b	MEDICAL SUPPLIES	25,213,200	25,213,200		
c	OTHER	3,215,119	2,905,073	310,046	
d	SUPPLIES	661,684		661,684	
e					
f	All other expenses				
25	Total functional expenses. Add lines 1 through 24f	591,021,620	542,295,471	48,726,149	0
26	Joint costs. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X

Balance Sheet

					(A)		(B)
					Beginning of year		End of year
Assets	1	Cash—non-interest-bearing			13,257,065	1	25,071,992
	2	Savings and temporary cash investments			40,487,472	2	5,003,381
	3	Pledges and grants receivable, net				3	
	4	Accounts receivable, net			54,887,216	4	52,562,931
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L				5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L				6	
	7	Notes and loans receivable, net				7	
	8	Inventories for sale or use			3,021,296	8	3,326,586
	9	Prepaid expenses and deferred charges			7,085,112	9	23,617,796
	10a	Land, buildings, and equipment, cost or other basis. Complete Part VI of Schedule D	10a	107,618,007			
	b	Less: accumulated depreciation	10b	58,747,813	50,070,528	10c	48,870,194
	11	Investments—publicly traded securities				11	
	12	Investments—other securities. See Part IV, line 11			1,792,886	12	3,605,420
	13	Investments—program-related. See Part IV, line 11				13	
	14	Intangible assets				14	
	15	Other assets. See Part IV, line 11			11,974,599	15	18,063,721
	16	Total assets. Add lines 1 through 15 (must equal line 34)			182,576,174	16	180,122,021
Liabilities	17	Accounts payable and accrued expenses			62,289,429	17	53,025,222
	18	Grants payable				18	
	19	Deferred revenue				19	
	20	Tax-exempt bond liabilities			14,530,329	20	11,968,116
	21	Escrow or custodial account liability. Complete Part IV of Schedule D				21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L				22	
	23	Secured mortgages and notes payable to unrelated third parties			12,282,879	23	14,916,091
	24	Unsecured notes and loans payable to unrelated third parties				24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D			37,263,720	25	44,106,450
	26	Total liabilities. Add lines 17 through 25			126,366,357	26	124,015,879
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.						
	27	Unrestricted net assets				27	
	28	Temporarily restricted net assets				28	
	29	Permanently restricted net assets				29	
	Organizations that do not follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 30 through 34.						
	30	Capital stock or trust principal, or current funds			0	30	0
	31	Paid-in or capital surplus, or land, building or equipment fund			0	31	0
	32	Retained earnings, endowment, accumulated income, or other funds			56,209,817	32	56,106,142
	33	Total net assets or fund balances			56,209,817	33	56,106,142
	34	Total liabilities and net assets/fund balances			182,576,174	34	180,122,021

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	590,917,945
2	Total expenses (must equal Part IX, column (A), line 25)	2	591,021,620
3	Revenue less expenses Subtract line 2 from line 1	3	-103,675
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	56,209,817
5	Other changes in net assets or fund balances (explain in Schedule O)	5	0
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	56,106,142

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII

		Yes	No
1	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?		No
b	Were the organization's financial statements audited by an independent accountant?	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separated basis		
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		No
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		

SCHEDULE A

(Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public
Inspection

Name of the organization UNIVERSITY PHYSICIANS HEALTHCARE	Employer identification number 94-2958258
--	--

Part I

Reason for Public Charity Status (All organizations must complete this part.) See instructions

The organization is not a private foundation because it is (For lines 1 through 11, check only one box)

1

☐

A church, convention of churches, or association of churches **section 170(b)(1)(A)(i).**

2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)

3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**

4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state

5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)

6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**

7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II)

8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)

9

☐

An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)

10

☐

An organization organized and operated exclusively to test for public safety See**section 509(a)(4).**

11

☐

An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Other

e

☐

By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)

f

☐

If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box

g

☐

Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

(i)

a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?

(ii)

a family member of a person described in (i) above?

(iii)

a 35% controlled entity of a person described in (i) or (ii) above?

h

☐

Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of support?
			Yes	No	Yes	No	Yes	No	
Total									

Part II

Support Schedule for Organizations Described in IRC 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support						
Calendar year	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public Support. Subtract line 5 from line 4						

Section B. Total Support						
Calendar year	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income (Explain in Part IV) Do not include gain or loss from the sale of capital assets						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (See instructions)					12	
13 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here						

Section C. Computation of Public Support Percentage						
14 Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f))	14					
15 Public Support Percentage for 2010 Schedule A, Part II, line 14	15					
16a 33 1/3% support test—2011. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization						
b 33 1/3% support test—2010. If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization						
17a 10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization						
b 10%-facts-and-circumstances test—2010. If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization						
18 Private Foundation If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions						

Part IIIPart III

Support Schedule for Organizations Described in IRC 509(a)(2)
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public Support (Subtract line 7c from line 6.)						

Section B. Total Support						
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support (Add lines 9, 10c, 11 and 12.)						
14 First Five Years If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here						

Section C. Computation of Public Support Percentage			
15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	15		
16 Public support percentage from 2010 Schedule A, Part III, line 15	16		

Section D. Computation of Investment Income Percentage			
17 Investment income percentage for 2011 (line 10c column (f) divided by line 13 column (f))	17		
18 Investment income percentage from 2010 Schedule A, Part III, line 17	18		
19a 33 1/3% support tests—2011. If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization			
b 33 1/3% support tests—2010. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization			
20 Private Foundation If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions			

Part IV **Supplemental Information.** Supplemental Information. Complete this part to provide the explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE D
(Form 990)

Supplemental Financial Statements

Department of the Treasury
Internal Revenue Service

OMB No 1545-0047

2011

Open to Public Inspection

Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b

Attach to Form 990. See separate instructions.

Name of the organization
UNIVERSITY PHYSICIANS HEALTHCARE

Employer identification number
94-2958258

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?	
	<div>Yes</div> <div>No</div>	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit	
	<div>Yes</div> <div>No</div>	

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1

Purpose(s) of conservation easements held by the organization (check all that apply)

☐ Preservation of land for public use (e g , recreation or pleasure)

☐ Preservation of an historically importantly land area

☐ Protection of natural habitat

☐ Preservation of a certified historic structure

☐ Preservation of open space

2

Complete lines 2a–2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

	Held at the End of the Year
a	Total number of conservation easements
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06

3

Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year

4

Number of states where property subject to conservation easement is located

5

Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

Yes

No

6

Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year

7

Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year

\$

8

Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)?

Yes

No

9

In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a

If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

b

If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i)

Revenues included in Form 990, Part VIII, line 1

\$

(ii)

Assets included in Form 990, Part X

\$

2

If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items

a

Revenues included in Form 990, Part VIII, line 1

\$

b

Assets included in Form 990, Part X

\$

Part III

Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)

3

Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply)

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV

5

During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?

☐ Yes

☐ No

Part IV

Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a

Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV and complete the following table

	Amount
1c	
1d	
1e	
1f	

2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIV

Part V

Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a)Current Year	(b)Prior Year	(c)Two Years Back	(d)Three Years Back	(e)Four Years Back
1a	Beginning of year balance				
b	Contributions				
c	Investment earnings or losses				
d	Grants or scholarships				
e	Other expenditures for facilities and programs				
f	Administrative expenses				
g	End of year balance				

2

Provide the estimated percentage of the year end balance held as

a

Board designated or quasi-endowment ▶

b

Permanent endowment ▶

c

Term endowment ▶

3a

Are there endowment funds not in the possession of the organization that are held and administered for the organization by

(i)

unrelated organizations

(ii)

related organizations

b

If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?

	Yes	No
3a(i)		
3a(ii)		
3b		

4

Describe in Part XIV the intended uses of the organization's endowment funds

Part VI

Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		2,705,040		2,705,040
b Buildings		21,705,100	8,814,364	12,890,736
c Leasehold improvements		11,350,985	3,919,952	7,431,033
d Equipment		71,702,008	45,901,697	25,800,311
e Other		154,874	111,800	43,074
Total. Add lines 1a-1e (Column (d) should equal Form 990, Part X, column (B), line 10(c).) ▶				48,870,194

Part XI

Reconciliation of Change in Net Assets from Form 990 to Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	

Part XII

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements	1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12		
a	Net unrealized gains on investments	2a	
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV)	2d	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIV)	4b	
c	Add lines 4a and 4b	4c	
5	Total Revenue Add lines 3 and 4c. (This should equal Form 990, Part I, line 12)	5	

Part XIII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements	1	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIV)	2d	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIV)	4b	
c	Add lines 4a and 4b	4c	
5	Total expenses Add lines 3 and 4c. (This should equal Form 990, Part I, line 18)	5	

Part XIV

Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information.

Identifier	Return Reference	Explanation
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SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, question 20.**
▶ **Attach to Form 990. ▶ See separate instructions.**

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
UNIVERSITY PHYSICIANS HEALTHCARE

Employer identification number
94-2958258

Part I

Charity Care and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a charity care policy? If "No," skip to question 6a	1a	Yes	
b	If "Yes," is it a written policy?	1b	Yes	
2	If the organization had multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals <div><input checked="" type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Generally tailored to individual hospitals</div> <div><input type="checkbox"/> Applied uniformly to most hospitals</div>			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate which of the following is the FPG family income limit for eligibility for free care <div><input checked="" type="checkbox"/> 100%<input type="checkbox"/> 150%<input type="checkbox"/> 200%<input type="checkbox"/> Other _____%</div> b Did the organization use FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care <div><input checked="" type="checkbox"/> 200%<input type="checkbox"/> 250%<input type="checkbox"/> 300%<input type="checkbox"/> 350%<input type="checkbox"/> 400%<input type="checkbox"/> Other _____%</div> c If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care	3a	Yes	
4	Did the organization's policy provide free or discounted care to the "medically indigent"?	4	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a		No
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5b		
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		
6a	Did the organization prepare a community benefit report during the tax year?	6a		No
6b	If "Yes," did the organization make it available to the public?	6b		
Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H				

7 Charity Care and Certain Other Community Benefits at Cost						
Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheet 1)			25,673,529	19,053,207	6,620,322	1 120 %
b Medicaid (from Worksheet 3, column a)			79,782,116	69,582,606	10,199,510	1 730 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Charity Care and Means-Tested Government Programs			105,455,645	88,635,813	16,819,832	2 850 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)						
f Health professions education (from Worksheet 5)			11,702,389	4,624,462	7,077,927	1 200 %
g Subsidized health services (from Worksheet 6)			7,359,402	3,050,469	4,308,933	0 730 %
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			8,495,926		8,495,926	1 440 %
j Total Other Benefits			27,557,717	7,674,931	19,882,786	3 370 %
k Total. Add lines 7d and 7j			133,013,362	96,310,744	36,702,618	6 220 %

Part IICommunity Building Activities

Complete this table if the organization conducted any community building activities.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development						
3Community support						
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy						
8Workforce development						
9Other						
10Total						

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?	1		No
2Enter the amount of the organization's bad debt expense	2	51,847,313	
3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's charity care policy	3		
4Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.			

Section B. Medicare

5Enter total revenue received from Medicare (including DSH and IME)	5	19,579,379	
6Enter Medicare allowable costs of care relating to payments on line 5	6	16,199,714	
7Subtract line 6 from line 5. This is the surplus or (shortfall)	7	3,379,665	
8Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other			

Section C. Collection Practices

9aDid the organization have a written debt collection policy during the tax year?	9a	Yes	
9bIf "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.	9b	Yes	

Part IVManagement Companies and Joint Ventures (see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership%	(e) Physicians' profit % or stock ownership %
1 1 UM LEASING LLC	LEASING	50.000 %	0 %	0 %
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Section A. Hospital Facilities

How many hospital facilities did the organization operate during the tax year? 1

Name and address

[illegible]

Part V

Facility Information (continued)

Section B. Facility Policies and Practices.

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

U OF A MEDICAL CENTER SOUTH CAMPUS

Name of Hospital Facility:

Line Number of Hospital Facility (from Schedule H, Part V, Section A):1

	Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2011)		
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment ("Needs Assessment")? If "No," skip to question 8 If "Yes," indicate what the Needs Assessment describes (check all that apply) a <input type="checkbox"/> A definition of the community served by the hospital facility b <input type="checkbox"/> Demographics of the community c <input type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community d <input type="checkbox"/> How data was obtained e <input type="checkbox"/> The health needs of the community f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups g <input type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet those needs h <input type="checkbox"/> The process for consulting with persons representing the community's interests i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs j <input type="checkbox"/> Other (describe in Part VI)	1	
2 Indicate the tax year the hospital facility last conducted a Needs Assessment 20 ____		
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	
5 Did the hospital facility make its Needs Assessment widely available to the public? If "Yes," indicate how the Needs Assessment was made widely available (check all that apply) a <input type="checkbox"/> Hospital facility's website b <input type="checkbox"/> Available upon request from the hospital facility c <input type="checkbox"/> Other (describe in Part VI)	5	
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply) a <input type="checkbox"/> Adoption of an implementation strategy to address the health needs of the hospital facility's community b <input type="checkbox"/> Execution of the implementation strategy c <input type="checkbox"/> Development of a community-wide community benefit plan for the facility d <input type="checkbox"/> Participation in community-wide community benefit plan e <input type="checkbox"/> Inclusion of a community benefit section in operational plans f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA g <input type="checkbox"/> Prioritization of health needs in the community h <input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed together with the reasons why it has not addressed such needs	7	
Financial Assistance Policy		
Did the hospital facility have in place during the tax year a written financial assistance policy that		
8 Explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8	Yes
9 Used federal poverty guidelines (FPG) to determine eligibility for providing free care? If "Yes," indicate the FPG family income limit for eligibility for free care 100 000000000000% If "No," explain in Part VI the criteria the hospital facility used	9	Yes

Part V

Facility Information (continued)

		Yes	No	
10	Used FPG to determine eligibility for providing discounted care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>200 000000000000%</u> If "No," explain in Part VI the criteria the hospital facility used	10	Yes	
11	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply) a <input checked="" type="checkbox"/> Income level b <input checked="" type="checkbox"/> Asset level c <input checked="" type="checkbox"/> Medical indigency d <input checked="" type="checkbox"/> Insurance status e <input checked="" type="checkbox"/> Uninsured discount f <input checked="" type="checkbox"/> Medicaid/Medicare g <input type="checkbox"/> State regulation h <input type="checkbox"/> Other (describe in Part VI)	11	Yes	
12	Explained the method for applying for financial assistance?	12	Yes	
13	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply) a <input checked="" type="checkbox"/> The policy was posted at all times on the hospital facility's web site b <input checked="" type="checkbox"/> The policy was attached to all billing invoices c <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms d <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices e <input checked="" type="checkbox"/> The policy was provided, in writing, to patients upon admission to the hospital facility f <input checked="" type="checkbox"/> The policy was available upon request g <input type="checkbox"/> Other (describe in Part VI)	13	Yes	

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	14	Yes	
15	Check all of the following collection actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments or arrests e <input type="checkbox"/> Other similar actions (describe in Part VI)			
16	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged a <input type="checkbox"/> Reporting to credit agency b <input type="checkbox"/> Lawsuits c <input type="checkbox"/> Liens on residences d <input type="checkbox"/> Body attachments e <input type="checkbox"/> Other similar actions (describe in Part VI)	16		No
17	Indicate which efforts the hospital facility made before initiating any of the actions checked in question 16 (check all that apply) a <input type="checkbox"/> Notified patients of the financial assistance policy upon admission b <input type="checkbox"/> Notified patients of the financial assistance policy prior to discharge c <input type="checkbox"/> Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills d <input type="checkbox"/> Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy e <input type="checkbox"/> Other (describe in Part VI)			

Part V

Facility Information (continued)

Policy Relating to Emergency Medical Care

		Yes	No
18	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? If "No," indicate why	Yes	
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> Other (describe in Part VI)		

Individuals Eligible for Financial Assistance

19	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of it's three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input checked="" type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input type="checkbox"/> Other (describe in Part VI)		
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Part VI	20	No
21	Did the hospital facility charge any of its FAP-eligible patients an amount equal to the gross charge for services provided to that patient? If "Yes," explain in Part VI	21	No

Part V

Facility Information (continued)

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? 5

Name and address		Type of Facility (Describe)
1	U OF A MEDICAL CENTER-SPORTS CLINIC 2800 E AJO WAY SUITES 100-105 TUCSON,AZ 85713	CLINIC
2	U OF A MEDICAL CENTER-ALVERNON CLINIC 750 N ALVERNON WAY TUCSON,AZ 85711	AMBULATORY SURGERY CENTER
3	U OF A MEDICAL CENTER-WILMOT CLINIC 535 N WILMOT SUITE 101 TUCSON,AZ 85711	CLINIC
4	U OF A MEDICAL CENTER-PSYCHIATRIC CLINIC 2800 E AJO WAY SUITE 300 TUCSON,AZ 85713	CLINIC
5	U OF A MEDICAL CENTER-ALVERNON CLINIC 707 N ALVERNON WAY SUITE 101 TUCSON,AZ 85711	CLINIC
6		
7		
8		
9		
10		

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6l, 7, 9, 10, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21
- 2
- Community health needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any community health needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

Identifier	ReturnReference	Explanation
		PART I, LINE 7 THE ESTIMATED NET COSTS, IN EXCESS OF REIMBURSEMENT IS DETERMINED USING A COST OF CHARGE RATIO

Identifier	ReturnReference	Explanation
		PART II THE UNIVERSITY OF ARIZONA MEDICAL CENTER IS COMMITTED TO THE COMMUNITY IT SERVES AS WELL AS THE PROMOTION OF PUBLIC HEALTH THE UNIVERSITY OF ARIZONA MEDICAL CENTER SUPPORTS MANY LOCAL CHARITABLE ORGANIZATIONS, INCLUDING TUCSON FESTIVAL OF BOOKS, AMERICAN HEART ASSOCIATION, AMERICAN CANCER SOCIETY, JUVENILE DIABETES RESEARCH FOUNDATION AND OTHERS NOT ONLY WITH FINANCIAL CONTRIBUTIONS BUT WITH HOSPITAL VOLUNTEERS AS WELL IN NOVEMBER OF 2011 THE ORGANIZATION SPONSORED THE 29TH ANNUAL EL TOUR DE TUCSON, A 109 MILE BIKE RIDE AND IMPORTANT TUCSON COMMUNITY EVENT PROMOTING HEALTH AND WELLNESS IN ADDITION, THE UNIVERSITY OF ARIZONA MEDICAL CENTER PARTICIPATES IN A VARIETY OF HEALTH FAIRS, PROVIDING FREE SCREENINGS, SUCH AS BLOOD PRESSURE CHECKS, AS WELL AS CPR INSTRUCTION

Identifier	ReturnReference	Explanation
		PART III, LINE 4 FINANCIAL STATEMENT FOOTNOTE FOR PATIENT ACCOUNTS RECEIVABLE "PATIENT ACCOUNTS RECEIVABLE ARE REPORTED NET OF ESTIMATED ALLOWANCES FOR CONTRACTUAL ADJUSTMENTS AND ALLOWANCES FOR UNCOLLECTIBLE ACCOUNTS ESTIMATED ALLOWANCES FOR CONTRACTUAL ADJUSTMENTS AND UNCOLLECTIBLE ACCOUNTS ARE APPROXIMATELY \$266,988,000 AND \$211,907,000 AS OF JUNE 30, 2012 AND 2011, RESPECTIVELY "BAD DEBT EXPENSE IS REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND IS NOT INCLUDED AS PART OF COMMUNITY BENEFIT FINANCIAL COUNSELORS ASSIST PATIENTS WITH CHARITY CARE APPLICATIONS AND UNINSURED DISCOUNT PROGRAM AND IDENTIFY IF PATIENTS ARE ELIGIBLE FOR THESE PROGRAMS

Identifier	ReturnReference	Explanation
		PART III, LINE 8 THE MEDICARE ALLOWABLE COSTS OF CARE IS REPORTED FROM THE UNIVERSITY OF ARIZONA MEDICAL CENTER'S MEDICARE COST REPORT

Identifier	ReturnReference	Explanation
		PART III, LINE 9B IF SUBSEQUENT EVENTS REVEAL FINANCIAL HARDSHIP, PATIENTS MAY APPLY FOR CHARITY CARE AND RECEIVE DISCOUNTS BASED ON THEIR FINANCIAL CIRCUMSTANCES

Identifier	ReturnReference	Explanation
U OF A MEDICAL CENTER SOUTH CAMPUS		PART V, SECTION B, LINE 19D FOR HOSPITAL SERVICES THAT DO NOT HAVE MEDICARE RATES, PATIENTS PAY 35% OF FULL BILLED CHARGES FOR HOSPITAL SERVICES AND 50% OF FULL BILLED CHARGES FOR PHYSICIAN SERVICES

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 IN THE FALL OF 2011, THE THREE MAJOR NON-PROFIT HEALTH SYSTEMS IN PIMA COUNTY - CARONDELET HEALTH NETWORK, TUCSON MEDICAL CENTER, AND THE UNIVERSITY OF ARIZONA MEDICAL CENTER - COMBINED EFFORTS TO CONDUCT A COUNTY-WIDE COMMUNITY HEALTH NEEDS ASSESSMENT THIS COLLABORATION ALLOWED FOR HEALTH SYSTEMS TO WORK CLOSELY WITH ONE ANOTHER, BRING TOGETHER KEY MEMBERS OF THE COMMUNITY, AND SHARE RESOURCES TO COMPLETE THE ASSESSMENT AND BETTER UNDERSTAND THE HEALTH SERVICES SECTOR IN THE REGION

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 THE UNIVERSITY OF ARIZONA MEDICAL CENTER SOUTH CAMPUS PROVIDES HEALTH CARE SERVICES FREE OR AT A REDUCED CHARGE TO INDIVIDUALS WHO MEET CERTAIN FINANCIAL CRITERIA ALL PATIENTS IN NEED OF EMERGENCY SERVICES ARE ACCEPTED REGARDLESS OF THEIR ABILITY TO PAY FINANCIAL COUNSELORS ASSIST PATIENTS WITH THE ORGANIZATION'S CHARITY CARE APPLICATION AS WELL AS APPLYING FOR OTHER FEDERAL, STATE, AND LOCAL MEDICAL ASSISTANCE PROGRAMS FOR WHICH THEY MAY BE ELIGIBLE

Identifier	ReturnReference	Explanation
		PART VI, LINE 4 THE UNIVERSITY OF ARIZONA MEDICAL CENTER SOUTH CAMPUS IS AN ACUTE CARE AND PSYCHIATRIC HOSPITAL THAT PROVIDES INPATIENT, OUTPATIENT, AND EMERGENCY CARE SERVICES THE CITY OF TUCSON IS THE SECOND LARGEST CITY IN ARIZONA AND THE ONLY METROPOLITAN AREA IN PIMA COUNTY, ARIZONA PIMA COUNTY COVERS 9,184 SQUARE MILES, INCLUDING DIVERSE CHANGES IN ELEVATION, TOPOGRAPHY, AND CLIMATE SEVERAL NATIVE AMERICAN TRIBAL NATIONS HAVE RESERVATION LANDS IN THE COUNTY WHICH TOGETHER TOTAL 42 1% OF PIMA COUNTY LAND ACCORDING TO 2007 POPULATION PROJECTIONS BY THE CITY OF TUCSON DEPARTMENT OF URBAN PLANNING & DESIGN, IT IS ESTIMATED THAT THE PIMA COUNTY AREA HAS APPROXIMATELY 1,000,000 RESIDENTS IN 2008 AND WILL EXCEED 1,100,100 BY 2012 TUCSON IS LOCATED APPROXIMATELY 60 MILES NORTH OF THE U S - MEXICO BORDER PIMA COUNTY, WHICH ACCOUNTS FOR APPROXIMATELY 15% OF THE STATE'S POPULATION HAS A CROSS SECTION OF EMPLOYERS WITH HEAVY EMPHASIS IN SERVICES, TRADE, GOVERNMENT, MILITARY, MINING, AND MANUFACTURING METROPOLITAN TUCSON ACCOUNTS FOR APPROXIMATELY 54% OF THE POPULATION IN PIMA COUNTY

Identifier	ReturnReference	Explanation
		PART VI, LINE 5 THE UNIVERSITY OF ARIZONA MEDICAL CENTER SOUTH CAMPUS PROMOTES HEALTH IN MANY WAYS, INCLUDING ATTENDING AND HOSTING HEALTH FAIRS AND SCREENING EVENTS THESE EVENTS ALLOW OUR CONSTITUENTS TO ACCESS MUCH NEEDED HEALTHCARE AS WELL AS PROVIDE THEM WITH INFORMATION ON OTHER HEALTHCARE RESOURCES FOR WHICH THEY MAY BE ELIGIBLE CONSISTENT WITH ITS NONPROFIT STATUS, THE UNIVERSITY OF ARIZONA MEDICAL CENTER SOUTH CAMPUS USES SURPLUS REVENUES TO REINVEST IN FACILITIES, TECHNOLOGY, AND MEDICAL SERVICES FOR THE COMMUNITY

Identifier	ReturnReference	Explanation
		PART VI, LINE 6 THE UNIVERSITY OF ARIZONA HEALTH NETWORK (UAHN) IS ARIZONA'S FIRST ACADEMIC MEDICAL NETWORK IT INCLUDES THE UNIVERSITY OF ARIZONA MEDICAL CENTER - UNIVERSITY CAMPUS, THE UNIVERSITY OF ARIZONA MEDICAL CENTER - DIAMOND CHILDREN'S, THE UNIVERSITY OF ARIZONA MEDICAL CENTER - SOUTH CAMPUS, SOME 40 CLINICS, A HEALTH PLAN DIVISION AND THE PRACTICE PLAN FOR PHYSICIANS FROM THE UNIVERSITY OF ARIZONA COLLEGE OF MEDICINE IT'S BEEN NATIONALLY RECOGNIZED FOR PROVIDING EXCEPTIONAL PATIENT CARE, TEACHING NEW HEALTH CARE PROFESSIONALS AND CONDUCTING GROUNDBREAKING RESEARCH THROUGH THE PHYSICIAN-SCIENTISTS OF THE UNIVERSITY OF ARIZONA COLLEGE OF MEDICINE UAHN, WHICH WORKS IN PARTNERSHIP WITH THE UNIVERSITY OF ARIZONA COLLEGE OF MEDICINE, WAS CREATED TO FACILITATE BETTER COORDINATION, INTEGRATION AND PROMOTION OF CLINICAL ACTIVITIES TO SUPPORT THE COLLEGE OF MEDICINE'S EDUCATION, RESEARCH AND PATIENT-CARE GOALS

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
UNIVERSITY PHYSICIANS HEALTHCARE

Grants and Other Assistance to Organizations,
Governments and Individuals in the United States

Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22.
▶ Attach to Form 990

OMB No 1545-0047

2011

Open to Public
Inspection

Employer identification number
94-2958258

Part I

General Information on Grants and Assistance

- 1

Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance?

☒ Yes ☐ No
- 2

Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II

Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21 for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000. Use Part IV and Schedule I-1 (Form 990) if additional space is needed ☐

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) UNIVERSITY OF ARIZONA888 N EUCLID TUCSON,AZ 85719	74-2652689		8,364,476				MEDICAL EDUCATION, RESEARCH
(2) UNIVERSITY MEDICAL CENTER FOUNDATION 1501 N CAMPBELL AVENUE TUCSON,AZ 85724	86-0572438	501(C)(3)	117,074				MEDICAL EDUCATION AND RESEARCH

2

Enter total number of section 501(c)(3) and government organizations listed in the line 1 table

2

3

Enter total number of other organizations listed in the line 1 table

Part III

Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.
Use Schedule I-1 (Form 990) if additional space is needed.

(a)Type of grant or assistance	(b)Number of recipients	(c)Amount of cash grant	(d)Amount of non-cash assistance	(e)Method of valuation (book, FMV, appraisal, other)	(f)Description of non-cash assistance

Part IV

Supplemental Information. Complete this part to provide the information required in Part I, line 2, and any other additional information.

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 GRANTS ARE GIVEN ONLY TO ORGANIZATIONS EXEMPT UNDER INTERNAL REVENUE CODE SECTION 501(C)(3) AND GOVERNMENT ORGANIZATIONS NO FURTHER MONITORING OF GRANTS IS CONSIDERED NECESSARY

Schedule J
(Form 990)

Compensation Information

OMB No 1545-0047

2011

Open to Public Inspection

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.

▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization
UNIVERSITY PHYSICIANS HEALTHCARE

Employer identification number
94-2958258

Part I

Questions Regarding Compensation

		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items. <div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Travel for companions</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Discretionary spending account</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div>		
1b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all the expenses described above? If "No," complete Part III to explain		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?		
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply. <div><div><input type="checkbox"/> Compensation committee</div><div><input type="checkbox"/> Written employment contract</div><div><input type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Compensation survey or study</div><div><input type="checkbox"/> Form 990 of other organizations</div><div><input type="checkbox"/> Approval by the board or compensation committee</div></div>		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization:		
4a	Receive a severance payment or change-of-control payment?	Yes	
4b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	Yes	
4c	Participate in, or receive payment from, an equity-based compensation arrangement?		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III		
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.		
5	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:		
5a	The organization?		No
5b	Any related organization?		No
	If "Yes," to line 5a or 5b, describe in Part III		
6	For persons listed in form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:		
6a	The organization?	Yes	
6b	Any related organization?		No
	If "Yes," to line 6a or 6b, describe in Part III		
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III		No
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53.4958-4(a)(3)? If "Yes," describe in Part III		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?		

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions on row (ii). Do not list any individuals that are not listed on Form 990, Part VII.

[illegible]

Part III

Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
	PART I, LINES 4A-B	THE FOLLOWING INDIVIDUALS RECEIVED SEVERANCE PAYMENTS IN ACCORDANCE WITH THE EMPLOYMENT CONTRACT: JEAN M. TKACHYK \$580,457, KATHLEEN A. OESTREICH \$574,800, GERALD T. MIRON \$85,000, JUANITA M. SIMMONS \$75,803, THERESA G. LEBARRON \$145,037, AND KEVIN J. BURNS \$1,281,641. THE FOLLOWING PEOPLE PARTICIPATED IN OR RECEIVED PAYMENTS FROM A NON-QUALIFIED RETIREMENT PLAN: KEVIN J. BURNS \$286,209, KAREN M. LAWSKY \$128,041, AND MISTY D. HANSEN \$52,050.
	PART I, LINE 6	THE UNIVERSITY OF ARIZONA PHYSICIANS HAS AN INCENTIVE PLAN FOR PHYSICIANS THAT PROVIDES FOR BONUSES CALCULATED AS A PERCENTAGE OF NET INCOME FROM THE VARIOUS PRACTICE AREAS. EACH PHYSICIAN'S BONUS IS CAPPED AT A PREDETERMINED MAXIMUM PERCENTAGE OF HIS OR HER SALARY.
SUPPLEMENTAL INFORMATION	PART III	PART I, LINE 3: THE ORGANIZATION RELIES ON ITS RELATED ORGANIZATION, THE UNIVERSITY OF ARIZONA HEALTH NETWORK, WHICH USED THE FOLLOWING TO ESTABLISH COMPENSATION: COMPENSATION COMMITTEE, INDEPENDENT COMPENSATION CONSULTANT, FORM 990 OF OTHER ORGANIZATIONS, COMPENSATION SURVEY OR STUDY, APPROVAL BY THE BOARD OF DIRECTORS OR COMPENSATION COMMITTEE.

Software ID:
Software Version:
EIN: 94-2958258
Name: UNIVERSITY PHYSICIANS HEALTHCARE

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
MARC BERG MD	(i)	0	0	578	0	13,269	13,847	0
	(ii)	179,255	87,930	0	36,128	3,643	306,956	0
LYLE BOOTMAN	(i)	0	0	0	0	0	0	0
	(ii)	291,166	0	0	63,700	18,182	373,048	0
THOMAS BOYER MD	(i)	0	0	4,418	0	14,348	18,766	0
	(ii)	430,316	31,573	0	60,359	6,643	528,891	0
FAYEZ GHISHAN MD	(i)	102,382	0	4,418	74,812	8,354	189,966	0
	(ii)	473,957	162,578	0	0	14,794	651,329	0
RAINER GRUESSNER MD	(i)	0	0	1,317	0	16,630	17,947	0
	(ii)	676,322	89,848	0	36,926	10,481	813,577	0
DAVID LABINER MD	(i)	0	0	1,317	0	13,393	14,710	0
	(ii)	265,394	70,441	10,068	69,877	4,726	420,506	0
STEVE GOLDSCHMID MD	(i)	0	0	2,397	0	14,348	16,745	0
	(ii)	510,176	0	0	71,215	7,499	588,890	0
KEVIN J BURNS	(i)	0	0	0	0	0	0	0
	(ii)	310,302	286,209	1,283,945	19,487	7,055	1,906,998	0
HENRY E WELLS	(i)	245,171	0	0	0	0	245,171	0
	(ii)	0	0	0	0	0	0	0
JODI MANSFIELD	(i)	257,830	0	0	0	0	257,830	0
	(ii)	0	0	0	0	0	0	0
KAREN MLAWSKY	(i)	0	0	0	0	0	0	0
	(ii)	388,670	261,448	2,923	63,095	9,545	725,681	0
KATHRYN REED MD	(i)	0	0	3,602	0	5,885	9,487	0
	(ii)	297,366	94,107	0	76,925	5,790	474,188	0
MISTY D HANSEN	(i)	0	0	0	0	0	0	0
	(ii)	395,981	196,796	2,349	75,461	15,646	686,233	0
KATHLEEN A OESTREICH	(i)	53,365	0	574,898	1,760	945	630,968	0
	(ii)	0	0	0	0	0	0	0
JAMES V STOVER	(i)	203,746	70,791	182	13,017	6,586	294,322	0
	(ii)	0	0	0	0	0	0	0
THOMAS M BALL MD	(i)	254,422	68,602	1,500	18,214	12,027	354,765	0
	(ii)	0	0	0	0	0	0	0
THOMAS R CHEEK	(i)	200,819	26,250	300	0	6,571	233,940	0
	(ii)	0	0	0	0	0	0	0
SUSAN H WILLIS	(i)	171,475	23,624	225	12,482	10,349	218,155	0
	(ii)	0	0	0	0	0	0	0

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
JUANITA SIMMONS	(i) (ii)	82,675 0	0 0	75,943 0	5,809 0	5,159 0	169,586 0	0 0
SARAH E FROST	(i) (ii)	159,456 0	20,251 0	100 0	11,177 0	1,128 0	192,112 0	0 0
JODY L BUTERA	(i) (ii)	191,463 0	69,997 0	256 0	13,513 0	6,691 0	281,920 0	0 0
SETH M DUBRY	(i) (ii)	243,058 0	33,558 0	343 0	9,127 0	6,067 0	292,153 0	0 0
CHRISTEN A CASTELLANO	(i) (ii)	180,755 0	32,024 0	225 0	12,627 0	5,646 0	231,277 0	0 0
GERALD T MIRON	(i) (ii)	274,598 0	0 0	86,628 0	23,671 0	12,505 0	397,402 0	0 0
HOSSAI SHAH	(i) (ii)	97,342 0	114,075 0	48 0	7,030 0	11,582 0	230,077 0	0 0
JEAN M TKACHYK	(i) (ii)	68,128 0	0 0	580,676 0	0 0	2,235 0	651,039 0	0 0
THERESA G LEBARRON	(i) (ii)	64,212 0	24,323 0	145,068 0	322 0	1,220 0	235,145 0	0 0

Schedule K (Form 990)	Supplemental Information on Tax Exempt Bonds ▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Schedule O (Form 990). ▶ Attach to Form 990. ▶ See separate instructions.										OMB No 1545-0047		
											2011		
	Department of the Treasury Internal Revenue Service											Open to Public Inspection	
Name of the organization UNIVERSITY PHYSICIANS HEALTHCARE										Employer identification number 94-2958258			

Part I

Bond Issues

(a) Issuer Name	(b) Issuer EIN	(c) CUSIP #	(d) Date Issued	(e) Issue Price	(f) Description of Purpose	(g) Defeased		(h) On Behalf of Issuer		(i) Pool financing	
						Yes	No	Yes	No	Yes	No
A THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF SOUTH TUCSON ARIZONA	86-6000267		12-15-2004	9,900,000	FINANCE MEDICAL EQUIPMENT		X		X		X
B THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF SOUTH TUCSON ARIZONA	86-6000267		12-21-2005	6,750,000	FINANCE MEDICAL EQUIPMENT		X		X		X
C THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF SOUTH TUCSON ARIZONA	86-6000267		09-20-2006	10,000,000	FINANCE MEDICAL EQUIPMENT		X		X		X
D THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF SOUTH TUCSON ARIZONA	86-6000267		12-15-2004	3,250,000	FINANCE MEDICAL EQUIPMENT		X	X			X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds defeased								
3	Total proceeds of issue	9,900,000		6,750,000		10,000,000		3,250,000	
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrow								
7	Issuance costs from proceeds	76,745		78,637		62,098		37,863	
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds	9,823,255		6,671,363		9,937,902		3,212,137	
10	Capital expenditures from proceeds								
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	2006		2006		2007		2006	
14	Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No	Yes	No	Yes	No
			X		X		X		X
15	Were the bonds issued as part of an advance refunding issue?		X		X		X		X
16	Has the final allocation of proceeds been made?	X		X		X		X	
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X		X	

Part III

Private Business Use

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?		X		X		X		X
2	Are there any lease arrangements that may result in private business use of bond-financed property?		X		X		X		X

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use?		X		X		X		X
b	If 'Yes' to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		X
d	If 'Yes' to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government <div></div>								
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government <div></div>								
6	Total of lines 4 and 5								
7	Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?	X		X		X		X	

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?		X		X		X		X
2	Is the bond issue a variable rate issue?		X	X			X		X
3a	Has the organization or the governmental issuer entered into a hedge with respect to the bond issue?		X		X		X		X
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was a hedge terminated?								
4a	Were gross proceeds invested in a GIC?		X		X		X		X
b	Name of provider								
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
5	Were any gross proceeds invested beyond an available temporary period?		X		X		X		X
6	Did the bond issue qualify for an exception to rebate?		X		X		X	X	

Part V

Procedures To Undertake Corrective Action

Check the box if the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation is not available under applicable regulations ☐ Yes ☒ No

Part VI

Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule K (see instructions)

Identifier	Return Reference	Explanation
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SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

**Complete to provide information for responses to specific questions on
Form 990 or to provide any additional information.**
▶ Attach to Form 990 or 990-EZ.

2011

**Open to Public
Inspection**

Name of the organization
UNIVERSITY PHYSICIANS HEALTHCARE

Employer identification number

94-2958258

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 6	UNIVERSITY OF ARIZONA PHYSICIANS HAS TWO CLASSES OF MEMBERS (I) CORPORATE MEMBERS AND (II) PHYSICIAN MEMBERS THE UNIVERSITY OF ARIZONA HEALTH NETWORK IS UNIVERSITY OF ARIZONA PHYSICIAN'S SOLE CORPORATE MEMBER
	FORM 990, PART VI, SECTION A, LINE 7A	MEMBERS ELECT AT-LARGE DIRECTORS FROM COMMUNITY DIRECTORS SERVING ON THE BOARD OF DIRECTORS FOR THE UNIVERSITY OF ARIZONA HEALTH NETWORK
	FORM 990, PART VI, SECTION A, LINE 7B	THE UNIVERSITY OF ARIZONA HEALTH NETWORK, AS THE SOLE CORPORATE MEMBER, RESERVES THE POWER TO MAKE OR APPROVE DECISIONS OF THE CORPORATION AS GRANTED IN THE BY LAWS
	FORM 990, PART VI, SECTION B, LINE 11	THE UNIVERSITY OF ARIZONA PHYSICIAN'S FORM 990 IS REVIEWED BY THE CHIEF FINANCIAL OFFICER, CHIEF EXECUTIVE OFFICER, AND AUDIT AND COMPLIANCE COMMITTEE OF THE BOARD OF DIRECTORS FORM 990 IS DISTRIBUTED TO THE BOARD OF DIRECTORS PRIOR TO FILING WITH THE IRS
	FORM 990, PART VI, SECTION B, LINE 12C	THE UNIVERSITY OF ARIZONA PHYSICIANS REQUIRES BOARD MEMBERS, OFFICERS, AND KEY EMPLOYEES TO ANNUALLY COMPLETE A CONFLICT OF INTEREST FORM THESE FORMS ARE REVIEWED BY CORPORATE COMPLIANCE AND GENERAL COUNSEL ANY POTENTIAL CONFLICTS IDENTIFIED ARE SUBJECT TO FURTHER REVIEW BY SENIOR MANAGEMENT AND THE BOARD OF DIRECTORS
	FORM 990, PART VI, SECTION B, LINE 15	THE UNIVERSITY OF ARIZONA PHYSICIANS HIRES A THIRD PARTY CONSULTANT TO REVIEW COMPENSATION AND BENEFITS IN ADDITION, THE UNIVERSITY OF ARIZONA PHYSICIANS COMPLETES A SURVEY COMPARING THE COMPENSATION PACKAGE TO SIMILAR ORGANIZATIONS THE CEO HAS A WRITTEN EMPLOYMENT CONTRACT THAT IS REVIEWED AND APPROVED BY THE UNIVERSITY OF ARIZONA HEALTH NETWORK'S COMPENSATION COMMITTEE AND BOARD OF DIRECTORS
	FORM 990, PART VI, SECTION C, LINE 19	POLICIES ARE POSTED ON THE UNIVERSITY OF ARIZONA PHYSICIAN'S INTRANET GOVERNING DOCUMENTS AND FINANCIAL STATEMENTS ARE AVAILABLE UPON REQUEST

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
UNIVERSITY PHYSICIANS HEALTHCARE

Employer identification number
94-2958258

Part I

Identification of Disregarded Entities (Complete if the organization answered "Yes" on Form 990, Part IV, line 33.)

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) THE UNIVERSITY OF ARIZONA HEALTH PLANS-UNIVERSITY CARE ADVANTAGE LLC 2701 E ELVIRA RD TUCSON, AZ 85756 20-8406187	HEALTHCARE	AZ	38,589,487	13,153,781	UNIVERSITY PHYSICIANS HEALTHCARE
(2) THE UNIVERSITY OF ARIZONA HEALTH PLANS-UNIVERSITY FAMILY CARE LLC 2701 E ELVIRA RD TUCSON, AZ 85756 26-3153084	HEALTHCARE	AZ	220,359,808	50,931,043	UNIVERSITY PHYSICIANS HEALTHCARE

Part II

Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization	
						Yes	No
See Additional Data Table							

Part III

Identification of Related Organizations Taxable as a Partnership (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of- year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) UM LEASING LLC 4291 N CAMPBELL AVENUE TUCSON, AZ 85724 20-3400643	LEASING	AZ	UPH AND UMC	RELATED	298,071	1,762,938		No		Yes		50 000 %

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) UMCC INSURANCE FUNDING LIMITED PO BOX 1051 GEORGETOWN GRAND CAYMAN KY1-1102 CJ 98-0116943	CAPTIVE INSURANCE	CJ	N/A	C			
(2) THE UNIVERSITY OF ARIZONA HEALTH PLANS-UNIVERSITY HEALTHCARE INC 2701 E ELVIRA ROAD TUCSON, AZ 85756 45-4370907	HEALTH INSURANCE	AZ	N/A	C			

Part V

Transactions With Related Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)

Note. Complete line 1 if any entity is listed in Parts II, III or IV

1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

a Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity

b Gift, grant, or capital contribution to related organization(s)

c Gift, grant, or capital contribution from related organization(s)

d Loans or loan guarantees to or for related organization(s)

e Loans or loan guarantees by related organization(s)

f Sale of assets to related organization(s)

g Purchase of assets from related organization(s)

h Exchange of assets with related organization(s)

i Lease of facilities, equipment, or other assets to related organization(s)

j Lease of facilities, equipment, or other assets from related organization(s)

k Performance of services or membership or fundraising solicitations for related organization(s)

l Performance of services or membership or fundraising solicitations by related organization(s)

m Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

n Sharing of paid employees with related organization(s)

o Reimbursement paid to related organization(s) for expenses

p Reimbursement paid by related organization(s) for expenses

q Other transfer of cash or property to related organization(s)

r Other transfer of cash or property from related organization(s)

Yes

No

1a

1b

1c

1d

1e

1f

1g

1h

1i

1j

1k

1l

1m

1n

1o

1p

1q

1r

No

No

No

No

No

No

No

No

No

Yes

No

No

No

Yes

Yes

No

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds

(a) Name of other organization	(b) Transaction type(a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) CADUCEUS INDEMNITY INSURANCE	Q	2,871,760	ACTUAL TRANSFER
(2) CADUCEUS INDEMNITY INSURANCE	L	5,230,191	ACTUAL TRANSFER
(3) CADUCEUS INDEMNITY INSURANCE	P	2,156,481	ACTUAL TRANSFER
(4) UNIVERSITY PHYSICIANS HEALTHCARE FOUNDATION	B	36,300	ACTUAL TRANSFER
(5) UNIVERSITY PHYSICIANS HEALTHCARE FOUNDATION	C	15,844	ACTUAL TRANSFER
(6)			

Schedule R (Form 990) 2011

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

[illegible]

Part VII

Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule R (see instructions)

Identifier	Return Reference	Explanation	
------------	------------------	-------------	--

Software ID:

Software Version:

EIN: 94-2958258

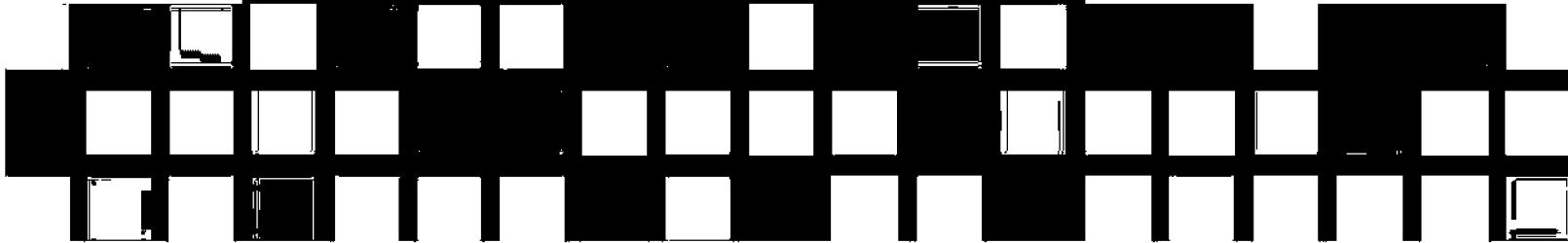
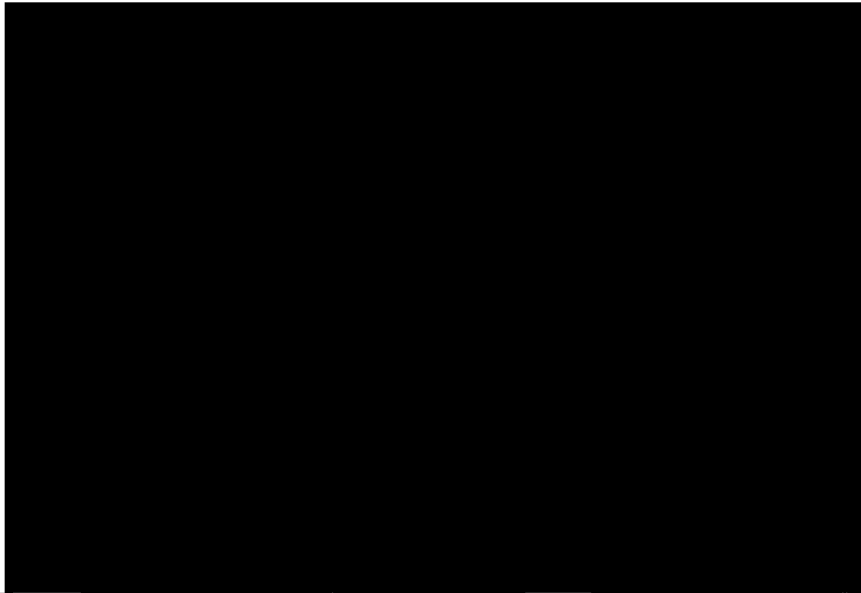
Name: UNIVERSITY PHYSICIANS HEALTHCARE

Form 990, Schedule R, Part II - Identification of Related Tax-Exempt Organizations

(a) Name, address, and EIN of related organization	(b) Primary Activity	(c) Legal Domicile (State or Foreign Country)	(d) Exempt Code section	(e) Public charity status (if 501(c) (3))	(f) Direct Controlling Entity	g Section 512 (b)(13) controlled organization	
ARIZONA BOARD OF REGENTS 2020 N CENTRAL AVENUE PHOENIX, AZ 85004 86-6004791	GOVERNING BOARD OF ARIZONA'S PUBLIC UNIVERSITIES	AZ			N/A		No
THE UNIVERSITY OF ARIZONA COLLEGE OF MEDICINE 888 N EUCLID TUCSON, AZ 85719 74-2652689	PUBLIC UNIVERSITY	AZ			ARIZONA BOARD OF REGENTS		No
THE UNIVERSITY OF ARIZONA HEALTH NETWORK INC 1501 N CAMPBELL AVENUE TUCSON, AZ 85724 27-2936985	ENHANCE RELATIONSHIP BETWEEN UAMCC AND UAP	AZ	501(C) (3)	LINE 11B, II	ARIZONA BOARD OF REGENTS		No
UNIVERSITY MEDICAL CENTER CORPORATION 1501 N CAMPBELL AVENUE TUCSON, AZ 85724 86-0492210	HEALTHCARE	AZ	501(C) (3)	LINE 3	THE UNIVERSITY OF ARIZONA HEALTH NETWORK		No
UNIVERSITY MEDICAL CENTER FOUNDATION 1501 N CAMPBELL AVENUE TUCSON, AZ 85724 86-0572438	FUNDRAISING	AZ	501(C) (3)	LINE 11A, I	UNIVERSITY MEDICAL CENTER CORPORATION		No
UNIVERSITY PHYSICIANS HEALTHCARE FOUNDATION 2701 E ELVIRA ROAD TUCSON, AZ 85756 20-2826747	FUNDRAISING	AZ	501(C) (3)	LINE 11A, I	UNIVERSITY PHYSICIANS HEALTHCARE	Yes	
DEVICE PRESERVATION INC 1501 N CAMPBELL AVENUE TUCSON, AZ 85724 86-0687598	SUPPORT	AZ	501(C) (3)	LINE 11A, I	UNIVERSITY MEDICAL CENTER CORPORATION		No
CADUCEUS INDEMNITY INSURANCE CORPORATION LTD 745 FORT STREET SUITE 1100 HONOLULU, HI 96813 99-0343363	CAPTIVE INSURANCE	HI	501(C) (3)	LINE 11A, I	UNIVERSITY PHYSICIANS HEALTHCARE	Yes	

The University of Arizona Health Network and Subsidiaries

Consolidated Financial Report
(With Independent Auditor's Report Thereon)
June 30, 2012



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Independent Auditor's Report

To the Board of Directors
The University of Arizona Health Network

We have audited the accompanying consolidated financial statements of The University of Arizona Health Network and Subsidiaries (the Corporation), a component unit of the State of Arizona, as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying information on pages 52 through 54 is presented for additional analysis and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. The information on pages 52 through 54 has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements, or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

McGladrey LLP

Minneapolis, Minnesota
October 16, 2012

The University of Arizona Health Network and Subsidiaries

Management's Discussion and Analysis Years Ended June 30, 2012, 2011 and 2010

The University of Arizona Health Network and Subsidiaries (the Corporation) (formerly known as UA Healthcare, Inc.), an Arizona not-for-profit corporation, controls University Medical Center Corporation and subsidiaries (UMC) and University Physicians Healthcare and subsidiaries (UPH)

The University of Arizona Health Network and Subsidiaries is comprised of a Hospital Division, a faculty-physician Practice Plan Division known as The University of Arizona Physicians, a Health Plans Division known as The University of Arizona Health Plans, and the University Medical Center Foundation

The Hospital Division encompasses The University of Arizona Medical Center—University Campus (formerly University Medical Center), The University of Arizona Medical Center—South Campus (formerly University Physicians Hospital), and more than 40 physician offices and clinics across southern Arizona

The University of Arizona Medical Centers are not-for-profit, tax-exempt hospitals that serve as the primary teaching hospitals for the The University of Arizona (UA) Colleges of Medicine, Nursing, Pharmacy and Public Health

The University of Arizona Medical Center—University Campus (University Campus) was founded in 1971 as University Hospital, the state's first and only academic medical center. It is currently licensed for 487 beds. The University of Arizona Medical Center—South Campus (South Campus) is a 197-bed full-service hospital and outpatient treatment center managed by UPH under an operating agreement with Pima County.

The University of Arizona Physicians Division (UAP) is the practice plan of the faculty-physicians of the University of Arizona College of Medicine. Physicians are employed by both the University of Arizona and by the practice plan. UAP is the largest multi-specialty physician practice in Arizona. It employs more than 700 physicians who are the full-time faculty of the UA College of Medicine.

UAP physicians practice at the University of Arizona Medical Center—University Campus and South Campus and at numerous hospital clinics across Tucson, southern Arizona and Nevada.

As faculty of the UA College of Medicine, UAP educate more than 500 medical students and train nearly as many post-graduate medical residents annually. They also conduct research at the UA's Arizona Cancer Center, Steele Children's Research Center, Arizona Arthritis Center, Sarver Heart Center and many other facilities and programs.

The University of Arizona Health Plans Division (UAHP) offers health care insurance plans through three separate subdivisions:

- **Health Care Group (HCG)** offers insurance plans to small businesses with between two and 50 employees
- **University Family Care (UFC)** offers insurance plans to enrollees under a contract with the Arizona Health Care Cost Containment System (AHCCCS) in various counties in southern Arizona
- **The University of Arizona Health Plans—University Care Advantage (UCA)** offers Medicare Advantage prescription drug coverage to enrollees who are dually eligible for both Medicare and Medicaid
- **Management Contract (MC)** offers contract services to Maricopa Health Plan (a contract of Maricopa Integrated Health Services), an AHCCCS managed care plan

The University of Arizona Health Network and Subsidiaries

Management's Discussion and Analysis Years Ended June 30, 2012, 2011 and 2010

The UAHP cover 131,000 lives from eight counties with five products including contracts that are either capitation risk contracts or administrative services agreements

The University Medical Center Foundation (UMCF) provides philanthropic support to the University of Arizona Health Network and Subsidiaries. The UMCF reinvests all earnings into the improvement of patient care, education and research, and capital improvements. Several major new buildings and many patient-care advances have been made possible by private philanthropic support.

As management of the Corporation, we offer the readers of our financial statements this narrative analysis of the financial activities of the Corporation as of and for the years ended June 30, 2012 and 2011. The 2010 information provided herein is provided as comparative information despite the fact the Corporation was not an entity at that time. The 2010 information is management's best estimate of the Corporation's 2010 consolidated financial information. The 2010 information may not include all eliminations and was not audited as a whole. Readers are encouraged to consider the information presented here in conjunction with the accompanying consolidated financial statements.

Using This Annual Report

This annual report includes the consolidated financial statements of The University of Arizona Health Network, UMC and subsidiaries, and UPH and subsidiaries. These statements are designed to provide readers with an overview of the Corporation's finances. The consolidated balance sheet presents information on the Corporation's assets, liabilities and net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating. The consolidated statement of revenues, expenses and changes in net assets presents information indicating how the Corporation's net assets changed during fiscal years 2012 and 2011. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, which reflects the accrual basis of accounting. The notes to the consolidated financial statements provide additional information that is integral to an understanding of the information provided in the financial statements.

Business Strategy

The maturing UA Health Network continues to partner with the UA College of Medicine to develop an integrated culture of excellence and fulfill its triple mission of education, research and patient care. A comprehensive Strategic Plan and Standards of Behavior, introduced this summer, helped bring cohesion and goal-alignment to the Corporation's approximately 6,500 employees. Access to care, promotion of appropriate service lines, and leverage of the UA Health Network's unique status as Arizona's premier academic medical system are key components of the new Strategic Plan.

The UA Health Network's leadership and participation in the creation of the Arizona Safety Net Care Pool this year mitigated the state's cuts to AHCCCS and provides some level of funding to assist with increasing uncompensated care. The Corporation recently met an early requirement of the Affordable Care Act by completing its first-ever Community Health Needs Assessment (CHNA). In the future the Corporation will implement strategies to meet the health needs identified in the CHNA.

The UA Health Network is on target to meet a very important business strategy: the establishment of a single, integrated electronic health record system in 2013. We expect our accelerated implementation of the EPIC electronic health record system to greatly improve quality, safety, research opportunities and cost-effective patient care.

The University of Arizona Health Network and Subsidiaries

Management's Discussion and Analysis Years Ended June 30, 2012, 2011 and 2010

The Health Care Environment

The health care industry is highly regulated by both federal and state governments. Laws govern such areas as health and safety code issues, licensure, accreditation, participation requirements in governmental programs, fraud and abuse, payor reimbursement, property, plant and equipment acquisition, and antitrust and tax issues. Compliance with laws and regulations is important to health care providers because the beneficiaries of governmental health programs are critical to the providers' revenue base. Although government reimbursement represents over half of U.S. health care dollars, health care providers continue to operate within a market-driven environment. The power over health care reimbursement increasingly rests with government payors, insurance companies, large employers, and others to whom cost containment is a top priority. The aging U.S. population provides an expanding market for health care services, as the elderly comprise an increasingly greater portion of hospital census relative to other age groups, and also a significant challenge, as reimbursement from government programs continues to lag the rate of health care inflation.

Health Care Local Market

The Corporation is located in Tucson, Arizona. It provides a network of tertiary and quaternary-level health care and is a major medical referral center for Arizona and other southwestern states. University Campus is the only Level 1 Trauma Center in southern Arizona. University and South Campus are two of eight nonfederal acute-care hospitals in metropolitan Tucson, which consists of the City of Tucson and immediately surrounding areas (hereinafter referred to as metropolitan Tucson). The Tucson health care market is a competitive, heavily managed-care-penetrated market. Rates paid to the Corporation by managed-care organizations and certain governmental payors are pursuant to contracts with terms of up to three years. Current contracted rates and reimbursement rates established by government programs may not be adequate to compensate for increasing health care costs.

The Corporation also operates The University of Arizona Health Plans (UAHP) serving 131,000 Medicaid, Medicare and State-sponsored covered lives through contracts with AHCCCS, CMS and Maricopa Integrated Health System. UAHP operates in eight of the 15 Arizona counties, including Pima, Maricopa, Cochise, Santa Cruz, Pinal, Gila, Graham and Greenlee Counties.

Continuing challenges facing the Corporation and the health care industry include providing high-quality patient care in a competitive environment, contending with an increasing regulatory environment, attaining reasonable rates for the services provided, and managing costs. Budgetary issues for the State of Arizona resulted in a freeze of AHCCCS rates at their 2008 payment levels. AHCCCS has imposed rate reductions of 5 percent in April 2011 and another 5 percent in October 2011. In addition, AHCCCS has also imposed other coverage reductions that have had the impact of reducing the number of covered lives in the statewide AHCCCS program. This increase in the number of statewide uninsured has created an unfavorable shift in the Corporation's payor mix. This, as well as the slow overall economic recovery and the uncertainty surrounding national health care reform efforts, will continue to negatively impact the Corporation's financial results.

Health Care Reform

As a result of the federal health care reform legislation, substantial changes are anticipated in the United States health care system. Such legislation includes numerous provisions affecting the delivery of health care services, the financing of health care costs, reimbursement of health care providers, and the legal obligations of health insurers, providers and employers. These provisions are currently slated to take effect at specific times over approximately the next decade. This federal health care reform legislation did not significantly affect the 2012 basic consolidated financial statements.

The University of Arizona Health Network and Subsidiaries

Management's Discussion and Analysis Years Ended June 30, 2012, 2011 and 2010

Results of Operations

The following is a summary of operating results for the years ended June 30 (in thousands)

	2012	2011	2010
Operating revenues			
Net patient service revenue	\$ 805,789	\$ 740,925	\$ 703,233
Capitation and contract services	333,773	360,391	340,306
Other revenue	20,906	17,442	19,773
Total operating revenues	1,160,468	1,118,758	1,063,312
Operating expenses			
Salaries and wages	450,779	406,501	375,183
Employee benefits	70,453	71,667	75,236
Supplies	171,335	153,160	148,688
Purchased services	41,866	31,515	34,649
Medical claims	194,707	215,217	195,042
Other	177,145	173,267	157,259
Depreciation and amortization	39,220	37,916	36,116
Total operating expenses	1,145,505	1,089,243	1,022,173
Operating income	14,963	29,515	41,139
Nonoperating items	(20,748)	(2,191)	(4,744)
Fundraising and grant income	2,345	2,897	1,602
(Decrease) increase in net assets	\$ (3,440)	\$ 30,221	\$ 37,997

Years Ended June 30, 2012, 2011 and 2010

Net patient service revenue for 2012 increased 9 percent over fiscal 2011, slightly higher than the 7 percent increase in volume. Net patient service revenue for 2011 increased 6 percent over fiscal 2010, consistent with a 6 percent increase in volume. The Corporation expanded its service capabilities throughout fiscal 2010 through the opening of University Campus Diamond Children's Medical Center and bed tower, which is one of the primary drivers for the Corporation's increase in volume in fiscal 2011. The increase in volume in 2012 reflects demand for our services and increased bed availability due to increased staffing and our successful efforts to enhance patient flow through the two hospitals. In addition, the Corporation opened the new state-of-the-art Behavioral Health Pavilion in 2012 at South Campus. The new facility provides inpatient and outpatient services as well as emergency medical and behavioral health services. The Corporation's net revenue per adjusted patient day increased from 2011 to 2012 and remained relatively flat from 2010 to 2011. Net revenue per adjusted patient day increased slightly to \$2,613 in fiscal 2012, as compared to \$2,579 in fiscal 2011 and \$2,572 in fiscal 2010.

The University of Arizona Health Network and Subsidiaries

Management's Discussion and Analysis Years Ended June 30, 2012, 2011 and 2010

Capitation and contract service revenue decreased 7 percent in 2012 compared to 2011 and increased 6 percent in 2011 compared to 2010. The decrease in 2012 was driven by a higher than expected number of members who had lower than expected medical claims, which are partially cost-reimbursed, coupled with the fact that AHCCCS provided less funds per member than in the prior year. The increase in capitation and contract revenue from 2010 to 2011 is primarily due to the purchase of additional lives through the purchase of 50 percent ownership in the Medicare Special Needs Plan (SNP). The SNP is now known as UCA. The UAHP participated in a joint venture with Maricopa Integrated Health Systems beginning in January 2008 to provide a Medicare SNP in Pima County and Maricopa County. In January 2011, UPH purchased the Maricopa County lives and now has 100 percent ownership of that plan.

Salaries, wages and employee benefits for 2012 increased 9 percent over 2011, reflecting an increase in full-time-equivalent employees from 6,231 in 2011 to 6,611 in 2012. Salaries, wages and employee benefits for 2011 increased 6 percent over 2010, reflecting an increase in full-time-equivalent employees from 6,059 in 2010 to 6,231 in 2011. In addition to the increase in personnel, there was also a 5 percent increase in the rate paid per full-time-equivalent employee in 2012 as compared to 2011 and in 2011 compared to 2010. The increase in the rate paid per full-time-equivalent was not only driven by a modest overall market increase in pay but also an increase in the amount of overtime. Most of the increases in employees were related to the expansion of services and additional physician recruitment in 2011.

Supplies expense for 2012 increased approximately 12 percent over 2011, and for 2011 increased approximately 3 percent over 2010. During 2012, the health care industry has experienced a nationwide drug shortage, which resulted in higher costs. In addition to the drug shortage, the Corporation experienced an increase in specific bone marrow transplant cases, which use high-cost drugs. In 2012 and 2011, surgery volumes increased 8 percent and 3 percent, respectively, also contributing to the supply increase. The increase in drug supply expense was offset by savings on the medical and surgical supplies through a Value Analysis Program where physician leadership participates in the pricing negotiations and product selection process.

Medical claim expense relates to claims paid for health plan members. Medical claim expense decreased approximately 10 percent in 2012 compared to 2011 due to a 9 percent decrease in per member per month cost resulting from the April 2011 and October 2011 physician fee schedule reduction, the October 2012 hospital fee schedule reduction, the October 2011 25-day inpatient limitation, and a 17,348 decrease in member months. Medical claim expense increased approximately 10 percent in 2011 compared to 2010 primarily due to member months. Member months increased 49,000, or 5 percent, in 2011 compared to 2010. Medical claims expenses paid for health plan members to the Corporation for patient services provided are eliminated within the consolidated financial statements.

Purchased services consist primarily of outsourced dietary, environmental and biomedical equipment services, organ procurement and other expenses. The 33 percent increase for 2012 from fiscal year 2011 was primarily driven by increased cost of organ procurement, which was a result of a 9 percent increase in transplant cases. The 9 percent decrease in purchased services for 2011 from fiscal year 2010 reflects successful contract renegotiation efforts and the use of benchmarking tools to control costs in these areas.

The University of Arizona Health Network and Subsidiaries

Management's Discussion and Analysis Years Ended June 30, 2012, 2011 and 2010

Other expenses consist primarily of professional services, insurance, utilities, repairs and maintenance, and leases. There was a 2 percent increase in other operating expenses in 2012 compared to 2011 and a 10 percent increase in other operating expenses in 2011 compared to fiscal year 2010. This was primarily due to the increases in professional services—nonmedical, which increased 18 percent in 2012 compared to fiscal year 2011 and increased 34 percent in 2011 compared to fiscal year 2010, primarily due to increased legal and consulting expense related to the revenue cycle engagement and marketing and branding efforts for the now integrated Corporation.

Interest expense, included in nonoperating items in the above table, reflecting interest incurred on the Corporation's bonds payable, increased to \$19,040,000 in 2012 from \$16,446,000 in 2011, and increased to \$16,446,000 in 2011 from \$13,561,000 in 2010. The increase in 2012 interest expense was related to the additional interest on the UMC bond issuance in the amount of \$73,275,000 in July 2011. The increase in 2010 interest expense is primarily due to the fact that at the end of fiscal year 2010 the Corporation placed in service the Diamond Children's Medical Center at UMC Hospital, where interest was previously being capitalized. In fiscal 2012, the Corporation capitalized interest on construction activity of \$114,000 compared to \$271,000 in fiscal year 2011 and \$3,700,000 in fiscal year 2010.

The table below sets forth certain selected historical operating statistics for the Corporation for the years ended June 30.

Operating Statistics	2012	2011	2012 vs 2011	2010	2011 vs 2010
Net patient service revenue (in thousands)	\$ 805,789	\$ 740,925	8.7%	\$ 703,233	5.3%
Net patient service revenue per adjusted patient days	2,613	2,562	1.9%	2,572	(0.3)%
Admissions (a)	32,612	31,281	4.2%	29,232	7.0%
Average length of stay (a) (in days)	5.29	5.28	0.1%	5.37	(1.6)%
Patient days (a)	172,360	165,140	4.3%	157,020	5.1%
Adjusted patient days (a) (b)	308,331	289,181	6.6%	273,467	5.7%
Member months (enrollment)	1,626,987	1,641,037	(0.8)%	1,599,679	2.5%
Days per K (c)	677	718	(5.7)%	728	(1.3)%
Admits per K (d)	179	184	(2.7)%	192	(4.1)%

(a) Excludes newborns

(b) Adjusted patient days represents patient days for hospital admissions adjusted to include outpatient and emergency room services by multiplying inpatient days by the sum of gross inpatient revenues and outpatient revenues and dividing the result by gross inpatient revenues.

(c) Days per K: Total inpatient days/total member months x 12,000 represents the annualized number of days incurred per 1,000 members.

(d) Admits per K: Total inpatient days/total admissions x 12,000 represents the annualized number of admits incurred per 1,000 members.

The University of Arizona Health Network and Subsidiaries

Management's Discussion and Analysis Years Ended June 30, 2012, 2011 and 2010

Revenue and Volume Trends

The Corporation's revenues depend upon inpatient occupancy levels, ancillary services, the volume of outpatient procedures, clinic visits, the mix of services provided, and the reimbursement rates for such services. The Corporation has entered into agreements with third-party payors, including government programs and managed-care health plans, under which the Corporation is paid based upon predetermined rates per diagnosis, fixed per diem rates, or discounts from established charges. The Corporation experienced a 4 percent increase and a 5 percent increase in total operating revenue in 2012 versus 2011, and 2011 versus 2010, respectively, due to a variety of factors, including the Indirect Medical Education (IME) funding from AHCCCS, Safety Net Care Pool (SNCP) funding from AHCCCS, expansion of services, increased volumes, and continued sound revenue cycle processes. Although efforts continue toward improving reimbursement rates with contracted payors, there can be no assurances that the Corporation will continue to achieve these levels of increases in the future. Further, reimbursement under the AHCCCS program is established at levels that do not cover the Corporation's costs. In fiscal year 2012, AHCCCS continued their fiscal year 2008 rate freeze until April 2011, when they enacted an additional 5 percent rate each in April 2010, April 2011 and October 2011. In addition, AHCCCS has also imposed other coverage reductions that have had the effect of reducing the number of covered lives in the statewide AHCCCS program. The Corporation believes it will not realize any rate increases from AHCCCS during calendar year 2012.

The UAHP capitation revenue is composed of per member per month rates as defined by AHCCCS and the Centers for Medicare & Medicaid Services (CMS) contracts. These amounts are paid based upon membership enrollment as of the first day of each month. Total revenue is dependent upon the enrollment of the plans, which includes new enrollment and disenrollments each month. Profitability of certain populations in the AHCCCS enrollment is limited by AHCCCS policy, which results in receivables or payables of capitation settlement revenues. The UAHP administrative services revenue is composed of a per member per month rate as defined by the contract with Maricopa Integrated Health System.

Financial Position

The following are condensed balance sheets at June 30

	2012	2011	2010
Assets			
Current assets	\$ 406,994	\$ 374,588	\$ 382,568
Assets held by trustee	26,571	23,808	23,740
Capital assets, net	385,561	375,122	367,047
Other assets, net	93,386	86,830	90,486
	<u>\$ 912,512</u>	<u>\$ 860,348</u>	<u>\$ 863,841</u>
Liabilities			
Current liabilities	\$ 211,528	\$ 186,182	\$ 216,951
Long-term debt and long-term liabilities	340,474	310,216	313,161
Total liabilities	<u>552,002</u>	<u>496,398</u>	<u>530,112</u>
Net assets	<u>360,510</u>	<u>363,950</u>	<u>333,729</u>
	<u>\$ 912,512</u>	<u>\$ 860,348</u>	<u>\$ 863,841</u>

The University of Arizona Health Network and Subsidiaries

Management's Discussion and Analysis Years Ended June 30, 2012, 2011 and 2010

Liquidity and Capital Resources

Cash, cash equivalents and current unrestricted investments totaled approximately \$161 million, \$196 million and \$154 million at June 30, 2012, 2011 and 2010, respectively. The change in these liquid assets reflects \$6 million in cash provided by operations and \$13 million in net proceeds of debt, offset by \$47 million in capital expenditures; the remaining change was a result of investment activity. Net cash provided by operating activities decreased as compared to the prior year from \$41 million in 2011 to \$6 million in 2012 and decreased from \$73 million in 2010 to \$41 million in 2011, due primarily to payment timing differences for certain current assets and liabilities.

At June 30, 2012, 2011 and 2010, the Corporation's current ratio, which compares current assets to current liabilities, was 1.9, 1.8 and 1.8, respectively. The Corporation's days net patient service revenue in accounts receivable increased slightly to 57 days at June 30, 2012, compared to 56 days at June 30, 2011, and 43 days at June 30, 2010. Capital expenditures totaled \$47 million in 2012 and 2011 and \$77 million in 2010. Fiscal 2010 capital expenditures included the completion of the six-story bed tower and Diamond Children's Medical Center, both located at University Campus.

At June 30, 2012, projects under construction were approximately \$22 million. Management believes that its capital expenditure program is adequate to maintain its existing health care facilities and provide for future growth needed to support the College of Medicine and the communities the Corporation serves.

At June 30, 2012, the Corporation had \$342 million in debt outstanding versus \$306 million at June 30, 2011, and \$293 million at June 30, 2010. The increase in debt outstanding in 2012 was primarily due to the Series 2011 UMC bond issuance offset by the refunding of some prior issuances. The current portion of assets held by trustee for payments to bondholders payable on July 1 of each year includes \$13 million at June 30, 2012, and \$12 million at June 30, 2011 and 2010, respectively. Maturities and other information regarding the current bond obligations are presented in Note 9 to the Corporation's consolidated financial statements.

The increase in total assets primarily reflects the increase due to the Series 2011 UMC bond issuance.

Market Risk Associated With Financial Instruments

The Corporation is exposed to market risk related to changes in fair values of securities. The fair value of investments is primarily based on quoted market prices for identical or similar securities. The Corporation holds investments in corporate fixed-income investments, government and corporate bonds, common stocks, other investments in domestic and international funds, private equity, hedge funds and money market mutual funds. The Corporation's equity and debt investment securities, excluding amounts held by trustees, totaled approximately \$179 million at June 30, 2012. This includes investment securities held by the UMC and UPH Captives of \$74 million at June 30, 2012. With respect to the Corporation's interest-bearing liabilities, the debt payable of \$342 million at June 30, 2012, is primarily subject to fixed rates of interest. The effective interest rates on debt payable range from 4.081 percent to 6.480 percent.

The University of Arizona Health Network and Subsidiaries

Management's Discussion and Analysis Years Ended June 30, 2012, 2011 and 2010

Effects of Inflation and Changing Prices

Various federal and state laws have been enacted that limit the amount the Corporation will receive for patient care. Revenues for acute-care hospital services rendered to Medicare patients are established under the federal government's prospective payment system. At the state level, revenues for acute-care services rendered to AHCCCS patients are based on a cost-based reimbursement program set by the state based on current budgetary conditions. Management believes that hospital industry operating margins have been, and will continue to be, under significant pressure because of changes in payor mix, reimbursement rates, and growth in operating expenses in excess of the increases in payments under Medicare, AHCCCS and other programs. In addition, as a result of increasing regulatory and competitive pressures, including measures being considered under various federal health care reform proposals, the Corporation's ability to maintain operating margins through price increases to nongovernmental payors and patients is limited.

The UAHP has incurred revenue rate reductions from AHCCCS consistent with the AHCCCS provider reimbursement reductions for several years. Based upon the UAHP contracting strategy, the rate reductions from AHCCCS typically translate into almost equivalent medical cost reductions. However, in October 2011, AHCCCS reduced revenue of all of its contracted health plans through implementation of an additional revenue reduction coupled with a new profit limitation. This particular revenue reduction did not translate into medical cost reductions. The total net revenue reduction of the prospective population approximated \$1,900,000.

Contact Information

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The University of Arizona Health Network and Subsidiaries

Consolidated Balance Sheets
June 30, 2012 and 2011
(In Thousands)

Assets	2012	2011
Current Assets		
Cash and cash equivalents	\$ 62,715	\$ 23,073
Short-term investments	98,330	172,596
Patient accounts receivable, net	125,548	115,228
Capitation and contract receivable, net	14,283	24,908
Supplies inventory	17,416	15,187
Assets held by trustee, current portion	13,284	11,883
Prepaid expenses and other	75,418	11,713
Total current assets	406,994	374,588
Assets Held by Trustee, net of current portion	26,571	23,808
Long-Term Investments	80,788	70,292
Capital Assets, net	385,561	375,122
Other Assets, net	12,598	16,538
Total	\$ 912,512	\$ 860,348
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 61,282	\$ 45,980
Accrued payroll and employee benefits	56,625	62,802
Accrued medical claims	25,169	30,434
Accrued professional liability	16,382	8,327
Other accrued liabilities	24,355	17,880
Current portion of long-term debt	27,715	20,759
Total current liabilities	211,528	186,182
Long-Term Debt, net of current portion	313,914	285,626
Other Long-Term Liabilities	26,560	24,590
Total liabilities	552,002	496,398
Commitments and Contingencies		
Net Assets		
Unrestricted	270,246	253,916
Invested in capital assets, net of related debt	65,946	87,597
Restricted	24,318	22,437
Total net assets	360,510	363,950
Total	\$ 912,512	\$ 860,348

See Notes to Consolidated Financial Statements

The University of Arizona Health Network and Subsidiaries

Consolidated Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2012 and 2011
(In Thousands)

	2012	2011
Operating revenues		
Net patient service revenue	\$ 805,789	\$ 740,925
Capitation and contract services revenue	333,773	360,391
Other operating revenue	20,906	17,442
Total operating revenues	1,160,468	1,118,758
Operating expenses		
Salaries and wages	450,779	406,501
Employee benefits	70,453	71,667
Supplies	171,335	153,160
Purchased services	41,866	31,515
Professional services, medical	42,754	42,541
Professional services, nonmedical	28,959	24,577
Medical claims expenses	194,707	215,217
Utilities	12,426	10,537
Other	93,006	95,612
Depreciation and amortization	39,220	37,916
Total operating expenses	1,145,505	1,089,243
Operating income	14,963	29,515
Nonoperating revenues and expenses		
Investment income	707	16,346
Interest expense	(19,450)	(16,796)
Fundraising expenses	(2,005)	(1,741)
Total nonoperating revenues and expenses	(20,748)	(2,191)
(Deficit) excess of revenues over expenses before fundraising and grant income	(5,785)	27,324
Fundraising and grant income	2,345	2,897
(Decrease) increase in net assets	(3,440)	30,221
Net assets, beginning of year	363,950	333,729
Net assets, end of year	<u>\$ 360,510</u>	<u>\$ 363,950</u>

See Notes to Consolidated Financial Statements

The University of Arizona Health Network and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended June 30, 2012 and 2011

(In Thousands)

	2012	2011
Cash Flows From Operating Activities		
Cash received for services provided and other operating receipts	\$ 850,827	\$ 1,009,379
Capitation and contract services received	377,107	380,195
Cash paid for employees and benefits	(524,257)	(470,796)
Cash paid for supplies, purchased services and other	(496,044)	(660,034)
Cash paid for medical claims	(199,972)	(217,558)
Net cash provided by operating activities	7,661	41,186
Cash Flows From Capital and Related Financing Activities		
Proceeds from issuance of Series 2011 Bonds, net of issuance cost	73,239	-
Advance refunding of bonds payable	(33,033)	-
Principal payments on bonds payable	(7,486)	(6,759)
Principal payments on notes payable	(1,282)	(1,525)
Proceeds from borrowings on line of credit	4,000	-
Repayment of capital lease	(2,698)	(3,332)
Purchase of capital assets	(47,590)	(47,100)
Cash paid for interest	(18,879)	(16,319)
Fundraising and grants received net of expenses paid	(29)	(757)
Net cash used in capital and related financing activities	(33,758)	(75,792)
Cash Flows From Investing Activities		
Purchases of investments	(224,337)	(182,798)
Proceeds from sales of investments	291,191	179,010
Decrease in assets held by trustee, net	(3,537)	7,000
Investment income received and other	2,422	11,800
Net cash provided by investing activities	65,739	15,012
Net increase (decrease) in cash and cash equivalents	39,642	(19,594)
Cash and Cash Equivalents, beginning of year	23,073	42,667
Cash and Cash Equivalents, end of year	\$ 62,715	\$ 23,073

(Continued)

The University of Arizona Health Network and Subsidiaries

Consolidated Statements of Cash Flows (Continued)

Years Ended June 30, 2012 and 2011

(In Thousands)

	2012	2011
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 14,963	\$ 29,515
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	39,220	37,916
(Gain) loss on disposal of capital assets	69	(25)
Changes in assets and liabilities		
Patient accounts receivable, net	(1,515)	(64,229)
Supplies inventory	(2,228)	119
Prepaid expenses and other	(50,117)	25,641
Other assets	3,501	(219)
Accounts payable	8,693	21,933
Accrued payroll, employee benefits and other capitation	(52)	(11,899)
Accrued medical claims	(7,814)	2,526
Other accrued liabilities	2,797	3,345
Other long-term liabilities	144	(3,437)
Net cash provided by operating activities	\$ 7,661	\$ 41,186
Supplemental Schedule of Noncash Investing, Capital and Financing Activities		
Capital expenditures included in accounts payable	\$ 1,158	\$ 3,456
Interest capitalized, net of earnings on related bond proceeds	114	271
Change in pledges receivable	(273)	(1,867)
Change in unrealized net appreciation on investments	(1,177)	6,281

See Notes to Consolidated Financial Statements

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Organization and Operations

The University of Arizona Health Network, Inc. (UAHN) and Subsidiaries (the Corporation) (formerly known as UA Healthcare, Inc.), an Arizona not-for-profit corporation, controls University Medical Center Corporation and subsidiaries (UMC) and University Physicians Healthcare and subsidiaries (UPH). The members of the Corporation's Board of Directors are appointed by the Arizona Board of Regents (ABOR).

In June 2010, the Corporation was created to bring UMC and UPH together to align the two organizations strategically and operationally. After the creation of the Corporation, UMC's and UPH's bylaws were changed, designating the Corporation as UMC's and UPH's sole member and granting the Corporation certain reserved power and authority. The Corporation accounted for the business combination as a "pooling like" transaction in which the historical basis of the assets, liabilities and net assets of the separate organizations were combined as of the beginning of the year (July 1, 2010) in which it occurred. These consolidated financial statements include the operations and all activities of UMC and UPH since July 1, 2010.

UMC consists of the following:

- The University of Arizona Medical Center—University Campus (University Campus) was founded in 1971 as University Hospital, the state's first and only academic medical center. It is a 487-bed general acute-care teaching medical facility including the Diamond Children's Medical Center, the Peter and Paula Fasseas Cancer Clinic at UMC North, UMC Orange Grove, and physician offices in Tucson and Green Valley, Arizona. In addition, the University Campus is southern Arizona's sole Level 1 Trauma Center. The University Campus is a primary teaching hospital for The University of Arizona (UA) Colleges of Medicine, Nursing, Pharmacy and Public Health.
- University Medical Center Foundation (UMC Foundation) is an Arizona not-for-profit corporation whose primary purpose is fundraising for UMC.
- UMCC Insurance Funding Limited (UMC Captive) is an offshore captive insurance company used to fund general and professional liability and malpractice insurance coverage.

UPH consists of the following:

- The University of Arizona Physicians (UAP) is the practice plan of the faculty-physicians of the UA College of Medicine. Physicians are employed by both the University of Arizona and by the practice plan. UAP is the largest physician practice in Arizona. It employs more than 700 physicians who are the full-time faculty of the UA College of Medicine. UAP physicians practice at the University of Arizona Health Network's hospitals and at numerous hospitals and clinics across Tucson, southern Arizona and Nevada. As faculty of the UA College of Medicine, UAP physicians educate more than 500 medical students and train nearly as many post-graduate medical residents annually. They also conduct research at The University of Arizona's Arizona Cancer Center, Steele Children's Research Center, Arizona Arthritis Center, Sarver Heart Center and many other facilities and programs.
- South Campus is a 197-bed full-service hospital and outpatient treatment center managed by UPH under an operating agreement with Pima County. South Campus is a primary teaching hospital for UA Colleges of Medicine, Nursing, Pharmacy and Public Health.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Organization and Operations (Continued)

- The University of Arizona Health Plans (UAHP) offer health care insurance plans through three separate subdivisions
 - Health Care Group (HCG) offers insurance plans to small businesses with between two and 50 employees
 - University Family Care (UFC) offers insurance plans to enrollees under a contract through the Arizona Health Care Cost Containment System (AHCCCS) in various counties in southern Arizona
 - The University of Arizona Health Plans—University Care Advantage offers Medicare Advantage prescription drug coverage to enrollees who are dually eligible for both Medicare and Medicaid
- Caduceus Indemnity Insurance Corporation, Ltd (UPH Captive) is a captive insurance company, domiciled in Hawaii, used to fund professional liability and malpractice insurance coverage

The Corporation has formed divisions to more efficiently operate its business. The Corporation operates a Hospital Division, which encompasses University Campus, South Campus, and more than 40 physician offices and clinics across southern Arizona, a Practice Plan Division encompassing UAP, and a Health Plans Division encompassing UAHP.

Note 2. Summary of Significant Accounting Policies

Basis of accounting: The Corporation is a health care organization as defined in the American Institute of Certified Public Accountants' (AICPA) *Audit and Accounting Guide, Health Care Entities*, and follows accounting principles generally accepted in the United States of America. The Corporation follows applicable Governmental Accounting Standards Board (GASB) principles and has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements. Accounting records are maintained on the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Principles of consolidation: The consolidated financial statements include the accounts of the University of Arizona Health Network and all of its subsidiaries (together, the Corporation), as described in Note 1. All significant intercompany accounts and transactions have been eliminated upon consolidation.

Operating revenues and expenses: The Corporation's consolidated statement of revenues, expenses and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care and health insurance services, the Corporation's principal activities. Operating expenses are all expenses incurred to provide health care and health insurance services other than financing costs and fundraising expenses. Nonoperating revenues include investment income and capital-related and other contributions. When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, and then unrestricted resources as they are needed.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents: Cash and cash equivalents include cash, money market funds, and highly liquid debt instruments with original maturities of three months or less at the time of purchase that are not restricted, designated or managed by the Corporation's investment managers. The Corporation maintains cash in bank accounts that frequently exceed federally insured limits. To date, the Corporation has not experienced any losses on such accounts.

Investments: Investments are carried at fair value, which is further explained in Note 5. Realized gains and losses are computed based on the difference between the proceeds received and cost at time of acquisition using the average cost method. The unrealized net appreciation or depreciation of investments in marketable securities represents the change in the fair value of investments in the current period.

Fair value of financial instruments: The carrying amounts of cash and cash equivalents approximate fair value because of the short maturity of these financial instruments. Short-term and long-term investments and assets held by trustee (see Note 6) are generally stated at fair value as determined by quoted market prices of identical or similar securities, with the exception of hedge fund of funds. Hedge fund of funds are carried at the fair values reported by the fund managers based on the fair value of publicly traded securities, broker quotes and independent appraisals.

The fair value of the Corporation's bonds payable is estimated based on observable inputs of quoted prices of other similar bonds. At June 30, 2012 and 2011, the estimated fair value of the Corporation's bonds payable was approximately \$347,077,000 and \$275,206,000, respectively.

Fair value estimates are made at a specific point in time, based on relevant published market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect estimates.

Patient accounts receivable: Patient accounts receivable are reported net of estimated allowances for contractual adjustments and allowances for uncollectible accounts. Estimated allowances for contractual adjustments and uncollectible accounts are approximately \$266,988,000 and \$211,907,000 as of June 30, 2012 and 2011, respectively.

The Corporation grants credit without collateral to its patients. The following summarizes the estimated percentage of net accounts receivable from all payors as of June 30, 2012 and 2011.

	2012	2011
Medicare	31%	28%
Arizona Health Care Cost Containment System (AHCCCS)	26%	32%
Other third-party and commercial payors	33%	37%
Other	10%	3%

Supplies inventory: Inventories are stated at the lower of cost or market, which is determined primarily using the first-in, first-out method. Inventories consist mainly of pharmaceuticals and medical and surgical supplies.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Capital assets: Purchases of land, buildings and equipment are recorded at cost. The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$5,000 for all asset classifications and for items with a useful life of more than one year. Capital assets are reviewed for impairment when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined.

Depreciation: Depreciation is calculated using the straight-line method over the shorter of the capital asset's estimated useful life or lease term. Estimated useful lives are as follows:

Buildings and improvements, leasehold improvements, including certain fixed equipment	10–40 years
Equipment	3–15 years

Deferred financing costs: Other assets include deferred financing costs incurred in connection with the issuance of long-term debt. The deferred financing costs are amortized using the effective-interest method over the terms of the related borrowings.

Accrued medical claims: The costs of hospital and medical services provided to enrollees served under contract are accrued in the period that the services are rendered. A provision has been made for claims in process of review and for claims incurred but not received at year-end. The amount of this liability is computed using historical claims payment experience and a review of experience for similar plans. Estimates are adjusted based upon changes in experience, and such adjustments are reflected in current operations. Considerable variability is inherent in such estimates, and there is at least a possibility that recorded estimates will change by a material amount in the near term.

Premium deficiency reserves: The Corporation performs periodic analysis of its expected future health care costs and maintenance costs to determine whether such costs will exceed anticipated future revenues under its contracts. Should expected costs exceed anticipated revenues, a premium deficiency reserve is recognized. Investment income is not included in the calculation to estimate premium deficiency reserves. The Corporation's contract rates and anticipated expenses resulted in a premium deficiency reserve of \$185,000 and \$0- at June 30, 2012 and 2011, respectively.

Net assets: Net assets of the Corporation are classified in three components. Net assets invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of these assets. Restricted net assets are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors or contributors external to the Corporation. Unrestricted net assets are remaining net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

Income taxes: In general the Corporation's subsidiaries are not-for-profit entities as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Code and related state laws. The Corporation itself applied for Section 501(c)(3) tax-exempt status with the Internal Revenue Service, and the application is pending.

The Corporation has reviewed its tax positions for all open tax years and has concluded that no liabilities exist as of June 30, 2012 and 2011. The Corporation files tax returns with the U.S. federal and the State of Arizona jurisdictions. With few exceptions, the Corporation is no longer subject to U.S. federal examinations by tax authorities for years before 2008.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Premium tax: The State of Arizona imposes a premium tax on capitation payments paid to UAHP by AHCCCS. UAHP receives the premium tax from AHCCCS and remits the entire amount to the appropriate taxing authority. The Corporation includes the taxes collected as revenues and taxes remitted within operating expense in the consolidated statement of revenues, expenses and changes in net assets.

Net patient service revenue: Revenues are recorded when services have been performed. Revenue under third-party payor agreements is subject to audit, retroactive adjustments and significant regulatory actions. Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and as final settlements are determined. Net patient service revenue is reported at the estimated net amounts due from patients and third-party payors for services rendered.

Laws and regulations concerning government programs, including Medicare and AHCCCS, are complex and subject to varying interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. As a result of nationwide investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. The Corporation expects that the level of review and audit to which it and other health care providers are subject will increase. There can be no assurance that regulatory authorities will not challenge the Corporation's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Corporation.

During the fiscal year ended June 30, 2012, the federal government approved the creation of the Safety Net Care Pool (SNCP) in the state of Arizona. Under this SNCP program, the Corporation is reimbursed for a portion of their costs already incurred for the funding for uncompensated care and AHCCCS costs in excess of reimbursement. This reimbursement is facilitated through intergovernmental transfers in accordance with specific state statutes subject to federal regulations and approval. These SNCP reimbursements are recorded as net patient service revenue in the statement of revenues, expenses and changes in net assets. In 2012, the Corporation received and recognized net revenue of approximately \$32 million.

During fiscal years 2012 and 2011, AHCCCS committed approximately \$48 million and \$46 million, respectively, to the Corporation related to the Corporation's eligible unreimbursed Indirect Medical Education (IME) costs. The fiscal year 2012 funds were not received by June 30, 2012, and are recorded in prepaid expenses and other on the consolidated balance sheet. The fiscal year 2011 funds were received by June 30, 2011. In both years, the revenue associated with IME was recorded in net patient service revenue. The availability of these funds was made possible due to the Corporation's unreimbursed IME costs and facilitated by matching funds made available by UA and Pima County.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Capitation and contract services revenue: Capitation and contract services revenue consists of amounts earned under contracts that require the Corporation to provide health care services to subscribers of the contracting agency for either set monthly fees or monthly capitation fees as agreed upon by the Corporation and the contracting agency, and other amounts earned under contractual provisions. Amounts receivable under these agreements are recorded as capitation and contract receivables. All revenue, except that received from Pima County to assist in re-establishing a stable physician practice and to support the continued operation of the hospital (see Note 16), is received primarily from AHCCCS. Revenues are recognized in the period to which health care coverage relates. Capitation rates for nonreconciled risk groups are subject to adjustment based on national episodic/diagnostic risk. Provisions for settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and as final settlements are determined.

Other operating revenue: Other operating revenue includes amounts received from UA to help defray a portion of the costs incurred by the Corporation in support of the academic mission of UA (see Note 14). Also included in other operating revenue are amounts received from the State of Arizona to support the cost of providing trauma services and electronic health records (EHR).

In fiscal 2012, the Corporation met the Medicaid EHR requirements for its two hospitals and certain eligible providers and applied for the incentive. The amount recognized as other operating revenue in fiscal 2012 for these Medicaid EHR funds was \$10,878,000, of which \$2,621,000 was received in fiscal 2012. The receivable is recorded as prepaid expenses and other. These payments are subject to audit by the EHR Incentive Programs.

Fundraising and grant income: During 2012 and 2011, the Corporation received approximately \$333,000 and \$330,000, respectively, in grant revenues from the federal government and the State of Arizona, which are included in fundraising and grant income. These funds were used to acquire equipment as permitted under the grant agreements and were recognized as revenue when the funds were expended for the purpose specified by the grantor. In addition, the Corporation recognized \$2,012,000 and \$2,567,000 in fundraising income during 2012 and 2011, respectively, based on the terms of certain donor pledge agreements. Contributions (including contributions of capital assets) are recognized as revenue in the period in which they are made, unless there are donor-imposed conditions that have not been met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. All fundraising and grant income are reported as nonoperating revenues as fundraising and grant income. A majority of the restricted net assets are restricted for donor intent, debt service and other regulatory purposes.

Community benefit: The Corporation furthers its charitable purpose by providing a wide variety of benefits to the community. These services and donations account for a measurable portion of the Corporation's costs and serve to promote affordable access to care, health education, community development and healthy lifestyles (see Note 3).

Risk management: The Corporation is exposed to various risks of loss from theft of, damage to, and destruction of assets, malpractice, workers' compensation, employee medical, and other matters for which the Corporation has self-insured a portion of and purchased commercial insurance coverage for the remaining risk. Settled claims have not exceeded this commercial coverage in any of the two preceding years.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

The Corporation also receives insurance coverage from the State of Arizona to reduce the risk of catastrophic loss on services provided under the AHCCCS programs. The gross capitation rates received from AHCCCS are reduced by the reinsurance cost. Under the state program, risk of loss for inpatient claims is generally limited to an annual deductible of \$20,000 per member, per policy year. Eligible reinsurance claims are reported in the accompanying consolidated financial statements as a reduction of health care expense in the amount expected to be collected from AHCCCS. Reinsurance receivable represents management's best estimate and is calculated based on the identification of qualifying incurred inpatient expense and a percentage of estimated inpatient cost incurred but not yet reported.

The cost of medical malpractice losses incurred by the Corporation is accrued in the period that the services are rendered. A provision has been made for claims in process of review and for claims incurred but not received at year-end. The amount of this liability is computed using historical claims payment experience and is recognized on an undiscounted basis. Estimates are adjusted based upon changes in experience, and such adjustments are reflected in current operations.

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 financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events: All of the effects of subsequent events that provide additional evidence about conditions that existed at the consolidated balance sheet date, including the estimates inherent in the process of preparing the consolidated financial statements, are recognized in the consolidated financial statements. The Corporation does not recognize subsequent events that provide evidence about conditions that did not exist at the consolidated balance sheet date but arose after, but before the consolidated financial statements are available to be issued. In some cases, nonrecognized subsequent events are disclosed to keep the consolidated financial statements from being misleading.

The Corporation has evaluated events and transactions occurring subsequent to June 30, 2012, through October 16, 2012, the date of issuance of the consolidated financial statements. During this period, there were no events requiring recognition in the consolidated financial statements. Additionally, there were no nonrecognized subsequent events requiring disclosure.

Note 3. Unsponsored Community Benefit Expense

Unsponsored community benefits are programs or activities that provide treatment or promote health and healing as a response to identified community needs. These benefits (a) generate a low or negative margin, (b) respond to the needs of special populations, such as persons living in poverty and other disenfranchised persons, (c) supply services or programs that would likely be discontinued or would need to be provided by another not-for-profit or government provider, if the decision was made on a purely financial basis, (d) respond to public health needs and/or (e) involve education or research that improves overall community health.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Unsponsored Community Benefit Expense (Continued)

The Corporation provides health care services free of charge to individuals who meet certain financial criteria. All patients in need of emergency services are accepted regardless of their ability to pay. The Corporation also offers substantial discounts to individuals who lack insurance or whose insurance coverage may not cover certain services, under its policy for the uninsured and underinsured. Under this program, patients are charged no more than the rate the Corporation receives under the Medicare program, and patients are given a discount based upon a sliding fee scale based upon 2012 federal poverty guidelines. The Corporation also incurs significant costs to provide emergency care to non-U.S. citizens, as mandated under federal regulations. In addition, management believes costs incurred in excess of revenues received on services provided to enrollees under the Arizona Health Care Cost Containment System (AHCCCS), a government-mandated program for the indigent (see Note 4), also represent charity care. Charges for traditional charity care services are excluded from revenues. The estimated net costs, in excess of reimbursement, is determined using a cost of charge ratio. The costs of providing care to the uninsured, non-U.S. citizens and to AHCCCS recipients were as follows for the years ended June 30, 2012 and 2011 (in thousands):

	2012	2011
Uninsured costs in excess of reimbursement	\$ 34,362	\$ 14,597
AHCCCS costs in excess of reimbursement	9,104	15,643
Non-U.S. citizens costs in excess of reimbursement	1,935	2,179
Net cost of charity care	<u>\$ 45,401</u>	<u>\$ 32,419</u>

The Corporation directly contributes to programs that benefit the community, including medical research and other outreach programs, as further described in Note 15. Total community benefits, including these programs, are as follows for the years ended June 30, 2012 and 2011 (in thousands):

	2012	2011
Net cost of charity care (stated above)	\$ 45,401	\$ 32,419
The University of Arizona support	52,722	55,020
Contributions to community organizations	872	814
	<u>\$ 98,995</u>	<u>\$ 88,253</u>

Note 4. Net Patient Service Revenue

The Corporation has agreements with third-party payors that provide for payments at amounts different from its established rates. Net patient service revenue is reported at estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. A summary of the payment arrangements with major third-party payors follows:

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 4. Net Patient Service Revenue (Continued)

Medicare: Inpatient acute and nonacute care and a majority of outpatient services rendered to Medicare program beneficiaries are primarily paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain outpatient services and medical education costs related to Medicare beneficiaries are paid primarily based on a cost-reimbursement methodology. The University Campus and the South Campus cost reimbursements are determined after submission of an annual cost report and audits thereof by the Medicare Administrative Contractor (MAC). Rates paid the University Campus and the South Campus by Medicare for outpatient services generally do not cover their costs. The classification of patients under the Medicare program and appropriateness of their admission are subject to review. The University Campus and the South Campus cost reports have been audited by the MAC through June 30, 2009 and 2010, respectively.

Arizona Health Care Cost Containment System: AHCCCS is Arizona's alternative to the Medicaid program and is designed to provide for a portion of the cost of indigent health care needs. For outpatient services, the Corporation is reimbursed on a fixed payment system similar to Medicare's outpatient prospective payment system. For inpatient services, the Corporation receives a per diem rate depending on the AHCCCS plan payor and the nature of the services provided. One of the AHCCCS plan payors is a subsidiary (UFC). All of the activity with this entity is eliminated in these consolidated financial statements. Rates paid to the Corporation by AHCCCS and AHCCCS-sponsored health plans are established at levels substantially less than the Corporation's costs. AHCCCS has maintained a rate freeze on all Arizona hospitals, including the Corporation, which was effective for fiscal year 2009, and imposed statewide rate reductions on April 1, 2011, and October 1, 2011.

Other: The Corporation has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Corporation under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

Note 5. Investments

Investment income on unrestricted investments consists of the following for the years ended June 30, 2012 and 2011 (in thousands)

	2012	2011
Net gain (loss) on sale of investments	\$ (4,265)	\$ 4,561
Change in unrealized net unrealized gains and (losses) on investments	(1,177)	6,281
Interest income on unrestricted investments	5,187	4,847
Interest income on assets held by trustee	962	657
Investment income	<u>\$ 707</u>	<u>\$ 16,346</u>

It is the Corporation's policy to classify investments without external restrictions or internal designation as short-term investments. The following tables present the estimated maturities of the Corporation's investments, excluding assets held by trustee (see Note 6), utilizing the segmented time distribution method as of June 30, 2012 and 2011 (in thousands)

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Investments (Continued)

Investment Type	Fair Value	2012 Investment Maturities (In Years)			
		Less Than 1	1 to 5	6 to 10	11 +
Debt securities					
Corporate debt securities	\$ 6,330	\$ 257	\$ 3,965	\$ 2,108	\$ -
Collateralized mortgage obligations	4,512	-	2	-	4,510
United States governmental-sponsored agencies mortgage-backed securities	12,901	-	3,996	2,016	6,889
Other debt securities	2,510	-	-	-	2,510
		<u>\$ 257</u>	<u>\$ 7,963</u>	<u>\$ 4,124</u>	<u>\$ 13,909</u>
Other securities					
Money market mutual funds	14,041				
Hedge fund of funds	15,331				
Equity mutual funds	67,818				
Fixed-income mutual funds	46,795				
Alternative investments	3,907				
Exchange-traded funds	<u>4,973</u>				
Total investments	179,118				
Less short-term investments	<u>(98,330)</u>				
Long-term investments	<u>\$ 80,788</u>				

Investment Type	Fair Value	2011 Investment Maturities (In Years)			
		Less Than 1	1 to 5	6 to 10	11 +
Debt securities					
Corporate debt securities	\$ 7,275	\$ 182	\$ 4,761	\$ 2,332	\$ -
Collateralized mortgage obligations	7,247	-	49	449	6,749
United States governmental-sponsored agencies mortgage-backed securities	10,926	-	-	1,946	8,980
Other debt securities	8,468	3,301	924	-	4,243
		<u>\$ 3,483</u>	<u>\$ 5,734</u>	<u>\$ 4,727</u>	<u>\$ 19,972</u>
Other securities					
Money market mutual funds	52,376				
Hedge fund of funds	22,873				
Equity mutual funds	90,893				
Fixed-income mutual funds	35,376				
Alternative investments	4,239				
Exchange-traded funds	<u>3,215</u>				
Total investments	242,888				
Less short-term investments	<u>(172,596)</u>				
Long-term investments	<u>\$ 70,292</u>				

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Investments (Continued)

Long-term investments: Long-term investments totaled \$80,788,000 and \$70,292,000 at June 30, 2012 and 2011, respectively, and include assets held by the Corporation's Captives for professional liability funding and assets of the Corporation's Foundations that have donor restrictions. Assets held by the Corporation's Captives include \$2,620,000 at June 30, 2012 and 2011, that is required to be maintained to meet its minimum statutory capital requirements. Long-term investments that are required for obligations classified as current liabilities are reported in short-term investments.

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Corporation's investment policy limits the portfolio duration related to debt securities to the Lehman Brothers Intermediate Government/Credit Index. This is an index based on all publicly issued intermediate government and corporate debt securities with average maturities of four to five years.

Credit risk: Investment in fixed-income securities is limited to investment-grade securities with a credit rating of BBB or equivalent, or better. At June 30, 2012 and 2011, respectively, the Corporation held \$3,134,000 and \$21,194,000 of AAA-rated, \$16,775,000 and \$6,640,000 of AA-rated, \$5,147,000 and \$5,870,000 of A-rated, and \$1,197,000 and \$212,000 of below A-rated securities.

Custodial credit risk: The investments of the Corporation are uninsured and held by brokers in the Corporation's name.

Investment policy and valuation: The Corporation engages third parties to provide outsourced investment management and advisory services for the purpose of assisting the Corporation in optimizing investment portfolio performance. As part of this process, the Investment Committee of the Board of Directors periodically reviews and approves the Corporation's investment policies, with a goal of improving investment returns and reducing the risk of investment principal loss. The Corporation's investment policies follow an asset allocation approach with a portfolio allocated to meet expected near-term, intermediate and long-term needs. Under the policies, investment concentration in any one market segment is restricted. The following discussion describes how the Corporation's investments are valued.

Money market mutual funds: These holdings are invested in various money market funds, which primarily invest in U.S. government securities. The carrying value equals the statement balance adjusted for any unpaid earnings, which approximates fair value.

Corporate debt securities: These holdings are invested in various domestic corporate debt securities. The market value of these investments is based on the investment manager and/or trustee's valuation estimate, which is predominantly based on a market approach using trade data, current bids and comparable trades.

Collateralized mortgage obligations: These obligations are backed by collateral. The fair value of these investments is based on the investment manager and/or trustee's estimate, which is predominantly based on a market approach using trade data, current bids and comparable trades.

United States governmental-sponsored agencies mortgaged-backed securities: These securities are securitized investments that pool mortgages and give the holders of these securities the rights to the cash flows of the underlying mortgages within the pool they own. The fair value of these investments is based on the investment manager and/or trustee's estimate, which is predominantly based on a market approach using trade data, current bids and comparable trades.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Investments (Continued)

Hedge fund of funds: Hedge fund of funds are recorded at the fair values reported by the fund managers. Accounting principles generally accepted in the United States of America define fair value as the amount at which an investment could be exchanged for cash in a current transaction with a third party, other than in a forced liquidation or sale. The funds' fair values, however, do not necessarily represent the liquidation value or market value of the funds. The Corporation values the investments based on the net asset value (NAV), as a practical expedient to fair value, reported to the Corporation by the fund manager. Management believes this method provides a reasonable estimate of fair value. Hedge funds of funds are generally redeemable with the fund manager at NAV under the original terms of the investment agreements. Due to the nature of these investments, it is reasonably possible that, if the Corporation were to sell all or a portion of its hedge fund of funds, the transaction value could be significantly different than the fair value reported at June 30.

Mutual funds: All of the investments listed in these categories consist primarily of domestic equities and fixed-income mutual funds with readily determinable market values. These investments are recorded at fair value based on quoted market prices.

Note 6. Assets Held by Trustee

Assets held by trustee include investments held under an indenture agreement related to bonds payable and amounts held by a trustee as required by the Industrial Commission of Arizona for workers' compensation. These investments are carried at their fair value, except for the guaranteed investment contracts, which are nonparticipating and are carried at cost. The composition of assets held by trustee is as follows as of June 30, 2012 and 2011 (in thousands):

	June 30, 2012			
	UAHN	UPH	UMC	Total
Funds held by trustee, as required by the Industrial Commission of Arizona	\$ 2,748	\$ -	\$ -	\$ 2,748
Funds held by trustee, related to bonds payable				
Debt service funds	-	-	13,284	13,284
Bond reserve funds	-	1,155	22,668	23,823
	-	1,155	35,952	37,107
Total assets held by trustee	2,748	1,155	35,952	39,855
Less current portion	-	-	(13,284)	(13,284)
Assets held by trustee, net of current portion	\$ 2,748	\$ 1,155	\$ 22,668	\$ 26,571

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Assets Held by Trustee (Continued)

	June 30, 2011		
	UPH	UMC	Total
Funds held by trustee, as required by the Industrial Commission of Arizona	\$ -	\$ 2,251	\$ 2,251
Funds held by trustee, related to bonds payable			
Debt service funds	-	11,883	11,883
Bond reserve funds	1,143	20,229	21,372
Interest accumulation account	-	185	185
	1,143	32,297	33,440
Total assets held by trustee	1,143	34,548	35,691
Less current portion	-	(11,883)	(11,883)
Assets held by trustee, net of current portion	\$ 1,143	\$ 22,665	\$ 23,808

Assets held by trustee were invested as follows at June 30, 2012 and 2011 (in thousands)

	June 30, 2012			
	UAHN	UPH	UMC	Total
Money market mutual funds	\$ -	\$ 123	\$ 24,554	\$ 24,677
Commercial paper	-	-	8,487	8,487
U S Treasury securities	2,748	1,032	2,911	6,691
Total assets held by trustee	\$ 2,748	\$ 1,155	\$ 35,952	\$ 39,855

	June 30, 2011		
	UPH	UMC	Total
Money market mutual funds	\$ 119	\$ 5,671	\$ 5,790
Commercial paper	-	16,041	16,041
U S Treasury securities	1,024	8,464	9,488
Guaranteed investment contracts	-	4,372	4,372
Total assets held by trustee	\$ 1,143	\$ 34,548	\$ 35,691

All of the Corporation's assets held by trustee mature within one year. For the years ended June 30, 2012 and 2011, a majority of all assets held by trustee that were invested in debt securities have credit ratings of A or equivalent, or better, all money market mutual funds are not rated. See Note 5 for disclosures related to interest rate and custodial credit risks.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 7. Capital Assets

A summary of capital assets as of June 30 is as follows (in thousands)

	June 30, 2011	Additions	Retirements	Reclassifications	June 30, 2012
Land and improvements	\$ 15,948	\$ -	\$ -	\$ 8	\$ 15,956
Buildings and improvements	432,345	7,211	-	4,120	443,676
Equipment	270,899	18,800	(1,874)	1,216	289,041
Construction in process	3,398	23,805	-	(5,344)	21,859
Total	722,590	49,816	(1,874)	-	770,532
Less accumulated depreciation for					
Land improvements	(539)	(105)	-	-	(644)
Buildings and improvements	(155,287)	(14,552)	-	-	(169,839)
Equipment	(191,642)	(23,971)	1,125	-	(214,488)
Total	(347,468)	(38,628)	1,125	-	(384,971)
Capital assets, net	\$ 375,122	\$ 11,188	\$ (749)	\$ -	\$ 385,561

	June 30, 2010	Additions	Retirements	Reclassifications	June 30, 2011
Land and improvements	\$ 15,259	\$ 75	\$ -	\$ 614	\$ 15,948
Buildings and improvements	400,492	7,511	(151)	24,493	432,345
Equipment	244,386	24,415	(2,795)	4,893	270,899
Construction in process	20,050	13,348	-	(30,000)	3,398
Total	680,187	45,349	(2,946)	-	722,590
Less accumulated depreciation for					
Land improvements	(455)	(84)	-	-	(539)
Buildings and improvements	(141,789)	(13,658)	145	15	(155,287)
Equipment	(170,896)	(23,503)	2,772	(15)	(191,642)
Total	(313,140)	(37,245)	2,917	-	(347,468)
Capital assets, net	\$ 367,047	\$ 8,104	\$ (29)	\$ -	\$ 375,122

During 2012 and 2011, the Corporation completed and placed in service various assets. Accordingly, the costs of these projects were reclassified from construction in process to completed assets. Capital assets are depreciable, with the exception of land, construction in process, and certain artwork. Nondepreciable capital assets totaled \$36,530,000 and \$18,230,000 at June 30, 2012 and 2011, respectively. Interest costs incurred during construction, net of earnings on unspent bond proceeds on project-specific debt, which totaled approximately \$114,000 and \$271,000 for the years ended June 30, 2012 and 2011, respectively, are capitalized as a component of the cost of such additions. Capitalization of interest ceases when the additions are placed into service. Maintenance and repairs are expensed as incurred.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 8. Other Assets

A summary of other assets as of June 30, 2012 and 2011, is as follows (in thousands)

	2012	2011
Long-term portion of pledges receivable	\$ 7,038	\$ 7,716
Other	5,560	8,822
Other noncurrent assets, net	<u>\$ 12,598</u>	<u>\$ 16,538</u>

The Corporation has recorded pledges receivable from certain donors that have payment terms of two to five years. The pledges have no stated interest rate, thus, interest has been imputed at approximately 4 percent to 6 percent, and the pledges have been recorded at their estimated net present value. The current portion of pledges receivable was \$1,385,000 and \$980,000 at June 30, 2012 and 2011, respectively, and is included in prepaid expenses and other on the accompanying consolidated balance sheets.

Note 9. Long-Term Debt

A summary of long-term debt as of June 30, 2012 and 2011, is as follows (in thousands)

	Effective Interest	Principal and Interest Payments Payable Through	2012	2011
Obligated by University Medical Center Series 2011 Bonds, \$73,275,000, net of discount, collateralized by a security interest in UMC's gross revenue	4.08%	July 2039	\$ 73,325	\$ -
Series 2009 Bonds, \$61,800,000, net of discount, collateralized by a security interest in UMC's gross revenue	6.48%	July 2039	60,394	60,324
Series 2005 Bonds, \$140,000,000, net of discount, collateralized by a security interest in UMC's gross revenue	5.01%	July 2035	139,276	139,519
Series 2004 Bonds, \$52,000,000, net of discount, collateralized by a security interest in UMC's gross revenue	4.82%	July 2033	39,502	41,383
Series 1993 Bonds, \$54,750,000	5.53%		-	34,479
Capital leases and notes payable			658	1,114
			<u>313,155</u>	<u>276,819</u>
Less current portion			(5,105)	(5,608)
Long-term debt, net of current portion for UMC			<u>308,050</u>	<u>271,211</u>

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Long Term Debt (Continued)

	Effective Interest	Principal and Interest Payments Payable Through	2012	2011
Obligated by University Physicians Healthcare Series 2006 Authority Tax Exempt Revenue Bond, \$10,000,000, net of discount (d)	4 77%	September 2013	2,042	3,589
Series 2005A Authority Tax Exempt Revenue Bond, \$6,750,000, net of discount (d)	4 42%	December 2025	5,222	5,492
Series 2005B Authority Tax Exempt Revenue Bond, \$3,250,000, net of discount (d)	4 21%	December 2012	269	790
Series 2000 Health Facilities Tax Exempt Revenue Bonds, \$5,000,000, net of discount, with a weekly variable interest rate averaging 0 30% in 2012 and 0 41% in 2011, collateralized by UPH capital assets and a letter of credit	(a)	August 2030 (c)	3,635	3,760
Series 1994 Health Facilities Tax Exempt Revenue Bonds, \$4,000,000, net of discount, with a weekly variable interest rate averaging 0 30% in 2012 and 0 41% in 2011, collateralized by UPH capital assets, a letter of credit and certain investments	(a)	August 2018 (c)	800	900
\$20,000,000 revolving line-of-credit agreement with Compass Bank, collateralized by a second and prior lien on certain of UPH's real property	(b)	Due on demand	13,950	9,950
Capital leases and notes payable			966	2,331
			<u>26,884</u>	<u>26,812</u>
Less current portion			(21,177)	(13,879)
Long-term debt, net of current portion for UPH			<u>5,707</u>	<u>12,933</u>
Obligated by University Medical Imaging Capital lease			1,590	2,754
Less current portion			(1,433)	(1,272)
Long-term debt, net of current portion			<u>157</u>	<u>1,482</u>
Total debt for the Corporation				
Total			341,629	306,385
Less current portion			(27,715)	(20,759)
Long-term debt, net of current portion			<u>\$ 313,914</u>	<u>\$ 285,626</u>

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Long Term Debt (Continued)

- (a) The interest rates of the Series 2000 and 1994 debt issuances are based on the LIBOR rate, plus 2.5 percent per annum (2.74 percent at June 30, 2012)
- (b) The interest rate of the revolving line of credit is calculated as the higher of LIBOR plus 2 percent or 3.75 percent (3.75 percent at June 30, 2012). The line-of-credit agreement expires in March 2013.
- (c) While the variable-rate revenue bonds have scheduled maturities that are long-term, the bond holders may put the bonds to UPH at certain times. In conjunction with the variable-rate revenue bonds, UPH has entered into bank standby purchase and credit agreements in the amount of the bonds plus any accrued interest. Under the terms of these agreements, which expire on March 31, 2013, the bank will make liquidity loans to UPH immediately if the bond holders put the bonds to UPH and they are not successfully remarketed. Any draws on these agreements are due March 31, 2013. Because the letter of credit expires within the 2013 fiscal year, the variable-rate revenue bonds may be due in 2013 and are shown as current liabilities at June 30, 2012.
- (d) These debt issuances are collateralized by UPH capital assets and secured primarily by deed of trust, the assignments of rents and leases, a security agreement, and a fixture filing made by UPH to Compass Bank.

Future scheduled maturities of bonds and related interest payable, at June 30, 2012, are as follows (in thousands) assuming the variable-rate demand revenue bonds are not remarketed and the standby purchase and credit agreements are not renewed:

	Principal	Interest
2013	\$ 27,715	\$ 18,156
2014	7,370	16,887
2015	6,406	16,568
2016	6,728	16,243
2017	7,083	15,897
2018–2022	41,800	73,603
2023–2027	53,895	62,517
2028–2032	67,270	47,530
2033–2037	80,845	27,743
2038–2041	44,520	4,218
Total	343,632	\$ 299,362
Less unamortized portion of bond discount	(2,003)	
Total scheduled maturities of bonds payable, net	\$ 341,629	

UMC is subject to certain financial covenants under the Master Trust Indenture (the Indenture). In addition, the Indenture places certain restrictions on the incurrence of additional indebtedness and the sale or acquisition of property. UMC is the only member of the obligated group responsible for the public debt offerings by UMC.

UPH is also subject to certain financial and nonfinancial covenants under its bond agreements. UPH did not meet certain of its financial covenants as of June 30, 2012, and has obtained the necessary waivers from the banking institutions.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Long-Term Debt (Continued)

The Corporation has established and maintains separate funds as a bond reserve fund on outstanding bonds payable. These funds totaled \$23,823,000 and \$21,372,000 at June 30, 2012 and 2011, respectively, are held by the trustee, and reflected in assets held by trustee in the accompanying consolidated balance sheets (see Note 6).

The bonds or other obligations of the Corporation do not constitute general obligations of the Arizona Board of Regents, UA, the State of Arizona, or any political subdivision thereof.

On August 9, 2011, the Corporation received proceeds of approximately \$74,400,000 from the issuance of the University Medical Center Corporation Hospital Revenue Bonds Series 2011, with an average interest rate of approximately 4.95 percent. Approximately \$38,000,000 of the proceeds was used to reimburse the Corporation for costs of the acquisition, construction, expansion, improvement and equipping of the Corporation's health care facilities. Approximately \$3,400,000 was used to fund a bond reserve fund escrow account and for the costs related to the issuance of the bonds. The remaining funds were used to redeem the University Medical Center Corporation Hospital Revenue Bonds Series 1993. A loss on refunding of approximately \$1,146,000, primarily related to unamortized financing costs and discounts on the Series 1993 Bonds, will be incurred. The loss is deferred and was amortized over the remaining term of the Series 1993 Bonds. The refunding resulted in a decrease in future debt service payments of approximately \$274,000 and an economic gain of approximately \$257,000.

Schedules of changes in the Corporation's long-term debt for the years ended June 30, 2012 and 2011, are as follows (in thousands):

	June 30, 2011	Additions	Reductions	June 30, 2012	Amounts Due Within One Year
Bonds payable	\$ 290,235	\$ 73,239	\$ 39,009	\$ 324,465	\$ 11,400
Notes payable	1,935	51	1,282	704	351
Capital leases	4,265	-	1,755	2,510	2,014
Line of credit	9,950	4,000	-	13,950	13,950
Total debt	<u>\$ 306,385</u>	<u>\$ 77,290</u>	<u>\$ 42,046</u>	<u>\$ 341,629</u>	<u>\$ 27,715</u>

	June 30, 2010	Additions	Reductions	June 30, 2011	Amounts Due Within One Year
Bonds payable	\$ 296,994	\$ -	\$ 6,759	\$ 290,235	\$ 7,077
Notes payable	3,384	76	1,525	1,935	1,217
Capital leases	7,597	-	3,332	4,265	2,515
Line of credit	10,000	-	50	9,950	9,950
Total debt	<u>\$ 317,975</u>	<u>\$ 76</u>	<u>\$ 11,666</u>	<u>\$ 306,385</u>	<u>\$ 20,759</u>

Note 10. Operating Leases

The Corporation leases certain equipment, warehouse and office space under noncancelable operating leases, which expire through 2034. Rental expense recorded on operating leases was approximately \$7,147,000 and \$6,413,000 for the years ended June 30, 2012 and 2011, respectively.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Operating Leases (Continued)

Following is a schedule of future minimum lease payments under noncancelable operating leases (in thousands)

Years Ending June 30,

2013	\$	8,588
2014		6,904
2015		5,358
2016		4,044
2017		251
Thereafter		6,027
Total	\$	<u>31,172</u>

Note 11. Accrued Medical Claims

Accrued medical claims liability at June 30, 2012 and 2011, consists of the following (in thousands)

	2012	2011
Claims payable or pending approval	\$ 11,509	8,691
Provisions for claims incurred but not yet reported	13,660	21,743
	<u>\$ 25,169</u>	<u>\$ 30,434</u>

UAHP estimates accrued claims payable based on historical claims payments and other relevant information. Unpaid claims adjustment expenses are an estimate of the cost to process the incurred but not reported claims and are included in the accrued medical claims liability. Estimates are continually monitored and reviewed, and as settlements are made or estimates adjusted, differences are reflected in current operations. Such estimates are subject to the impact of changes in the regulatory environment and economic conditions. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided.

The following is a reconciliation of the accrued claims liability for the years ended June 30, 2012 and 2011 (in thousands)

	2012	2011
Beginning balance	<u>\$ 30,434</u>	<u>32,775</u>
Incurred		
Current	198,460	219,000
Prior	(3,753)	(3,783)
Total	<u>194,707</u>	<u>215,217</u>
Paid		
Current	169,301	186,017
Prior	30,671	31,541
Total	<u>199,972</u>	<u>217,558</u>
Accrued medical claims	<u>\$ 25,169</u>	<u>\$ 30,434</u>

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 12. Accrued Professional Liability and Other Long-Term Liabilities

Schedules of changes in the Corporation's accrued professional liability and other long-term liabilities for the years ended June 30, 2012 and 2011, are as follows (in thousands)

	June 30, 2011	Additions	Reductions	June 30, 2012	Amounts Due Within One Year
Accrued professional liability	\$ 22,821	\$ 19,614	\$ 11,092	\$ 31,343	\$ 16,382
Employee vacation and benefit	29,216	15,832	16,471	28,577	19,433
Other	3,555	17,156	11,611	9,100	6,645
Total	55,592	52,602	39,174	69,020	<u>\$ 42,460</u>
Less current portion					
Accrued professional liability	(8,327)	(9,683)	(1,628)	(16,382)	
Included in accrued payroll and employee benefits	(20,969)	(12,482)	(14,018)	(19,433)	
Included in other accrued liabilities	(1,706)	(13,254)	(8,315)	(6,645)	
Other long-term liabilities	<u>\$ 24,590</u>	<u>\$ 17,183</u>	<u>\$ 15,213</u>	<u>\$ 26,560</u>	

	June 30, 2010	Additions	Reductions	June 30, 2011	Amounts Due Within One Year
Accrued professional liability	\$ 22,534	\$ 19,691	\$ 19,404	\$ 22,821	\$ 8,327
Employee vacation and benefit	29,422	12,054	12,260	29,216	20,969
Other	12,652	7,438	16,535	3,555	1,706
Total	64,608	39,183	48,199	55,592	<u>\$ 31,002</u>
Less current portion					
Accrued professional liability	(11,773)	(7,503)	(10,949)	(8,327)	
Included in accrued payroll and employee benefits	(19,817)	(11,788)	(10,636)	(20,969)	
Included in other accrued liabilities	(1,706)	-	-	(1,706)	
Other long-term liabilities	<u>\$ 31,312</u>	<u>\$ 19,892</u>	<u>\$ 26,614</u>	<u>\$ 24,590</u>	

Employee vacation and benefit reserves include estimated liabilities for the Corporation's self-insured employee medical and workers' compensation benefits

Professional liability insurance: Effective June 30, 2011, the Corporation carried a consolidated aggregate limit of \$75,000,000 for excess commercial, professional and general liability exposures. This is in excess of the \$4,000,000/\$28,000,000 (aggregate) that the Corporation's Captives provide. Annual premiums for the coverage provided by the Corporation's Captives are determined by the Captive Board of Directors after considering an actuarial report produced by a third-party actuary, which considers past claim experience, relevant trend factors and future expectations. These premiums eliminate in consolidation.

Effective June 30, 2012, the Corporation and the State of Arizona Department of Administration Risk Management Section of the Office of the Attorney General entered into a Medical Malpractice Risk Allocation Agreement (MMRAA) to provide a mechanism for the coordinated defense of claims and for the allocation of costs relating to the defense and indemnity of medical malpractice claims. The MMRAA provides that the Corporation is responsible for 83 percent of the costs and liabilities.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 12. Accrued Professional Liability and Other Long-Term Liabilities (Continued)

The Corporation has undiscounted professional and general liabilities estimated losses of approximately \$31,343,000 and \$22,821,000 at June 30, 2012 and 2011, respectively, to provide for actual and projected claims. The accrued professional liability has been estimated by a third-party actuary and is included in accrued professional and general liabilities in the accompanying consolidated balance sheets. Cash and investments held by the Corporation's Captives to fund this liability totaled approximately \$73,842,000 and \$65,103,000 at June 30, 2012 and 2011, respectively.

Self-insured workers' compensation: The Corporation has established self-insurance funds (see Note 6) for the retained portion of its workers' compensation insurance program. The funding for the estimated retained amounts is based on the Industrial Commission of Arizona's calculation of the costs for both reported claims and actuarially determined estimates of claims incurred but not yet reported.

The self-insured workers' compensation retention for 2012 is \$400,000 per occurrence. In addition, the Corporation purchases an excess workers' compensation policy to provide statutory limits coverage in excess of the \$400,000 retention.

Effective July 1, 2011, UPH entered into the Corporation's self-insured workers' compensation program. Previously, UPH purchased commercial insurance. The Corporation has recorded an undiscounted liability of approximately \$3,969,000 (inclusive of UPH) and \$3,482,000 as of June 30, 2012 and 2011, respectively, for incurred claims and those claims that have been incurred but not yet reported, which is included in other accrued liabilities and other long-term liabilities in the accompanying consolidated balance sheets.

Self-insured health and dental programs: The Corporation is self-insured for employee medical and dental for its employees. The accrual for estimated claims includes estimates of the ultimate costs for claims incurred but not reported and are based upon the estimated cost of settlement. Self-insured health insurance retention in 2012 is \$500,000 per insured member. The Corporation has recorded a liability of approximately \$5,181,000 and \$4,609,000 at June 30, 2012 and 2011, respectively, for known claims and for estimated claims that have been incurred but not yet reported, which is included in accrued payroll and employee benefits in the accompanying consolidated balance sheets.

Note 13. Retirement Plans

Effective January 2012, the Corporation consolidated their existing retirement plans into a new defined contribution plan, The University of Arizona Health Network Employee Retirement and Savings Plan (the UAHN Plan), for employees of the Corporation. The UAHN Plan covers all employees subject to minimum employment requirements, as defined in the plan agreement. The Corporation makes contributions to the UAHN Plan in amounts equal to (a) 3 percent of total compensation plus (b) 3 percent of compensation in excess of 80 percent of the FICA wage base. In addition, the Corporation will make up to a 3 percent matching contribution to a 403(b) plan for the benefit of those employees that participate in the matching program. Such contributions are allocated to each participant as defined in the plan agreement and vest over five years. Retirement plan expense, net of participant forfeitures, was approximately \$14,887,000 and \$10,874,000 for the years ended June 30, 2012 and 2011, respectively. Accrued liabilities include \$6,669,000 and \$5,661,000 payable to the UAHN Plan as of June 30, 2012 and 2011, respectively.

Full-time physician employees of the Corporation who are also faculty employees of the University of Arizona must participate in the Arizona state retirement system (ASRS). The program is funded through payroll deductions from covered members. Contributions to the retirement program by the Corporation are not separately identified, but are included in an aggregate amount paid to the University of Arizona for employee-related expenses, which also includes payroll taxes and various insurance costs.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 14. Related-Party Transactions

University of Arizona: The Corporation and UA both provide and receive services from each other under various contracts, which are negotiated on a year-to-year basis. Payments to UA by the Corporation include utilities, leases, grounds maintenance and various administrative functions. Amounts paid to UA for these services were approximately \$7,178,000 and \$6,375,000 the years ended June 30, 2012 and 2011, respectively.

The Corporation pays UA for services provided by interns and residents. Resident and intern salaries totaled approximately \$30,065,000 and \$30,806,000 for the years ended June 30, 2012 and 2011, respectively. These amounts are determined through annual negotiations, which consider market rates and the staffing needs of both the College of Medicine and the Corporation. In addition, the Corporation provided support of approximately \$17,093,000 and \$19,984,000, respectively, to various departments of UA, the College of Medicine, and UA's nursing program.

The Corporation has entered into contractual agreements with UA to provide support for the academic mission of UA, which is negotiated on a year-to-year basis. Charges to UA for such services and facilities provided by the Corporation were approximately \$9,253,000 and \$9,418,000 for the years ended June 30, 2012 and 2011, respectively. This amount is included in other operating revenue in the accompanying consolidated financial statements.

The Corporation has an agreement with the Arizona Board of Regents whereby it is required to pay to the dean of the College of Medicine 4 percent of all fees collected for professional health care services delivered by its members and employees. Assessments totaled \$6,055,000 and \$5,583,000 in fiscal 2012 and 2011, respectively. The fund may be used at the discretion of the dean for the benefit of the College of Medicine. In addition, the Corporation contracts for payroll, personnel and purchased services with UA. Fees assessed for these services totaled \$4,731,000 and \$3,902,000 in fiscal 2012 and 2011, respectively.

Note 15. Reinsurance

The Corporation receives reinsurance coverage from the State of Arizona to reduce the risk of catastrophic loss on services provided under the University Family Care program. This reinsurance expense is reflected as reduced capitation rates paid to UPH. Under the state program, risk of loss for inpatient claims is generally limited to an annual deductible of \$20,000 per member, per policy year. Eligible claims in excess of the deductible are generally paid at 75 percent to 100 percent with no annual maximum benefit. The risk of loss for members with a diagnosis that is specifically covered by the state program or members who receive a covered transplant is not limited by a deductible. These claims are generally paid at 85 percent to 100 percent with no annual maximum benefit.

The State of Arizona also provides reinsurance coverage for HCG claims. Claims in excess of \$225,000 for contract year 2011–2012 are reimbursed by Berkley Accident and Health, a third-party insurer, at 50 percent to 90 percent up to a maximum of \$2,000,000.

Amounts received and estimated to be recoverable under reinsurance contracts totaling approximately \$17,500,000 and \$19,900,000 for fiscal 2012 and 2011, respectively, are treated as a reduction of health care claims expense, which is included in operating expense in the accompanying consolidated financial statements. Recorded recoveries represent management's best estimate and are calculated based on a percentage of health care claims costs incurred. As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term. Reinsurance receivables total approximately \$6,501,000 and \$7,917,000 at June 30, 2012 and 2011, respectively.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 16. Commitments and Contingencies

Regulatory matters: The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, and reimbursement for patient services. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Corporation is in compliance with fraud and abuse, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

The Centers for Medicare & Medicaid Services (CMS) implemented a project using recovery audit contractors (RACs) as part of CMS's further efforts to assure accurate payments. The project uses the RACs to search for potentially inaccurate Medicare payments that may have been made to health care providers and that were not detected through existing CMS program integrity efforts. Once a RAC identifies a claim it believes is inaccurate, it makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. The Corporation will deduct from revenue amounts assessed under the RAC audits at the time a notice is received until such time that estimates of net amounts due can be reasonably estimated. RAC assessments against the Corporation are anticipated, however, the outcome of such assessments are unknown and cannot be reasonably estimated.

The Health Information Technology for Economic and Clinic Health (HITECH) portion of the American Recovery and Reinvestment Act of 2009 includes \$27.0 billion in incentives through Medicare and Medicaid reimbursement systems to foster electronic health record (EHR) adoption. In order to be eligible for EHR incentive funding, eligible hospitals and professionals must use a certified EHR, report quality measures, and achieve "meaningful use," as defined by HITECH. During 2012, the Corporation achieved the criteria for stage one meaningful use under the Medicaid (AHCCCS) plan (see Note 2). The Corporation is assessing the impact of the incentive funding and the implementation cost (see Note 7 for current commitments) to achieve criteria for the Medicare plan and the remaining stages of the Medicaid plan.

Lease with Pima County: Pima County (the County) is required to pay the Corporation for service fees as defined in the lease to assist in supporting the continued operation of South Campus. All obligations under the agreement are to be performed by the Corporation and its subsidiaries. Under the terms of the agreement, ABOR and the Corporation have the option of terminating the agreement at any time with at least one year advance written notice. The County is required to continue to make any payments due under the agreement during that one-year period. The amounts are recorded as capitation and contract services revenue and totaled \$15,000,000 and \$20,000,000 in 2012 and 2011, respectively. A new two-year contract has been negotiated between ABOR and the County for additional funding up to \$40,000,000 over the next two years.

In June 2004, UPH entered into an agreement with the County to lease the South Campus hospital facility. Rent is payable in annual installments of \$10, or \$250 in the aggregate over the initial lease term. The Corporation is responsible for the hospital operations and its financial results. The initial term of the lease is 25 years. The Corporation has an extension option for another 25 years.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 16. Commitments and Contingencies (Continued)

University Family Care performance bond: UPH secured an annual performance bond on behalf of University Family Care (UFC) in the amount of \$20,188,000 with Fidelity and Deposit Company of Maryland and Zurich American Insurance Company to satisfy the performance bond requirement of UFC's AHCCCS contract. The bond satisfies UFC's contractual obligation as prescribed by AHCCCS.

University Family Care AHCCCS performance measures: UFC's contract with AHCCCS requires UFC be in compliance with certain financial and nonfinancial performance measures as defined. At June 30, 2012, UFC was in compliance with these financial performance measures. Management has determined that UFC has maintained AHCCCS nonfinancial performance standard in all categories. Due to the uncertainty of the outcome of AHCCCS's review, it is at least reasonably possible that the Corporation could experience a loss upon review.

All of UFC's revenues were earned under its AHCCCS contract. Continuation of the AHCCCS programs is dependent upon governmental policies. This contract is subject to renewal. UFC has been awarded its AHCCCS contract renewal through September 30, 2013. The loss of this contract would have an adverse effect on UFC's future operations.

Litigation: The Corporation is party to a number of pending or threatened lawsuits arising out of, or incidental to, the ordinary course of business for which it carries professional and general liability coverage and other insurance coverages (see Note 12). In the opinion of management, upon consultation with legal counsel, all of the pending or threatened lawsuits that are determined to result in a probable loss to the Corporation have been properly recorded within the consolidated financial statements.

Note 17. Recent Accounting Pronouncements Not Yet Adopted

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued December 2010, will be effective for the Corporation beginning with its year ending June 30, 2013. This statement is intended to enhance the usefulness of the codification of governmental accounting and financial reporting standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This statement incorporates into GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Oversight Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining guidance in a single source, the GASB believes that GASB Statement No. 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local governments' financial reports. Management is currently evaluating the effect of this pronouncement on the Corporation.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 18. Condensed Financial Information

Following is the condensed balance sheet as of June 30, 2012, and the related condensed statements of revenues, expenses and changes in net assets, and cash flows for the material subsidiaries of The University of Arizona Health Network for the year ended June 30, 2012 (in thousands)

	UMC	UPH	UAHN	Eliminations and Other	Total Corporation	
					2012	2011
Current assets	\$ 300,736	\$ 119,867	\$ (10,514)	\$ (3,095)	\$ 406,994	\$ 374,588
Capital assets	313,006	48,870	20,255	3,430	385,561	375,122
Other long-term assets	59,427	56,556	2,748	1,226	119,957	110,638
Total assets	<u>\$ 673,169</u>	<u>\$ 225,293</u>	<u>\$ 12,489</u>	<u>\$ 1,561</u>	<u>\$ 912,512</u>	<u>\$ 860,348</u>
Current liabilities	\$ 72,406	\$ 116,975	\$ 20,930	\$ 1,217	\$ 211,528	\$ 186,182
Long-term liabilities	320,716	16,702	2,899	157	340,474	310,216
Total liabilities	<u>393,122</u>	<u>133,677</u>	<u>23,829</u>	<u>1,374</u>	<u>552,002</u>	<u>496,398</u>
Net assets						
Unrestricted	236,336	65,505	(11,340)	(20,255)	270,246	253,916
Invested in capital assets, net of related debt	23,367	22,137	-	20,442	65,946	87,597
Restricted	20,344	3,974	-	-	24,318	22,437
Total net assets	<u>280,047</u>	<u>91,616</u>	<u>(11,340)</u>	<u>187</u>	<u>360,510</u>	<u>363,950</u>
Total	<u>\$ 673,169</u>	<u>\$ 225,293</u>	<u>\$ 12,489</u>	<u>\$ 1,561</u>	<u>\$ 912,512</u>	<u>\$ 860,348</u>

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 18. Condensed Financial Information (Continued)

	UMC	UPH	UAHN	Eliminations and Other	Total Corporation	
					2012	2011
Net patient service revenue	\$ 619,282	\$ 225,337	\$ 206	\$ (39,036)	\$ 805,789	\$ 740,925
Capitation and contract services revenue	-	333,335	438	-	333,773	360,391
Other operating revenue	25,835	32,606	237	(37,772)	20,906	17,442
Total operating revenues	645,117	591,278	881	(76,808)	1,160,468	1,118,758
Operating expenses	595,704	587,280	1,611	(78,310)	1,106,285	1,051,327
Depreciation	24,112	4,573	9,364	1,171	39,220	37,916
Total operating expenses	619,816	591,853	10,975	(77,139)	1,145,505	1,089,243
Operating income (loss)	25,301	(575)	(10,094)	331	14,963	29,515
Nonoperating revenue (expenses)	(20,531)	1,149	(1,246)	(120)	(20,748)	(2,191)
Excess (deficit) of revenues over expenses before fundraising and grant income	4,770	574	(11,340)	211	(5,785)	27,324
Fundraising and grant income	2,345	24	-	(24)	2,345	2,897
Increase in net assets	7,115	598	(11,340)	187	(3,440)	30,221
Net assets, beginning of year	272,932	91,018	-	-	363,950	333,729
Net assets, end of year	\$ 280,047	\$ 91,616	\$ (11,340)	\$ 187	\$ 360,510	\$ 363,950
Net cash provided (used) by						
Operating activities	\$ (415)	\$ (15,122)	\$ 24,435	\$ (1,237)	\$ 7,661	\$ 41,186
Capital and related financing activities	(8,130)	(4,295)	(21,810)	477	(33,758)	(75,792)
Investing activities	37,245	30,360	(2,626)	760	65,739	15,012
Increase (decrease) in cash	28,700	10,943	(1)	-	39,642	(19,594)
Beginning cash	4,514	18,554	-	-	23,073	42,667
Ending cash	\$ 33,214	\$ 29,497	\$ (1)	\$ -	\$ 62,715	\$ 23,073

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 18. Condensed Financial Information (Continued)

Following is the condensed balance sheet as of June 30, 2012, and the related condensed statements of revenues, expenses and changes in net assets, and cash flows for the material subsidiaries of UMC for the year ended June 30, 2012 (in thousands)

	University Campus	UMC Captive	Eliminations and Other	Total UMC	
				2012	2011
Current assets	\$ 287,715	\$ 57	\$ 12,964	\$ 300,736	\$ 259,230
Capital assets	312,862	-	144	313,006	321,041
Other long-term assets	28,203	18,012	13,212	59,427	54,909
Total assets	<u>\$ 628,780</u>	<u>\$ 18,069</u>	<u>\$ 26,320</u>	<u>\$ 673,169</u>	<u>\$ 635,180</u>
Current liabilities	\$ 71,409	\$ 2,274	\$ (1,277)	\$ 72,406	\$ 77,392
Long-term liabilities	317,079	3,637	-	320,716	284,856
Total liabilities	<u>388,488</u>	<u>5,911</u>	<u>(1,277)</u>	<u>393,122</u>	<u>362,248</u>
Net assets					
Unrestricted	211,950	12,158	12,228	236,336	190,554
Invested in capital assets, net of related debt	23,367	-	-	23,367	63,862
Restricted	4,975	-	15,369	20,344	18,516
Total net assets	<u>240,292</u>	<u>12,158</u>	<u>27,597</u>	<u>280,047</u>	<u>272,932</u>
Total	<u>\$ 628,780</u>	<u>\$ 18,069</u>	<u>\$ 26,320</u>	<u>\$ 673,169</u>	<u>\$ 635,180</u>

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 18. Condensed Financial Information (Continued)

	University Campus	UMC Captive	Eliminations and Other	Total UMC	
				2012	2011
Net patient service revenue	\$ 619,282	\$ -	\$ -	\$ 619,282	\$ 586,341
Other operating revenue	25,835	3,600	(3,600)	25,835	20,117
Total operating revenues	645,117	3,600	(3,600)	645,117	606,458
Operating expenses	598,568	2,915	(5,779)	595,704	547,016
Depreciation	24,112	-	-	24,112	28,480
Total operating expenses	622,680	2,915	(5,779)	619,816	575,496
Operating income	22,437	685	2,179	25,301	30,962
Nonoperating revenue (expenses)	(19,321)	74	(1,284)	(20,531)	(5,116)
Excess of revenues over expenses before fundraising and grant income (expense)	3,116	759	895	4,770	25,846
Fundraising and grant income (expense)	-	-	2,345	2,345	2,381
Increase in net assets	3,116	759	3,240	7,115	28,227
Net assets, beginning of year	237,176	11,399	24,357	272,932	244,705
Net assets, end of year	\$ 240,292	\$ 12,158	\$ 27,597	\$ 280,047	\$ 272,932
Net cash provided (used) by					
Operating activities	\$ (415)	\$ -	\$ -	\$ (415)	\$ 56,126
Capital and related financing activities	(8,130)	-	-	(8,130)	(58,685)
Investing activities	36,902	(1)	344	37,245	5,542
Increase (decrease) in cash	28,357	(1)	344	28,700	2,983
Beginning cash	4,138	51	325	4,514	1,531
Ending cash	\$ 32,495	\$ 50	\$ 669	\$ 33,214	\$ 4,514

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 18. Condensed Financial Information (Continued)

Following is the condensed balance sheet as of June 30, 2012, and the related condensed statements of revenues, expenses and changes in net assets, and cash flows for the material subsidiaries of UPH for the year ended June 30, 2012 (in thousands)

	UPH	UPH Captive	UFC	Eliminations and Other	Total UPH	
					2012	2011
Current assets	\$ 100,126	\$ 9,173	\$ 7,905	\$ 2,663	\$ 119,867	\$ 122,392
Capital assets	40,323	-	-	8,547	48,870	50,071
Other long-term assets	4,727	55,830	515	(4,516)	56,556	54,314
Total assets	<u>\$ 145,176</u>	<u>\$ 65,003</u>	<u>\$ 8,420</u>	<u>\$ 6,694</u>	<u>\$ 225,293</u>	<u>\$ 226,777</u>
Current liabilities	\$ 134,627	\$ 16,642	\$ 23,887	\$ (58,181)	\$ 116,975	\$ 111,229
Long-term liabilities	5,828	10,874	(40,561)	40,561	16,702	24,530
Total liabilities	<u>140,455</u>	<u>27,516</u>	<u>(16,674)</u>	<u>(17,620)</u>	<u>133,677</u>	<u>135,759</u>
Net assets (deficit)						
Unrestricted	(10,020)	34,987	25,094	15,444	65,505	63,362
Invested in capital assets, net of related debt	13,590	-	-	8,547	22,137	23,735
Restricted	1,151	2,500	-	323	3,974	3,921
Total net assets	<u>4,721</u>	<u>37,487</u>	<u>25,094</u>	<u>24,314</u>	<u>91,616</u>	<u>91,018</u>
Total	<u>\$ 145,176</u>	<u>\$ 65,003</u>	<u>\$ 8,420</u>	<u>\$ 6,694</u>	<u>\$ 225,293</u>	<u>\$ 226,777</u>
Net patient service revenue	\$ 243,460	\$ -	\$ -	\$ (18,123)	\$ 225,337	\$ 194,261
Capitation and contract services revenue	52,273	-	220,360	60,702	333,335	360,391
Other operating revenue	32,606	5,230	-	(5,230)	32,606	39,565
Total operating revenues	<u>328,339</u>	<u>5,230</u>	<u>220,360</u>	<u>37,349</u>	<u>591,278</u>	<u>594,217</u>
Operating expenses	331,052	6,846	215,636	33,746	587,280	586,289
Depreciation	3,409	-	442	722	4,573	8,265
Total operating expenses	<u>334,461</u>	<u>6,846</u>	<u>216,078</u>	<u>34,468</u>	<u>591,853</u>	<u>594,554</u>
Operating income (loss)	(6,122)	(1,616)	4,282	2,881	(575)	(337)
Nonoperating revenue (expenses)	(918)	2,293	-	(226)	1,149	1,815
Excess (deficit) of revenues over expenses before fundraising and grant income	(7,040)	677	4,282	2,655	574	1,478
Fundraising and grant income	24	-	-	-	24	516
Increase (decrease) in net assets	(7,016)	677	4,282	2,655	598	1,994
Net assets, beginning of year	11,737	36,810	20,812	21,659	91,018	89,024
Net assets, end of year	<u>\$ 4,721</u>	<u>\$ 37,487</u>	<u>\$ 25,094</u>	<u>\$ 24,314</u>	<u>\$ 91,616</u>	<u>\$ 91,018</u>

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 18. Condensed Financial Information (Continued)

	UPH	UPH Captive	UFC	Eliminations and Other	Total UPH	
					2012	2011
Net cash provided (used) by						
Operating activities	\$ (87,302)	\$ -	\$ -	\$ 72,180	\$ (15,122)	\$ (16,676)
Capital and related financing activities	(4,295)	-	-	-	(4,295)	(15,367)
Investing activities	31,265	(905)	-	-	30,360	9,454
Increase (decrease) in cash	(60,332)	(905)	-	72,180	10,943	(22,589)
Beginning cash	11,870	4,990	-	1,694	18,554	41,143
Ending cash	<u>\$ (48,462)</u>	<u>\$ 4,085</u>	<u>\$ -</u>	<u>\$ 73,874</u>	<u>\$ 29,497</u>	<u>\$ 18,554</u>

Supplementary Information

The University of Arizona Health Network and Subsidiaries

Consolidating Balance Sheet

June 30, 2012 (With Comparative Totals for 2011)

(In Thousands)

Assets	UMC	UPH	UAHN	Other	Eliminations	Total	
						2012	2011
Current Assets							
Cash and cash equivalents	\$ 33,214	\$ 29,497	\$ -	\$ 4	\$ -	\$ 62,715	\$ 23,073
Short-term investments	91,790	6,540	-	-	-	98,330	172,596
Patient accounts receivable, net	91,830	38,281	-	-	(4,563)	125,548	115,228
Capitation and contract receivable, net	-	14,283	-	-	-	14,283	24,908
Supplies inventory	13,909	3,507	-	-	-	17,416	15,187
Assets held by trustee, current portion	13,284	-	-	-	-	13,284	11,883
Prepaid expense and other	56,709	27,759	(10,514)	279	1,185	75,418	11,713
Total current assets	300,736	119,867	(10,514)	283	(3,378)	406,994	374,588
 Assets Held by Trustee, net of current portion	 22,668	 1,155	 2,748	 -	 -	 26,571	 23,808
 Long-Term Investments, net of current portion	 24,958	 55,830	 -	 -	 -	 80,788	 70,292
 Capital Assets, net	 313,006	 48,870	 20,255	 3,430	 -	 385,561	 375,122
 Other Assets, net	 11,801	 (429)	 -	 -	 1,226	 12,598	 16,538
Total	\$ 673,169	\$ 225,293	\$ 12,489	\$ 3,713	\$ (2,152)	\$ 912,512	\$ 860,348
Liabilities and Net Assets							
Current Liabilities							
Accounts payable	\$ 32,993	\$ 23,350	\$ 7,238	\$ -	\$ (2,299)	\$ 61,282	\$ 45,980
Accrued payroll and employee benefits	15,443	29,812	13,634	-	(2,264)	56,625	62,802
Accrued medical claims	-	25,169	-	-	-	25,169	30,434
Accrued professional liability	4,827	11,555	-	-	-	16,382	8,327
Other accrued liabilities	14,038	5,912	58	3,162	1,185	24,355	17,880
Current portion of long-term debt	5,105	21,177	-	1,433	-	27,715	20,759
Total current liabilities	72,406	116,975	20,930	4,595	(3,378)	211,528	186,182
 Long-Term Debt, net of current portion	 308,050	 5,707	 -	 157	 -	 313,914	 285,626
 Other Long-Term Liabilities	 12,666	 10,995	 2,899	 -	 -	 26,560	 24,590
Total liabilities	393,122	133,677	23,829	4,752	(3,378)	552,002	496,398
 Net Assets (Deficit)	 280,047	 91,616	 (11,340)	 (1,039)	 1,226	 360,510	 363,950
Total	\$ 673,169	\$ 225,293	\$ 12,489	\$ 3,713	\$ (2,152)	\$ 912,512	\$ 860,348

University Medical Center Corporation and Subsidiaries

Consolidating Balance Sheet

June 30, 2012 (With Comparative Totals for 2011)

(In Thousands)

Assets	University Campus	Other	Eliminations	Totals	
				2012	2011
Current Assets					
Cash and cash equivalents	\$ 32,495	\$ 719	\$ -	\$ 33,214	\$ 4,514
Short-term investments	80,939	10,851	-	91,790	132,109
Patient accounts receivable, net	91,830	-	-	91,830	87,992
Supplies inventory	13,909	-	-	13,909	11,973
Assets held by trustee, current portion	13,284	-	-	13,284	11,883
Prepaid expenses and other	55,258	2,782	(1,331)	56,709	10,759
Total current assets	287,715	14,352	(1,331)	300,736	259,230
 Assets Held by Trustee, net of current portion	 22,668	 -	 -	 22,668	 22,665
 Long-Term Investments, net of current portion	 47	 24,911	 -	 24,958	 20,336
 Capital Assets, net	 312,862	 144	 -	 313,006	 321,041
 Other Assets, net	 5,488	 7,038	 (725)	 11,801	 11,908
Total	\$ 628,780	\$ 46,445	\$ (2,056)	\$ 673,169	\$ 635,180
Liabilities and Net Assets					
Current Liabilities					
Accounts payable	\$ 32,885	\$ 169	\$ (61)	\$ 32,993	\$ 25,430
Accrued payroll and employee benefits	16,713	-	(1,270)	15,443	27,119
Accrued professional liability	2,668	2,159	-	4,827	1,644
Other accrued liabilities	14,038	-	-	14,038	17,300
Current portion of long-term debt	5,105	-	-	5,105	5,899
Total current liabilities	71,409	2,328	(1,331)	72,406	77,392
 Long-Term Debt, net of current portion	 308,050	 -	 -	 308,050	 271,862
 Other Long-Term Liabilities	 9,029	 3,637	 -	 12,666	 12,994
Total liabilities	388,488	5,965	(1,331)	393,122	362,248
 Net Assets	 240,292	 40,480	 (725)	 280,047	 272,932
Total	\$ 628,780	\$ 46,445	\$ (2,056)	\$ 673,169	\$ 635,180

University Physicians Healthcare and Subsidiaries

Consolidating Balance Sheet June 30, 2012 (With Comparative Totals for 2011) (In Thousands)

Assets	UAP	South Campus	UAHP	Capital and Other	UPH Captive	Eliminations	Totals	
							2012	2011
Current Assets								
Cash and cash equivalents	\$ 18,672	\$ (77,300)	\$ 10,166	\$ 73,874	\$ 4,085	\$ -	\$ 29,497	\$ 18,554
Short-term investments	-	5,003	-	1,537	-	-	6,540	40,487
Patient accounts receivable, net	21,130	18,465	-	-	-	(1,314)	38,281	29,786
Capitation and contract receivable, net	2,370	1,230	10,683	-	-	-	14,283	24,908
Supplies inventory	25	3,302	-	180	-	-	3,507	3,214
Assets held by trustee, current portion	-	-	-	-	-	-	-	-
Prepaid expense and other	13,446	19,638	874	(1,446)	5,088	(9,841)	27,759	5,443
Total current assets	55,643	(29,662)	21,723	74,145	9,173	(11,155)	119,867	122,392
Assets Held by Trustee, net of current portion	-	-	-	1,155	-	-	1,155	1,143
Long-Term Investments, net of current portion	-	-	-	4,034	55,830	(4,034)	55,830	49,956
Capital Assets, net	1,207	17,468	8,547	21,648	-	-	48,870	50,071
Other Assets, net	(613)	13	33	138	-	-	(429)	3,215
Total	\$ 56,237	\$ (12,181)	\$ 30,303	\$ 101,120	\$ 65,003	\$ (15,189)	\$ 225,293	\$ 226,777
Liabilities and Net Assets								
Current Liabilities								
Accounts payable	\$ 3,505	\$ 7,415	\$ 5,057	\$ 7,236	\$ 137	\$ -	\$ 23,350	\$ 19,927
Accrued payroll and employee benefits	21,324	3,369	1,636	3,791	-	(308)	29,812	35,683
Accrued medical claims	-	-	25,964	-	-	(795)	25,169	32,983
Accrued professional liability	-	-	-	-	16,469	(4,914)	11,555	6,683
Other accrued liabilities	586	559	(55,796)	65,665	36	(5,138)	5,912	2,074
Current portion of long- term debt	-	16,492	-	4,685	-	-	21,177	13,879
Total current liabilities	25,415	27,835	(23,139)	81,377	16,642	(11,155)	116,975	111,229
Long-Term Debt, net of current portion and discounts	-	1,340	-	4,367	-	-	5,707	12,933
Other Long-Term Liabilities	-	121	-	-	10,874	-	10,995	11,597
Total liabilities	25,415	29,296	(23,139)	85,744	27,516	(11,155)	133,677	135,759
Net Assets (Deficit)	30,822	(41,477)	53,442	15,376	37,487	(4,034)	91,616	91,018
Total	\$ 56,237	\$ (12,181)	\$ 30,303	\$ 101,120	\$ 65,003	\$ (15,189)	\$ 225,293	\$ 226,777

The University of Arizona Health Network and Subsidiaries

Consolidating Statement of Revenues, Expenses and Changes in Net Assets Year Ended June 30, 2012 (With Comparative Totals for 2011) (In Thousands)

	UMC	UPH	UAHN	Other	Eliminations	Totals	
						2012	2011
Operating revenues							
Net patient service revenue	\$ 619,282	\$ 225,337	\$ 206	\$ 3,175	\$ (42,211)	\$ 805,789	\$ 740,925
Capitation and contract services revenue	-	333,335	438	-	-	333,773	360,391
Other operating revenue	25,835	32,606	237	-	(37,772)	20,906	17,442
Total operating revenues	645,117	591,278	881	3,175	(79,983)	1,160,468	1,118,758
Operating expenses							
Salaries and wages	216,966	190,314	43,394	-	105	450,779	406,501
Employee benefits	34,312	34,688	11,261	-	(9,808)	70,453	71,667
Supplies	144,013	25,213	2,027	7	75	171,335	153,160
Purchased services	34,542	5,829	1,465	91	(61)	41,866	31,515
Professional services, medical	68,716	10,376	993	-	(37,331)	42,754	42,541
Professional services, nonmedical	1,562	6,597	20,698	102	-	28,959	24,577
Medical claims expense	-	223,935	-	-	(29,228)	194,707	215,217
Utilities	6,978	2,189	3,136	123	-	12,426	10,537
Other	88,615	88,139	(81,363)	1,400	(3,785)	93,006	95,612
Depreciation and amortization	24,112	4,573	9,364	1,171	-	39,220	37,916
Total operating expenses	619,816	591,853	10,975	2,894	(80,033)	1,145,505	1,089,243
Operating income (loss)	25,301	(575)	(10,094)	281	50	14,963	29,515
Nonoperating revenues and expenses							
Investment income	(1,757)	2,342	122	-	-	707	16,346
Interest expense	(16,864)	(1,124)	(1,368)	(94)	-	(19,450)	(16,796)
Fundraising expense	(1,910)	(69)	-	-	(26)	(2,005)	(1,741)
Total nonoperating revenues and expenses	(20,531)	1,149	(1,246)	(94)	(26)	(20,748)	(2,191)
Excess (deficit) of revenues over expenses before fundraising and grant income	4,770	574	(11,340)	187	24	(5,785)	27,324
Fundraising and grant income	2,345	24	-	-	(24)	2,345	2,897
Increase (decrease) in net assets	\$ 7,115	\$ 598	\$ (11,340)	\$ 187	\$ -	\$ (3,440)	\$ 30,221

University Medical Center Corporation and Subsidiaries

Consolidating Statement of Revenues, Expenses and Changes in Net Assets Year Ended June 30, 2012 (With Comparative Totals for 2011) (In Thousands)

	University Campus	Other	Eliminations	Totals	
				2012	2011
Operating revenues					
Net patient service revenue	\$ 619,282	\$ -	\$ -	\$ 619,282	\$ 586,341
Other operating revenue	25,835	3,600	(3,600)	25,835	20,117
Total operating revenues	645,117	3,600	(3,600)	645,117	606,458
Operating expenses					
Salaries and wages	216,966	-	-	216,966	220,837
Employee benefits	34,312	-	-	34,312	36,707
Supplies	144,018	(5)	-	144,013	129,505
Purchased services	34,542	-	-	34,542	25,733
Professional services, medical	70,891	-	(2,175)	68,716	72,306
Professional services, nonmedical	1,562	-	-	1,562	4,281
Utilities	6,978	-	-	6,978	6,102
Other	89,299	2,916	(3,600)	88,615	51,545
Depreciation and amortization	24,112	-	-	24,112	28,480
Total operating expenses	622,680	2,911	(5,775)	619,816	575,496
Operating income	22,437	689	2,175	25,301	30,962
Nonoperating revenues and expenses					
Investment income	(2,178)	421	-	(1,757)	11,509
Interest expense	(16,864)	-	-	(16,864)	(15,016)
Fundraising expenses	(279)	544	(2,175)	(1,910)	(1,609)
Total nonoperating revenues and expenses	(19,321)	965	(2,175)	(20,531)	(5,116)
Excess of revenues over expenses before fundraising and grant income	3,116	1,654	-	4,770	25,846
Fundraising and grant income	-	2,345	-	2,345	2,381
Increase in net assets	\$ 3,116	\$ 3,999	\$ -	\$ 7,115	\$ 28,227

University Physicians Healthcare and Subsidiaries

Consolidating Statement of Revenues, Expenses and Changes in Net Assets Year Ended June 30, 2012 (With Comparative Totals for 2011) (In Thousands)

	UAP	South Campus	UAHP	Capital and Other	UPH Captive	Eliminations	Totals	
							2012	2011
Operating revenues								
Net patient service revenue	\$ 142,546	\$ 100,914	\$ -	\$ -	\$ -	\$ (18,123)	\$ 225,337	\$ 194,261
Capitation and contract services	51,871	-	288,677	402	-	(7,615)	333,335	360,391
Other operating revenue	-	32,606	-	-	5,230	(5,230)	32,606	39,565
Total operating revenues	194,417	133,520	288,677	402	5,230	(30,968)	591,278	594,217
Operating expenses								
Salaries and wages	123,925	47,917	18,472	-	-	-	190,314	185,182
Employee benefits	22,127	10,567	4,268	-	-	(2,274)	34,688	39,824
Supplies	2,451	22,552	208	2	-	-	25,213	23,576
Purchased services	694	2,838	2,297	-	-	-	5,829	5,724
Professional services, medical	614	17,320	39	-	-	(7,597)	10,376	11,552
Professional services, nonmedical	1,504	3,775	1,304	-	14	-	6,597	11,137
Medical claim expense	-	67	239,718	-	-	(15,850)	223,935	250,030
Utilities	417	1,706	66	-	-	-	2,189	4,228
Other	49,600	22,692	13,978	284	6,832	(5,247)	88,139	55,036
Depreciation and amortization	585	3,062	1,164	(238)	-	-	4,573	8,265
Total operating expenses	201,917	132,496	281,514	48	6,846	(30,968)	591,853	594,554
Operating income (loss)	(7,500)	1,024	7,163	354	(1,616)	-	(575)	(337)
Nonoperating revenues and expenses								
Investment income (loss)	2,151	28	(155)	207	2,293	(2,182)	2,342	3,576
Interest expense	-	(2,858)	(71)	(377)	-	2,182	(1,124)	(1,629)
Fundraising expenses	(1)	(68)	-	-	-	-	(69)	(132)
Total nonoperating revenues and expenses	2,150	(2,898)	(226)	(170)	2,293	-	1,149	1,815
Excess (deficit) of revenues over expenses before fundraising and grant income	(5,350)	(1,874)	6,937	184	677	-	574	1,478
Fundraising and grant income	-	-	-	24	-	-	24	516
Increase (decrease) in net assets	\$ (5,350)	\$ (1,874)	\$ 6,937	\$ 208	\$ 677	\$ -	\$ 598	\$ 1,994

Health Care Group (an Operating Division of University Physicians Healthcare)

Balance Sheets
June 30, 2012 and 2011
(In Thousands)

Assets	2012	2011
Current Assets		
Incentive receivable	\$ 306	\$ 662
Current due from affiliates and intercompany receivables	17,580	15,424
Other current assets	79	77
Total current assets	\$ 17,965	\$ 16,163
Liabilities and Net Assets		
Current Liabilities		
Accrued administrative costs	\$ 129	\$ 275
Medical claims payable	903	1,056
Other current liabilities	316	716
Total current liabilities	1,348	2,047
Unrestricted Net Assets	16,617	14,116
Total	\$ 17,965	\$ 16,163

Health Care Group (an Operating Division of University Physicians Healthcare)

Statements of Revenues, Expenses and Changes in Net Assets

Years Ended June 30, 2012 and 2011

(In Thousands)

	2012	2011
Revenues		
Capitation premiums	\$ 13,158	\$ 15,124
Reconciliation	360	662
Total revenues	13,518	15,786
Health care expenses		
Hospitalization expenses		
Hospital inpatient	1,968	2,635
Total hospitalization expenses	1,968	2,635
Medical compensation		
Primary care physician services	439	603
Referral physician services	1,759	2,501
Other professional services	197	18
Total medical compensation expenses	2,395	3,122
Other medical expenses		
Emergency services	431	546
Pharmacy	2,353	2,231
Lab, x-ray and medical imaging	335	844
Outpatient facility	1,391	810
Durable medical equipment	23	67
Transportation	269	400
NF, home health care	23	144
Physical therapy	(8)	117
Miscellaneous medical expenses	2	-
Total other medical expenses	4,819	5,159
Total health care expenses	9,182	10,916
Less		
Reinsurance	12	(316)
Third-party liability	(61)	(22)
Total net health care expenses	9,133	10,578
Administrative expenses		
Compensation	1,543	1,940
Data processing	66	116
Management fees	42	89
Occupancy	10	28
Depreciation	26	27
Other administrative expenses	197	190
Total administrative expenses	1,884	2,390
Total expenses	11,017	12,968
Increase in unrestricted net assets	2,501	2,818
Unrestricted net assets, beginning of year	14,116	11,298
Unrestricted net assets, end of year	\$ 16,617	\$ 14,116

Unaudited
University Physicians Healthcare
Health Care Group (an Operating Division of University Physicians Healthcare)
Claims Lag Report
June 30, 2012

Payment Month	Current	1st Prior	2nd Prior	3rd Prior	4th Prior	5th Prior	6th Prior	7th Prior	8th Prior	9th Prior	10th Prior	11th Prior	12th Prior	13th Prior	14th Prior	15th & Prior*	Total
Current	160,796	301,435	77,580	20,296	1,465	7,023	637	12,157	5,862	-	-	-	-	-	-	-	587,251
1st Prior		209,371	345,649	105,318	14,948	10,946	759	5,015	1,745	5,364	-	-	-	-	-	-	699,115
2nd Prior			147,689	291,655	108,429	17,489	7,828	7,602	5,109	2,492	1,404	-	-	-	-	-	589,697
3rd Prior				192,763	218,686	37,396	29,533	20,529	2,235	4,279	945	773	-	-	-	-	507,139
4th Prior					245,565	218,137	45,036	22,239	20,617	2,399	6,277	(622)	70,915	-	-	-	630,563
5th Prior						263,843	472,947	381,352	65,914	10,848	4,502	1,004	3,043	17,777	-	-	1,221,230
6th Prior							173,666	336,458	244,678	50,320	9,691	2,366	1,982	2,758	11,278	-	833,197
7th Prior								204,849	456,438	73,218	15,089	11,413	4,521	11,827	766	27,339	805,460
8th Prior									179,854	434,429	123,101	10,549	50,800	2,070	63,764	15,483	880,050
9th Prior										191,310	377,602	80,221	34,162	23,240	3,653	4,010	714,198
10th Prior											258,475	398,217	137,843	51,221	12,873	89,726	948,355
11th Prior												146,475	379,575	212,480	29,770	150,998	919,298
12th Prior													261,785	472,698	125,158	113,813	973,454
13th Prior														237,320	370,343	259,140	866,803
14th Prior															169,382	512,984	682,366
15th & Prior*																149,942,090	149,942,090
Totals	160,796	510,806	570,918	610,032	589,093	554,834	730,406	990,201	982,452	774,659	797,086	650,396	944,626	1,031,391	786,987	151,115,583	161,800,266
Expense	632,745	414,390	229,777	662,115	1,030,492	892,305	1,038,358	621,749	879,230	838,309	956,676	985,843	503,345	605,534	612,670	151,799,478	162,703,016
Adjustment	42,806	259,416	443,141	(2,083)	(417,398)	(327,472)	(296,952)	377,452	109,222	(56,651)	(155,591)	(335,449)	443,281	425,857	174,316	(683,895)	0
Remaining	514,755	163,000	102,000	50,000	24,000	10,000	11,000	9,000	6,000	7,000	4,000	-	2,000	-	-	-	902,755

*Amounts in this column or row include the amounts for the 12th prior period, and any earlier periods where the expenses reported exceed the payments made to date

Additional Data

Software ID:

Software Version:

EIN: 94-2958258

Name: UNIVERSITY PHYSICIANS HEALTHCARE

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
MARC BERG MD DIRECTOR	1 00	X						578	267,185	53,040
LYLE BOOTMAN DIRECTOR	1 00	X						0	291,166	81,882
THOMAS BOYER MD DIRECTOR	1 00	X						4,418	461,889	81,350
LAURA EBERLY DIRECTOR	1 00	X						0	0	0
FAYEZ GHISHAN MD DIRECTOR	1 00	X						106,800	636,535	97,960
RAINER GRUESSNER MD DIRECTOR	1 00	X						1,317	766,170	64,037
EDMUND L JENKINS DIRECTOR	1 00	X						0	0	0
DAVID LABINER MD DIRECTOR	1 00	X						1,317	345,903	87,996
STEVE LYNN DIRECTOR	1 00	X						0	0	0
STEVE GOLDSCHMID MD CHAIRMAN	1 00	X		X				2,397	510,176	93,062
BARBARA PECK VICE CHAIRMAN	1 00	X		X				0	0	0
KEVIN J BURNS INTERIM PRESIDENT & CEO	1 00	X		X				0	1,880,456	26,542
HENRY E WELLS INTERIM PRESIDENT & CEO	1 00	X		X				245,171	0	0
JODI MANSFIELD INTERIM PRESIDENT & CEO	1 00	X		X				257,830	0	0
KAREN MLAWSKY INTERIM CO-PRESIDENT & CEO	1 00	X		X				0	653,041	72,640
KATHRYN REED MD SECRETARY	1 00	X		X				3,602	391,473	88,600
MISTY D HANSEN CHIEF FINANCIAL OFFICER	1 00			X				0	595,126	91,107
KATHLEEN A OESTREICH CHIEF EXECUTIVE OFFICER	40 00				X			628,263	0	2,705
JAMES V STOVER CHIEF ADMINISTRATIVE OFFICER	40 00				X			274,719	0	19,603
THOMAS M BALL MD CHIEF MEDICAL OFFICER	40 00				X			324,524	0	30,241
THOMAS R CHEEK MEDICAL DIRECTOR	40 00				X			227,369	0	6,571
SUSAN H WILLIS CHIEF OPERATIONS OFFICER	40 00				X			195,324	0	22,831
JUANITA SIMMONS CHIEF OPERATIONS OFFICER	40 00				X			158,618	0	10,968
SARAH E FROST HOSPITAL ADMINISTRATOR	40 00				X			179,807	0	12,305
JODY L BUTERA CHIEF FINANCIAL OFFICER	40 00					X		261,716	0	20,204

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
SETH M DUBRY MEDICAL DIRECTOR	40 00					X		276,959	0	15,194
CHRISTEN A CASTELLANO DEPARTMENT ADMINISTRATOR	40 00					X		213,004	0	18,273
GERALD T MIRON CHIEF OPERATIONS OFFICER	40 00					X		361,226	0	36,176
HOSSAI SHAH PHYSICIANS ASSISTANT	40 00					X		211,465	0	18,612
JEAN M TKACHYK FORMER CFO	0 00						X	648,804	0	2,235
THERESA G LEBARRON FORMER VP PLANNING & INTEGRATION	0 00						X	233,603	0	1,542