



See a Social Security Number? Say Something!
Report Privacy Problems to <https://public.resource.org/privacy>
Or call the IRS Identity Theft Hotline at 1-800-908-4490



Part III

Statement of Program Service Accomplishments

Check if Schedule O contains a response or note to any line 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 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 \$ 61,430,714 including grants of \$ 20,000) (Revenue \$ 71,146,908)

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 \$ 124,552,425 including grants of \$ 6,471,683) (Revenue \$ 148,342,492)

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 \$ 217,386,998 including grants of \$ 28,256,234) (Revenue \$ 183,965,003)

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

403,370,137

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>	Yes	
2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> (see instructions)?	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>		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>	Yes	
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>		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>		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>		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>		No
9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, 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>		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>		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>	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>	Yes	
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>		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>		No
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i>	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>	Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i>		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 and XII is optional</i>	Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>		No
14a Did the organization maintain an office, employees, or agents outside of the United States?	Yes	
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, Parts I and IV</i>	Yes	
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? <i>If "Yes," complete Schedule F, Parts II and IV</i>		No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? <i>If "Yes," complete Schedule F, Parts III and IV</i>		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 (see instructions)</i>		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>		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>		No
20a Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i>	Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or government 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 or 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, line 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 lines 24b through 24d and complete Schedule K. If "No," go to line 25a</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	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If so, 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 employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <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 direct or indirect 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	Yes	
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, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, 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 11b 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 or note to any line in this Part V

☐

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	0
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	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2a	2,717
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" to line 3b, 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, securities account, or other financial account)?	4a	Yes
b	If "Yes," enter the name of the foreign country: CJ 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 as charitable contributions?	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. See the instructions for additional information the organization must report on Schedule O.	13a	
b	Enter the 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 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 or note to any line 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	9	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
1b	Enter the number of voting members included in line 1a, above, who are independent	2	
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	Yes
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
7b	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		
8a	a The governing body?	8a	Yes
8b	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
10b	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	No
	b Describe in Schedule O the process, if any, used by the organization to review this Form 990		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes
12b	b Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes
12c	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?		
15a	a The organization's CEO, Executive Director, or top management official	15a	Yes
15b	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
16b	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 <input type="checkbox"/> Other (explain in Schedule O)
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 during the tax year
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶DAVID M BIXBY 1441 NORTH 12TH STREET PHOENIX, AZ 85006 (602) 747-4000

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

Check if Schedule O contains a response or note to any line in this Part VII

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

- 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 all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation Enter -0- in columns (D), (E), and (F) if no compensation was paid

List all of the organization's **current** key employees, if any See instructions for definition of "key employee "

List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations

List all of the organization's **former** officers, key employees, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations

List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

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 organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(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			
(1) MINDY FAIN DIRECTOR	1 00 39 00	X						985	268,986	33,462
(2) JEAN FEDIGAN DIRECTOR	39 00 1 00	X						40,801	172,275	15,650
(3) STEVE LYNN DIRECTOR	1 00 4 00	X						0	0	0
(4) BARBARA PECK DIRECTOR	1 00 2 00	X						0	0	0
(5) LYNN SCHNEIDER GRENNAN DIRECTOR	39 00 1 00	X						0	127,811	396
(6) DAVID SHEINBEIN DIRECTOR	1 00 39 00	X						166	353,011	51,466
(7) CARLOS BORRAS CHAIR	1 00 39 00	X		X				0	275,234	33,877
(8) SAMUEL KEIM CHAIR	1 00 39 00	X		X				357	420,056	45,875
(9) MIKE LEMOLE VICE CHAIR	1 00 39 00	X		X				166	489,975	38,176
(10) OLE THIENHAUS SECRETARY	1 00 39 00	X		X				629	393,223	55,646
(11) KAREN MLAWSKY TREASURER/SECRETARY	1 00 39 00	X		X				0	940,427	30,213
(12) MISTY HANSEN CHIEF FINANCIAL OFFICER	1 00 39 00	X		X				0	820,839	35,716
(13) MICHAEL WALDRUM PRESIDENT AND CEO	1 00 39 00	X		X				0	833,874	10,656
(14) THOMAS BALL CHIEF MEDICAL OFFICER	40 00 0 00				X			65,277	289,895	33,048
(15) EDDY COFFMAN VP, MEDICAID PROGRAMS	40 00 0 00				X			39,518	173,587	25,400
(16) SARAH FROST COO, HOSPITAL	40 00 0 00				X			49,797	215,591	22,786
(17) JAMES STOVER SR VP AND CEO, HEALTH PLAN	40 00 0 00				X			74,316	285,653	27,642

Part VII

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(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			
(18) FAYEZ GHISHAN PHYSICIAN, MEMBER	1 00 39 00					X		1,359	754,346	55,720
(19) STEVE GOLDSCHMID PHYSICIAN, MEMBER	1 00 39 00					X		649	575,900	48,048
(20) RAINER GRUESSNER PHYSICIAN, MEMBER	1 00 39 00					X		649	862,484	42,396
(21) CRAIG HURST PHYSICIAN, MEMBER	1 00 39 00					X		166	572,441	37,914
(22) BALDASSARRE STEA PHYSICIAN, MEMBER	1 00 39 00					X		985	594,904	46,646
(23) JAMES BANDS OFFICER, CORPORATE ANALYTICS	0 00 40 00						X	49,620	144,564	26,985
(24) SUSAN WONG-BEAN ASSOCIATE, GENERAL COUNSEL	0 00 40 00						X	46,614	157,458	17,975
(25) BRUCE COULL PHYSICIAN, MEMBER	1 00 39 00						X	1,196	380,572	43,433
(26) ANA MARIA LOPEZ PHYSICIAN, MEMBER	1 00 39 00						X	357	265,220	35,160
(27) KATHY REED PHYSICIAN, MEMBER	1 00 39 00						X	985	428,610	57,445
1b Sub-Total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)								374,592	10,796,936	871,731

2

Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization

0

	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
UNIVERSITY OF ARIZONA HEALTH NETWORK IN 1501 N CAMPBELL AVE TUCSON AZ 85724	A/P REIMBURSEMENT	396,367,780
UNIVERSITY OF ARIZONA HEALTH NETWORK IN 1501 N CAMPBELL AVE TUCSON AZ 85724	LEASED EMPLOYEES	94,465,350
UNIVERSITY OF ARIZONA HEALTH NETWORK IN 1501 N CAMPBELL AVE TUCSON AZ 85724	FEES FOR MANAGEMENT SERVICES	49,923,438
UNIVERSITY OF ARIZONA 888 N EUCLID TUCSON AZ 85719	MEDICAL & ADMINISTRATIVE	14,377,545

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

2

Part VIII

Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514	
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns 1a					
	b	Membership dues 1b					
	c	Fundraising events 1c					
	d	Related organizations 1d	6,301,260				
	e	Government grants (contributions) 1e					
	f	All other contributions, gifts, grants, and similar amounts not included above 1f					
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f	6,301,260				
Program Service Revenue	2a	NET PATIENT SERVICE REVENUE	622110	264,756,770	263,354,541	1,402,229	
	b	CAPITATION AND CONTRACT REVENUE	622110	140,099,862	140,099,862		
	c						
	d						
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f	404,856,632				
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)	6,652,351			6,652,351
4		Income from investment of tax-exempt bond proceeds					
5		Royalties					
6a		Gross rents	(i) Real	(ii) Personal			
		b	Less rental expenses				
		c	Rental income or (loss)				
		d	Net rental income or (loss)				
7a		Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other			
		b	Less cost or other basis and sales expenses				
		c	Gain or (loss)				
		d	Net gain or (loss)				
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		417,810,243	403,454,403	1,402,229	6,652,351	

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).

Check if Schedule O contains a response or note to any line 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.	34,747,917	34,747,917		
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.				
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.				
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).				
9	Other employee benefits.				
10	Payroll taxes.				
11	Fees for services (non-employees):				
a	Management.	56,046,202	942,978	55,103,224	
b	Legal.	11,707		11,707	
c	Accounting.	64,994		64,994	
d	Lobbying.	25,000		25,000	
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.	205,252		205,252	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	271,605,618	262,947,233	8,658,385	
12	Advertising and promotion.	179,701	179,701		
13	Office expenses.	3,793,999	3,793,999		
14	Information technology.	1,324,439	1,324,439		
15	Royalties.				
16	Occupancy.	6,586,208	6,586,208		
17	Travel.	1,350,065	1,350,065		
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.	296,010	296,010		
20	Interest.	271,899	271,899		
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	3,852,528	3,852,528		
23	Insurance.	12,190,858	12,190,858		
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O):				
a	MEDICAL CLAIMS	44,041,914	44,041,914		
b	SUPPLIES	29,079,255	29,079,255		
c	OTHER	1,057,965	1,057,965		
d	PROVIDER ASSESSMENTS	707,168	707,168		
e	All other expenses				
25	Total functional expenses. Add lines 1 through 24e.	467,438,699	403,370,137	64,068,562	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		7,538,890	1	141,017
	2	Savings and temporary cash investments		5,014,543	2	0
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		43,340,864	4	47,517,293
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L.			5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions). Complete Part II of Schedule L.			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use		3,729,263	8	3,350,642
	9	Prepaid expenses and deferred charges		41,037,451	9	14,503,666
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D.	10a72,553,372			
	b	Less: accumulated depreciation	10b46,903,978	43,405,345	10c	25,649,394
	11	Investments—publicly traded securities			11	
	12	Investments—other securities. See Part IV, line 11.		15,460,197	12	24,896,328
	13	Investments—program-related. See Part IV, line 11.			13	
	14	Intangible assets			14	289,286
	15	Other assets. See Part IV, line 11.		612,429	15	159,429
	16	Total assets. Add lines 1 through 15 (must equal line 34).		160,138,982	16	116,507,055
Liabilities	17	Accounts payable and accrued expenses		65,842,255	17	34,262,590
	18	Grants payable			18	
	19	Deferred revenue		204,777	19	2,295,886
	20	Tax-exempt bond liabilities		5,607,038	20	4,644,250
	21	Escrow or custodial account liability. Complete Part IV of Schedule D.			21	
	22	Loans and other 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		24,309,486	23	24,218,750
	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.		11,592,248	25	77,648,797
	26	Total liabilities. Add lines 17 through 25.		107,555,804	26	143,070,273
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), 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 (ASC 958), 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		52,583,178	32	-26,563,218
	33	Total net assets or fund balances		52,583,178	33	-26,563,218
	34	Total liabilities and net assets/fund balances		160,138,982	34	116,507,055

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI ☒

1	Total revenue (must equal Part VIII, column (A), line 12)	1	417,810,243
2	Total expenses (must equal Part IX, column (A), line 25)	2	467,438,699
3	Revenue less expenses Subtract line 2 from line 1	3	-49,628,456
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	52,583,178
5	Net unrealized gains (losses) on investments	5	2,652,077
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-32,170,017
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	-26,563,218

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line 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? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		No
2b	Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited 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 separate basis	Yes	
2c	If "Yes," to line 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	
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
3b	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.**
▶ **Information about Schedule A (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization UNIVERSITY PHYSICIANS HEALTHCARE INC	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	<input type="checkbox"/>	A church, convention of churches, or association of churches described in section 170(b)(1)(A)(i).
2	<input type="checkbox"/>	A school described in section 170(b)(1)(A)(ii). (Attach Schedule E)
3	<input checked="" type="checkbox"/>	A hospital or a cooperative hospital service organization described in section 170(b)(1)(A)(iii).
4	<input type="checkbox"/>	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	<input type="checkbox"/>	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	<input type="checkbox"/>	A federal, state, or local government or governmental unit described in section 170(b)(1)(A)(v).
7	<input type="checkbox"/>	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	<input type="checkbox"/>	A community trust described in section 170(b)(1)(A)(vi) (Complete Part II)
9	<input type="checkbox"/>	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	<input type="checkbox"/>	An organization organized and operated exclusively to test for public safety See section 509(a)(4).
11	<input type="checkbox"/>	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 <input type="checkbox"/> Type I b <input type="checkbox"/> Type II c <input type="checkbox"/> Type III - Functionally integrated d <input type="checkbox"/> Type III - Non-functionally integrated
e	<input type="checkbox"/>	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	<input type="checkbox"/>	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	<input type="checkbox"/>	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 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	<input type="checkbox"/>	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 monetary support
			Yes	No	Yes	No	Yes	No	
Total									

Part II

Support Schedule for Organizations Described in Sections 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 (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
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 2013 (line 6, column (f) divided by line 11, column (f))		14				
15 Public support percentage for 2012 Schedule A, Part II, line 14		15				
16a 33 1/3% support test—2013. 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—2012. If the organization did not check a 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—2013. 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—2012. 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 IIISupport Schedule for Organizations Described in Section 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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(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 2013 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2012 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2013 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2012 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2013. 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—2012. 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.** Provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

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

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527
▶ **Complete if the organization is described below.** ▶ **Attach to Form 990 or Form 990-EZ.**
▶ **See separate instructions.** ▶ **Information about Schedule C (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public Inspection

If the organization answered "Yes" to Form 990, Part IV, Line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations Complete Parts I-A and B Do not complete Part I-C
- Section 501(c) (other than section 501(c)(3)) organizations Complete Parts I-A and C below Do not complete Part I-B
- Section 527 organizations Complete Part I-A only

If the organization answered "Yes" to Form 990, Part IV, Line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)) Complete Part II-A Do not complete Part II-B
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)) Complete Part II-B Do not complete Part II-A

If the organization answered "Yes" to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, Part V, line 35c (Proxy Tax), then

- Section 501(c)(4), (5), or (6) organizations Complete Part III

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

Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1	Provide a description of the organization's direct and indirect political campaign activities in Part IV	
2	Political expenditures	▶ \$
3	Volunteer hours	

Part I-B Complete if the organization is exempt under section 501(c)(3).

1	Enter the amount of any excise tax incurred by the organization under section 4955	▶ \$
2	Enter the amount of any excise tax incurred by organization managers under section 4955	▶ \$
3	If the organization incurred a section 4955 tax, did it file Form 4720 for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input type="checkbox"/> No
b	If "Yes," describe in Part IV	

Part I-C Complete if the organization is exempt under section 501(c), except section 501(c)(3).

1	Enter the amount directly expended by the filing organization for section 527 exempt function activities	▶ \$
2	Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities	▶ \$
3	Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b	▶ \$
4	Did the filing organization file Form 1120-POL for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV	

(a) Name	(b) Address	(c) EIN	(d) Amount paid from filing organization's funds If none, enter -0-	(e) Amount of political contributions received and promptly and directly delivered to a separate political organization If none, enter -0-

Part II-A

Complete if the organization is exempt under section 501(c)(3) and filed Form 5768 (election under section 501(h)).

- A
- Check ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B
- Check ☐ if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)															
b Total lobbying expenditures to influence a legislative body (direct lobbying)															
c Total lobbying expenditures (add lines 1a and 1b)															
d Other exempt purpose expenditures															
e Total exempt purpose expenditures (add lines 1c and 1d)															
f Lobbying nontaxable amount Enter the amount from the following table in both columns															
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g Grassroots nontaxable amount (enter 25% of line 1f)															
h Subtract line 1g from line 1a If zero or less, enter -0-															
i Subtract line 1f from line 1c If zero or less, enter -0-															
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes <input type="checkbox"/> No													

4-Year Averaging Period Under Section 501(h)
(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 2a through 2f on page 4.)

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2010	(b) 2011	(c) 2012	(d) 2013	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
	a Volunteers?		No	
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		No	
	c Media advertisements?		No	
	d Mailings to members, legislators, or the public?		No	
	e Publications, or published or broadcast statements?		No	
	f Grants to other organizations for lobbying purposes?	Yes		25,000
	g Direct contact with legislators, their staffs, government officials, or a legislative body?		No	
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	
	i Other activities?		No	
	j Total. Add lines 1c through 1i.			25,000
	2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b If "Yes," enter the amount of any tax incurred under section 4912				
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912				
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?				

Part III-A

Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

			Yes	No
1	Were substantially all (90% or more) dues received nondeductible by members?	1		
2	Did the organization make only in-house lobbying expenditures of \$2,000 or less?	2		
3	Did the organization agree to carry over lobbying and political expenditures from the prior year?	3		

Part III-B

Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) and if either (a) BOTH Part III-A, lines 1 and 2, are answered "No" OR (b) Part III-A, line 3, is answered "Yes."

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) nondeductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).		
	a Current year	2a	
	b Carryover from last year	2b	
	c Total	2c	
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5	Taxable amount of lobbying and political expenditures (see instructions)	5	

Part IV

Supplemental Information

Provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, Part II-A (affiliated group list), Part II-A, line 2, and Part II-B, line 1. Also, complete this part for any additional information.

Return Reference	Explanation
PART II-B, LINE 1	A CONTRIBUTION WAS MADE TO ARIZONA HOSPITAL & HEALTHCARE ASSOCIATION TO SUPPORT MEDICAID RESTORATION EFFORTS

[illegible]

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ **Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b**
▶ **Attach to Form 990.** ▶ **See separate instructions.** ▶ **Information about Schedule D (Form 990) and its instructions is at www.irs.gov/form990.**

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization UNIVERSITY PHYSICIANS HEALTHCARE INC	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><input type="checkbox"/> Yes <input type="checkbox"/> No</div>	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can 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><input type="checkbox"/> Yes <input type="checkbox"/> 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 education) ☐ Preservation of an historically important land area
☐ Protection of natural habitat ☐ Preservation of a certified historic structure
☐ Preservation of open space

2

Complete lines 2a through 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, and not on a historic structure listed in the National Register

3

Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax 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 section 170(h)(4)(B)(ii)?

☐ Yes ☐ No

9

In Part XIII, 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 (ASC 958), 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 XIII, the text of the footnote to its financial statements that describes these items

b

If the organization elected, as permitted under SFAS 116 (ASC 958), 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 (ASC 958) relating to these items

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ _____

b

Assets included in Form 990, Part X

▶ \$ _____

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 52283D

Schedule D (Form 990) 2013

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

- 3 Using the organization’s acquisition, 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 XIII
- 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 XIII and complete the following table
- c Beginning balance

d Additions during the year

e Distributions during the year

f Ending balance

	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 XIII Check here if the explanation has been provided in Part XIII

☐

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

- | | (a)Current year | (b)Prior year | b (c)Two years back | (d)Three years back | (e)Four years back |
|--|-----------------|---------------|---------------------|---------------------|--------------------|
| 1a Beginning of year balance | | | | | |
| b Contributions | | | | | |
| c Net investment earnings, gains, and 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 current year end balance (line 1g, column (a)) held as
- a Board designated or quasi-endowment ▶

b Permanent endowment ▶

c Temporarily restricted endowment ▶
- The percentages in lines 2a, 2b, and 2c should equal 100%
- 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

	Yes	No
3a(i)		
3a(ii)		
3b		
- b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?
- 4 Describe in Part XIII the intended uses of the organization's endowment funds

Part VI Land, Buildings, and Equipment. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. 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		987,690		987,690
b Buildings		4,076,892	1,896,086	2,180,806
c Leasehold improvements		11,503,652	5,055,441	6,448,211
d Equipment		55,884,459	39,863,557	16,020,902
e Other		100,679	88,894	11,785
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				25,649,394

Part XI

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

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 XIII)	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 XIII)	4b		
c	Add lines 4a and 4b		4c	
5	Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12)		5	

Part XII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.

Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

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 XIII)	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 XIII)	4b		
c	Add lines 4a and 4b		4c	
5	Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line 18)		5	

Part XIII

Supplemental Information

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, line 2, Part XI, lines 2d and 4b, and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

Return Reference	Explanation
PART X, LINE 2	INCOME TAXES FOOTNOTE FROM THE UNIVERSITY OF ARIZONA HEALTH NETWORK AND SUBSIDIARIES CONSOLIDATED FINANCIAL REPORT. IN GENERAL, UAHN AND ITS 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 HAS REVIEWED ITS TAX POSITIONS FOR ALL OPEN TAX YEARS AND HAS CONCLUDED THAT NO LIABILITIES EXIST AS OF JUNE 30, 2014 AND 2013. 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 2010.

[illegible]

SCHEDULE F
(Form 990)

Department of the Treasury
Internal Revenue Service

Statement of Activities Outside the United States

► Complete if the organization answered "Yes" to Form 990,
Part IV, line 14b, 15, or 16.
► Attach to Form 990. ► See separate instructions.
► Information about Schedule F (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public
Inspection

Name of the organization
UNIVERSITY PHYSICIANS HEALTHCARE INC

Employer identification number
94-2958258

Part I General Information on Activities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 14b.

- 1 For grantmakers. Does the organization maintain records to substantiate the amount of its grants and other assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☐ Yes ☐ No
- 2 For grantmakers. Describe in Part V the organization's procedures for monitoring the use of its grants and other assistance outside the United States.
- 3 Activites per Region (The following Part I, line 3 table can be duplicated if additional space is needed)

(a) Region	(b) Number of offices in the region	(c) Number of employees, agents, and independent contractors in region	(d) Activities conducted in region (by type) (e g , fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for and investments in region
(1) CENTRAL AMERICA AND THE CARIBBEAN	0	1	PROGRAM SERVICES	CAPTIVE INSURANCE	18,828,118
(2)					
(3)					
(4)					
(5)					
3a Sub-total	0	1			18,828,118
b Total from continuation sheets to Part I	0	0			0
c Totals (add lines 3a and 3b)	0	1			18,828,118

Part II

Grants and Other Assistance to Organizations or Entities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 15, for any recipient who received more than \$5,000. Part II can be duplicated if additional space is needed.

1	(a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of non-cash assistance	(h) Description of non-cash assistance	(i) Method of valuation (book, FMV, appraisal, other)
(1)									
(2)									
(3)									
(4)									

- 2 Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter ▶
- 3 Enter total number of other organizations or entities ▶

Part III

Grants and Other Assistance to Individuals Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 16.
Part III can be duplicated if additional space is needed.

(a) Type of grant or assistance	(b) Region	(c) Number of recipients	(d) Amount of cash grant	(e) Manner of cash disbursement	(f) Amount of non-cash assistance	(g) Description of non-cash assistance	(h) Method of valuation (book, FMV, appraisal, other)
(1)							
(2)							
(3)							
(4)							
(5)							
(6)							
(7)							
(8)							
(9)							
(10)							
(11)							
(12)							
(13)							
(14)							
(15)							
(16)							
(17)							
(18)							

Part IV Foreign Forms

- 1

Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation (see Instructions for Form 926)*

☒ Yes ☐ No
- 2

Did the organization have an interest in a foreign trust during the tax year? *If "Yes," the organization may be required to file Form 3520, Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts, and/or Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner (see Instructions for Forms 3520 and 3520-A)*

☐ Yes ☒ No
- 3

Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with Respect to Certain Foreign Corporations. (see Instructions for Form 5471)*

☒ Yes ☐ No
- 4

Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see Instructions for Form 8621)*

☐ Yes ☒ No
- 5

Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with Respect to Certain Foreign Partnerships. (see Instructions for Form 8865)*

☐ Yes ☒ No
- 6

Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see Instructions for Form 5713).*

☐ Yes ☒ No

Part V

Supplemental Information
Provide the information required by Part I, line 2 (monitoring of funds); Part I, line 3, column (f) (accounting method; amounts of investments vs. expenditures per region); Part II, line 1 (accounting method); Part III (accounting method); and Part III, column (c) (estimated number of recipients), as applicable. Also complete this part to provide any additional information (see instructions).

990 Schedule F, Supplemental Information

Return Reference	Explanation
PART I, LINE 3	AMOUNT SHOWN REFLECTS UNIVERSITY PHYSICIAN HEALTHCARE'S SHARE OF TOTAL ASSETS OF ACADEMIC INSURANCE FUNDING LTD , AN OFFSHORE CAPTIVE INSURANCE COMPANY

990 Schedule F, Supplemental Information

Return Reference	Explanation
STATEMENT FOR FORM 5471 FILED BY ANOTHER MEMBER	THE FILING REQUIREMENTS FOR FORM 5471 HAVE BEEN, OR WILL BE SATISFIED, BY THE FOLLOWING OR ORGANIZATION UNIVERSITY MEDICAL CENTER CORPORATION EIN 86-0492210 1501 N CAMPBELL AVENUE TUCSON, AZ 85724 THE IRS SERVICE CENTER WHERE THE RETURN HAS OR WILL BE FILED IS THE FOLLO WING E-FILE THE FOREIGN CORPORATION IS NAMED ACADEMIC INSURANCE FUNDING LTD EIN 98-0116 943

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.
► Information about Schedule H (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
UNIVERSITY PHYSICIANS HEALTHCARE INC

Employer identification number
94-2958258

Part I

Financial Assistance and Certain Other Community Benefits at Cost

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

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance 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 Financial Assistance at cost (from Worksheet 1)			13,104,819	2,932,351	10,172,468	2 180 %
b Medicaid (from Worksheet 3, column a)			69,483,699	46,110,750	23,372,949	5 000 %
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			82,588,518	49,043,101	33,545,417	7 180 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)						
f Health professions education (from Worksheet 5)			14,946,697	4,474,375	10,472,322	2 240 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			34,747,917		34,747,917	7 430 %
j Total. Other Benefits			49,694,614	4,474,375	45,220,239	9 670 %
k Total. Add lines 7d and 7j			132,283,132	53,517,476	78,765,656	16 850 %

	(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
1 Physical improvements and housing						
2 Economic development						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 Total						

1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?				1		No
2	Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount	2	57,759,696				
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3					
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements						
Section B. Medicare							
5	Enter total revenue received from Medicare (including DSH and IME)	5	26,664,867				
6	Enter Medicare allowable costs of care relating to payments on line 5	6	23,046,835				
7	Subtract line 6 from line 5. This is the surplus (or shortfall)	7	3,618,032				
8	Describe 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							
9a	Did the organization have a written debt collection policy during the tax year?				9a	Yes	
b	If "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	

(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				

Part V

Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)
How many hospital facilities did the organization operate during the tax year?
1

Name, address, primary website address, and state license number

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
	See Additional Data Table										

Part V Facility Information (continued)

Section B. Facility Policies and Practices

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

U OF A MEDICAL CENTER SOUTH CAMPUS

Name of hospital facility or facility reporting group

If reporting on Part V, Section B for a single hospital facility only: line number of hospital facility (from Schedule H, Part V, Section A)

1

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b <input checked="" type="checkbox"/> Demographics of the community		
c <input checked="" 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 checked="" type="checkbox"/> How data was obtained		
e <input checked="" type="checkbox"/> The health needs of the community		
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input checked="" 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)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>12</u>		
3 In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? 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 Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4 Yes	
5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5 Yes	
a <input checked="" type="checkbox"/> Hospital facility's website (list url) <u>WWW.UAHEALTH.COM</u>		
b <input type="checkbox"/> Other website (list url)		
c <input checked="" type="checkbox"/> Available upon request from the hospital facility		
d <input type="checkbox"/> Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year)		
a <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b <input type="checkbox"/> Execution of the implementation strategy		
c <input type="checkbox"/> Participation in the development of a community-wide plan		
d <input type="checkbox"/> Participation in the execution of a community-wide 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 its 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 CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7 Yes	
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No		
9 Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		9	Yes		
10 Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>100 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		10	Yes		
11 Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>200 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		11	Yes		
12 Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)		12	Yes		
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"/> Residency					
i <input type="checkbox"/> Other (describe in Part VI)					
13 Explained the method for applying for financial assistance?		13	Yes		
14 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)		14	Yes		
a <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website					
b <input checked="" type="checkbox"/> The policy was attached to 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 type="checkbox"/> The policy was provided, in writing, to patients on 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)					
Billing and Collections					
15 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?		15	Yes		
16 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual'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					
e <input type="checkbox"/> Other similar actions (describe in Section C)					
17 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 individual's eligibility under the facility's FAP?				17	No
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 Section C)					

Part V

Facility Information *(continued)*

- 18** Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a**

☐

Notified individuals of the financial assistance policy on admission
- b**

☐

Notified individuals of the financial assistance policy prior to discharge
- c**

☐

Notified individuals of the financial assistance policy in communications with the individuals regarding the individuals' bills
- d**

☐

Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy
- e**

☐

Other (describe in Section C)

Policy Relating to Emergency Medical Care

	Yes	No
19 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	
<div><div>a</div><div><input type="checkbox"/></div><div>The hospital facility did not provide care for any emergency medical conditions</div></div> <div><div>b</div><div><input type="checkbox"/></div><div>The hospital facility's policy was not in writing</div></div> <div><div>c</div><div><input type="checkbox"/></div><div>The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)</div></div> <div><div>d</div><div><input type="checkbox"/></div><div>Other (describe in Part VI)</div></div>		

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20 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		
<div><div>a</div><div><input type="checkbox"/></div><div>The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged</div></div> <div><div>b</div><div><input type="checkbox"/></div><div>The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged</div></div> <div><div>c</div><div><input checked="" type="checkbox"/></div><div>The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged</div></div> <div><div>d</div><div><input type="checkbox"/></div><div>Other (describe in Part VI)</div></div>		
21 During the tax year, did the hospital facility charge any FAP-eligible individual 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		No
22 During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Part VI		No

Part V Facility Information *(continued)*

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

[illegible]

Part V

Facility Information *(continued)*

Section D. Other Health Care 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 health care 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 707 N ALVERNON WAY SUITE 101 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

Provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II and Part III, lines 2, 3, 4, 8 and 9b
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs 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

Form and Line Reference	Explanation
PART I, LINE 7	THE ESTIMATED NET COST, IN EXCESS OF REIMBURSEMENT, IS DETERMINED USING A RATIO OF COST TO CHARGES, WHICH ADDRESSES ALL PATIENT SEGMENTS INCLUDING MEDICAID, MEDICARE, UNINSURED OR SELF-PAY

Form and Line Reference	Explanation
PART II, COMMUNITY BUILDING ACTIVITIES	UNIVERSITY OF ARIZONA PHYSICIANS PROVIDES FREE SCREENINGS THROUGHOUT THE YEAR FOR COMMUNITY MEMBERS OUR SKILLED NURSES AND PHYSICIANS DONATE THEIR TIME TO PROVIDE THESE SERVICES AS A WAY TO INCREASE AWARENESS AND EDUCATE THE PUBLIC IN ADDITION, WE KNOW THE LASTING EFFECTS THAT ILLNESS CAN HAVE ON OUR PATIENTS AND THEIR FAMILIES, WHICH IS WHY UNIVERSITY OF ARIZONA PHYSICIANS IS COMMITTED TO PROVIDING FREE SERVICES TO ADDRESS THESE NEEDS WE OFFER DAILY, WEEKLY, AND MONTHLY SUPPORT GROUPS FOR ALL OUR COMMUNITY MEMBERS FOR A VARIETY OF ISSUES BEING AN ACADEMIC MEDICAL CENTER, WE ARE ABLE TO PROVIDE A WIDE ARRAY OF OPPORTUNITIES TO FURTHER EDUCATION WE HELP PREPARE OUR YOUTH FOR CAREERS IN THE MEDICAL FIELD AS WELL AS TEACH THOSE ALREADY IN IT

Form and Line Reference	Explanation
PART III, LINE 2	BAD DEBT EXPENSE IS REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Form and Line Reference	Explanation
PART III, LINE 3	BAD DEBT EXPENSE IS NOT INCLUDED AS PART OF COMMUNITY BENEFIT FINANCIAL COUNSELORS ASSIST PATIENTS WITH CHARITY CARE APPLICATIONS AND THE UNINSURED DISCOUNT PROGRAM AND IDENTIFY IF PATIENTS ARE ELIGIBLE FOR THESE PROGRAMS

Form and Line Reference	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 \$258,322,000 AND \$300,946,000 AS OF JUNE 30, 2014 AND 2013, RESPECTIVELY "

Form and Line Reference	Explanation
PART III, LINE 8	THE MEDICARE ALLOWABLE COST OF CARE IS REPORTED FROM THE UNIVERSITY OF ARIZONA MEDICAL CENTER - SOUTH CAMPUS MEDICARE COST REPORT

Form and Line Reference	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

Form and Line Reference	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 HEALTH NETWORK - 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

Form and Line Reference	Explanation
PART VI, LINE 3	THE UNIVERSITY OF ARIZONA PHYSICIANS 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 WE ALSO OFFER 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 RECEIVED UNDER THE MEDICARE PROGRAM IN ADDITION, 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

Form and Line Reference	Explanation
PART VI, LINE 4	THE UNIVERSITY OF ARIZONA MEDICAL CENTER - SOUTH CAMPUS PROVIDES QUATERNARY HEALTHCARE AND IS A MAJOR REFERRAL CENTER FOR THE STATE AND OTHER SOUTHWESTERN STATES THE HOSPITAL IS ONE OF EIGHT NON-FEDERAL ACUTE CARE HOSPITALS IN METROPOLITAN TUCSON, WHICH CONSISTS OF THE CITY OF TUCSON AND IMMEDIATELY SURROUNDING AREAS (HEREINAFTER REFERRED TO AS "METROPOLITAN TUCSON") 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 THE UNITED STATES CENSUS BUREAU, IT IS ESTIMATED THAT THE PIMA COUNTY AREA HAS APPROXIMATELY 1,000,000 RESIDENTS IN 2013 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

Form and Line Reference	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.

Form and Line Reference	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, APPROXIMATELY 40 CLINICS, PRACTICE PLAN FOR PHYSICIANS FROM THE UNIVERSITY OF ARIZONA COLLEGE OF MEDICINE, AND A HEALTH PLAN DIVISION IT HAS BEEN NATIONALLY RECOGNIZED FOR PROVIDING EXCEPTIONAL PATIENT CARE, TEACHING NEW HEALTHCARE 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 THE UNIVERSITY OF ARIZONA MEDICAL CENTER - UNIVERSITY CAMPUS OPENED IN 1971 AND IS THE PRIMARY TEACHING HOSPITAL OF THE UNIVERSITY OF ARIZONA COLLEGE OF MEDICINE, NURSING, AND PHARMACY

Additional Data

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

990 Schedule H, Supplemental Information

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.	
Form and Line Reference	Explanation
U OF A MEDICAL CENTER SOUTH CAMPUS	
U OF A MEDICAL CENTER SOUTH CAMPUS	PART V, SECTION B, LINE 4 TUCSON MEDICAL CENTER AND CARONDELET HEALTH NETWORK

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service

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

▶ Information about Schedule I (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public
Inspection

Name of the organization
UNIVERSITY PHYSICIANS HEALTHCARE INC

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. Part II can be duplicated 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 ARIZONA 888 N EUCLID TUCSON,AZ 85719	74-2652689	STATE OF ARIZONA	17,187,727				MEDICAL EDUCATION, RESEARCH
(2) UNIVERSITY MEDICAL CENTER FOUNDATION 1501 N CAMPBELL AVENUE TUCSON,AZ 85724	86-0572438	501(C)(3)	182,592				MEDICAL EDUCATION, RESEARCH
(3) UNIVERSITY PHYSICIANS HEALTHCARE FOUNDATION 1501 N CAMPBELL AVENUE TUCSON,AZ 85724	20-2826747	501(C)(3)	33,000				MEDICAL EDUCATION
(4) SPECIAL OLYMPICS OF ARIZONA INC 2100 S 75TH AVENUE PHOENIX,AZ 85043	86-0307564	501(C)(3)	20,000				PROGRAMMATIC SUPPORT FOR HEALTHY ATHLETES
(5) THE UNIVERSITY OF ARIZONA HEALTH NETWORK INC 1501 N CAMPBELL AVENUE TUCSON,AZ 85724	27-2936985	501(C)(3)		17,287,120	BOOK	BUILDINGS, LAND AND EQUIPMENT	PPE FOR MEDICAL CARE
(6) UNIVERSITY MEDICAL CENTER CORPORATION 1501 N CAMPBELL AVENUE TUCSON,AZ 85724	86-0492210	501(C)(3)		37,478	BOOK	BUILDING RENOVATION	PPE FOR MEDICAL CARE

2

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

6

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.
Part III can be duplicated 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. Provide the information required in Part I, line 2, Part III, column (b), and any other additional information.

Return Reference	Explanation
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)

Department of the Treasury
Internal Revenue Service

Compensation Information

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

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 23.
▶ Attach to Form 990. ▶ See separate instructions.

▶ Information about Schedule J (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
UNIVERSITY PHYSICIANS HEALTHCARE INC

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><input type="checkbox"/> First-class or charter travel</div> <div><input type="checkbox"/> Travel for companions</div> <div><input type="checkbox"/> Tax idemnification and gross-up payments</div> <div><input type="checkbox"/> Discretionary spending account</div> <div><input type="checkbox"/> Housing allowance or residence for personal use</div> <div><input type="checkbox"/> Payments for business use of personal residence</div> <div><input type="checkbox"/> Health or social club dues or initiation fees</div> <div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div>			
b	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 of the expenses described above? If "No," complete Part III to explain.	1b		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, officers, including the CEO/Executive Director, regarding the items checked in line 1a?	2		
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III. <div><input type="checkbox"/> Compensation committee</div> <div><input type="checkbox"/> Independent compensation consultant</div> <div><input type="checkbox"/> Form 990 of other organizations</div> <div><input type="checkbox"/> Written employment contract</div> <div><input type="checkbox"/> Compensation survey or study</div> <div><input type="checkbox"/> Approval by the board or compensation committee</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:			
a	Receive a severance payment or change-of-control payment?	4a		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	Yes	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c		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:			
a	The organization?	5a		No
b	Any related organization?	5b		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:			
a	The organization?	6a	Yes	
b	Any related organization?	6b		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.	7		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 Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III.	8		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9		

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

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

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
See Additional Data Table								

Part III Supplemental Information

Provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

Return Reference	Explanation
PART I, LINE 3	THE ORGANIZATION RELIES ON ITS RELATED ORGANIZATION, THE UNIVERSITY OF ARIZONA HEALTH NETWORK, TO ESTABLISH THE CEO'S COMPENSATION AND USED THE FOLLOWING METHODS: COMPENSATION COMMITTEE, INDEPENDENT COMPENSATION CONSULTANT, FORM 990 OF OTHER ORGANIZATIONS, COMPENSATION SURVEY OR STUDY, AND APPROVAL BY THE BOARD OF DIRECTORS AND COMPENSATION COMMITTEE.
PART I, LINE 4B	THE FOLLOWING INDIVIDUALS PARTICIPATED IN OR RECEIVED PAYMENTS FROM A NON-QUALIFIED RETIREMENT PLAN: MISTY HANSEN \$230,382 AND KAREN MLAWSKY \$188,888.
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.

Additional Data

Software ID:

Software Version:

EIN: 94-2958258

Name: UNIVERSITY PHYSICIANS HEALTHCARE INC

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				
MINDY FAIN DIRECTOR	(i)	75	0	910	0	2,967	3,952	0
	(ii)	264,976	0	4,010	17,644	12,851	299,481	0
JEAN FEDIGAN DIRECTOR	(i)	40,326	0	475	2,400	1,418	44,619	0
	(ii)	135,641	35,171	1,463	7,560	4,272	184,107	0
DAVID SHEINBEIN DIRECTOR	(i)	13	0	153	0	2,960	3,126	0
	(ii)	291,285	50,525	11,201	33,187	15,319	401,517	0
CARLOS BORRAS CHAIR	(i)	0	0	0	0	0	0	0
	(ii)	192,880	82,089	265	22,233	11,644	309,111	0
SAMUEL KEIM CHAIR	(i)	27	0	330	0	2,947	3,304	0
	(ii)	374,402	44,126	1,528	27,419	15,509	462,984	0
MIKE LEMOLE VICE CHAIR	(i)	13	0	153	0	3,296	3,462	0
	(ii)	463,188	16,542	10,245	18,042	16,838	524,855	0
OLE THIENHAUS SECRETARY	(i)	48	0	581	0	2,654	3,283	0
	(ii)	345,577	42,155	5,491	39,892	13,100	446,215	0
KAREN MLAWSKY TREASURER/SECRETARY	(i)	0	0	0	0	0	0	0
	(ii)	543,170	205,440	191,817	20,221	9,992	970,640	0
MISTY HANSEN CHIEF FINANCIAL OFFICER	(i)	0	0	0	0	0	0	0
	(ii)	436,321	151,786	232,732	20,221	15,495	856,555	0
MICHAEL WALDRUM PRESIDENT AND CEO	(i)	0	0	0	0	0	0	0
	(ii)	684,867	125,000	24,007	0	10,656	844,530	0
THOMAS BALL CHIEF MEDICAL OFFICER	(i)	64,974	0	303	0	3,206	68,483	0
	(ii)	218,843	70,123	929	20,221	9,621	319,737	0
EDDY COFFMAN VP, MEDICAID PROGRAMS	(i)	39,466	0	52	3,431	2,325	45,274	0
	(ii)	132,376	40,974	237	12,652	6,992	193,231	0
SARAH FROST COO, HOSPITAL	(i)	49,758	0	39	4,362	446	54,605	0
	(ii)	172,216	43,247	128	16,605	1,373	233,569	0
JAMES STOVER SR VP AND CEO, HEALTH PLAN	(i)	57,059	16,244	1,013	0	1,837	76,153	0
	(ii)	201,933	79,713	4,007	20,221	5,584	311,458	0
FAYEZ GHISHAN PHYSICIAN, MEMBER	(i)	104	0	1,255	2,315	2,557	6,231	0
	(ii)	645,582	105,000	3,764	37,317	13,531	805,194	0
STEVE GOLDSCHMID PHYSICIAN, MEMBER	(i)	50	0	599	0	3,055	3,704	0
	(ii)	536,879	37,223	1,798	28,541	16,452	620,893	0
RAINER GRUESSNER PHYSICIAN, MEMBER	(i)	50	0	599	0	3,296	3,945	0
	(ii)	770,054	90,632	1,798	18,200	20,900	901,584	0
CRAIG HURST PHYSICIAN, MEMBER	(i)	13	0	153	0	3,099	3,265	0
	(ii)	464,180	53,900	54,361	18,200	16,615	607,256	0
BALDASSARRE STEA PHYSICIAN, MEMBER	(i)	75	0	910	0	2,351	3,336	0
	(ii)	470,347	121,828	2,729	31,821	12,474	639,199	0
JAMES BANDS OFFICER, CORPORATE ANALYTICS	(i)	49,353	0	267	3,835	3,007	56,462	0
	(ii)	143,023	739	802	11,124	9,019	164,707	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				
SUSAN WONG-BEAN ASSOCIATE, GENERAL COUNSEL	(i)	46,509	0	105	4,019	612	51,245	0
	(ii)	156,373	765	320	11,498	1,846	170,802	0
BRUCE COULL PHYSICIAN, MEMBER	(i)	92	0	1,104	0	2,339	3,535	0
	(ii)	377,258	0	3,314	29,642	11,452	421,666	0
ANA MARIA LOPEZ PHYSICIAN, MEMBER	(i)	27	0	330	0	2,843	3,200	0
	(ii)	264,233	0	987	17,736	14,581	297,537	0
KATHY REED PHYSICIAN, MEMBER	(i)	75	0	910	0	1,566	2,551	0
	(ii)	346,855	79,026	2,729	47,381	8,498	484,489	0

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization
UNIVERSITY PHYSICIANS HEALTHCARE INC

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 Part VI.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule K (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

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		12-21-2005	6,750,000	FINANCE MEDICAL EQUIPMENT		X		X		X

Part II Proceeds

		A		B		C		D	
1	Amount of bonds retired								
2	Amount of bonds legally defeased								
3	Total proceeds of issue	6,750,000							
4	Gross proceeds in reserve funds								
5	Capitalized interest from proceeds								
6	Proceeds in refunding escrows								
7	Issuance costs from proceeds	78,637							
8	Credit enhancement from proceeds								
9	Working capital expenditures from proceeds								
10	Capital expenditures from proceeds	6,671,363							
11	Other spent proceeds								
12	Other unspent proceeds								
13	Year of substantial completion	2006							
		Yes	No						
14	Were the bonds issued as part of a current refunding issue?		X						
15	Were the bonds issued as part of an advance refunding issue?		X						
16	Has the final allocation of proceeds been made?	X							
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	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						
2 Are there any lease arrangements that may result in private business use of bond-financed property?		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 of bond-financed property?	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?	X							
c	Are there any research agreements that may result in private business use of bond-financed property?		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								
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								
6	Total of lines 4 and 5								
7	Does the bond issue meet the private security or payment test?		X						
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X						
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of								
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?								
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?	X							

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X						
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X						
b	Exception to rebate?		X						
c	No rebate due?		X						
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?	X							
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X						
b	Name of provider								
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was the hedge terminated?								

Part IV

Arbitrage (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		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?								
6	Were any gross proceeds invested beyond an available temporary period?		X						
7	Has the organization established written procedures to monitor the requirements of section 148?	X							

Part V

Procedures To Undertake Corrective Action

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
	Has 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?		X						

Part VI

Supplemental Information. Provide additional information for responses to questions on Schedule K (see instructions).

SCHEDULE M
(Form 990)

Department of the Treasury
Internal Revenue Service

Noncash Contributions

▶Complete if the organizations answered "Yes" on Form 990, Part IV, lines 29 or 30.
▶ Attach to Form 990.

▶Information about Schedule M (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
UNIVERSITY PHYSICIANS HEALTHCARE INC

Employer identification number
94-2958258

Part I

Types of Property

	(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1 Art—Works of art				
2 Art—Historical treasures				
3 Art—Fractional interests				
4 Books and publications				
5 Clothing and household goods				
6 Cars and other vehicles				
7 Boats and planes				
8 Intellectual property				
9 Securities—Publicly traded				
10 Securities—Closely held stock				
11 Securities—Partnership, LLC, or trust interests				
12 Securities—Miscellaneous				
13 Qualified conservation contribution—Historic structures				
14 Qualified conservation contribution—Other				
15 Real estate—Residential				
16 Real estate—Commercial				
17 Real estate—Other				
18 Collectibles				
19 Food inventory				
20 Drugs and medical supplies				
21 Taxidermy				
22 Historical artifacts				
23 Scientific specimens				
24 Archeological artifacts				
25 Other ▶ (DERM CENTER)	X	1	824,000	FAIR MARKET VALUE
26 Other ▶ (ACCTS RECV)	X	1	6,800	FAIR MARKET VALUE
27 Other ▶ ()				
28 Other ▶ ()				

29

Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement

30a

During the year, did the organization receive by contribution any property reported in Part I, lines 1 through 28, that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period?

b

If "Yes," describe the arrangement in Part II

31

Does the organization have a gift acceptance policy that requires the review of any non-standard contributions?

32a

Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions?

b

If "Yes," describe in Part II

33

If the organization did not report an amount in column (c) for a type of property for which column (a) is checked, describe in Part II

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 51227J

Schedule M (Form 990) (2013)

Part III

Supplemental Information. Provide the information required by Part I, lines 30b, 32b, and 33, and whether the organization is reporting in Part I, column (b), the number of contributions, the number of items received, or a combination of both. Also complete this part for any additional information.

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

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.****▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at
www.irs.gov/form990.**

OMB No 1545-0047

2013**Open to Public
Inspection**Name of the organization
UNIVERSITY PHYSICIANS HEALTHCARE INC**Employer identification number**

94-2958258

**Return
Reference****Explanation**FORM 990,
PART III, LINE
3

THE UNIVERSITY OF ARIZONA HEALTH PLANS-UNIVERSITY FAMILY CARE, LLC (UAHP-UFC LLC) AND THE UNIVERSITY OF ARIZONA HEALTH PLANS-UNIVERSITY CARE ADVANTAGE, LLC (UAHP-UCA LLC) ARE SINGLE MEMBER LLCs WITH THE UNIVERSITY OF ARIZONA PHYSICIANS (UAP) AS THE SOLE MEMBER. ACCORDINGLY, ALL REVENUE, EXPENSES, ASSETS AND LIABILITIES OF THE LLCs IS REPORTED ON UAP'S FORM 990. EFFECTIVE SEPTEMBER 25, 2013, UAHP-UFC LLC MERGED INTO THE UNIVERSITY OF ARIZONA HEALTH PLANS-FAMILY CARE, INC. AND UAHP-UCA LLC MERGED INTO THE UNIVERSITY OF ARIZONA HEALTH PLANS-UNIVERSITY CARE ADVANTAGE, INC. BOTH OF THESE ENTITIES WERE FORMED AS ARIZONA NONPROFIT CORPORATIONS AND ARE TAX-EXEMPT UNDER SECTION 501(C)(3). THE LLCs ACCOUNTED FOR A SIGNIFICANT SHARE OF THE UNIVERSITY OF ARIZONA HEALTH PLANS COMPONENT OF UAP HEALTH PLANS ACTIVITY CONDUCTED BY THE LLCs FOR THE PERIOD JULY 1, 2013 THROUGH SEPTEMBER 24, 2013 IS INCLUDED IN THIS FORM 990. HEALTH PLANS ACTIVITY FOR SEPTEMBER 25, 2013 THROUGH JUNE 30, 2014 IS REPORTED ON FORMS 990 FILED BY THE NEW CORPORATIONS.

Return Reference	Explanation
FORM 990, PART VI, SECTION A, LINE 3	THE UNIVERSITY OF ARIZONA HEALTH NETWORK (UAHN) AND THE UNIVERSITY OF ARIZONA PHYSICIANS (UAP), COMPONENTS OF A VERTICALLY AND HORIZONTALLY INTEGRATED HEALTH NETWORK, ENTERED INTO A MASTER INTERCOMPANY SERVICES AGREEMENT ON MARCH 18, 2013 WHEREBY UAHN PROVIDES CERTAIN CORPORATE SERVICES ON A COORDINATED BASIS SPECIFICALLY, UAHN PROVIDES ADMINISTRATION, INFORMATION SYSTEMS SUPPORT, MARKETING, LEGAL, ACCOUNTING, FINANCE, HUMAN RESOURCES, RISK MANAGEMENT, OCCUPANCY AND CAPITAL PLANNING, CREDENTIALING, PATIENT RELATIONS, AND PURCHASING AND MATERIALS MANAGEMENT ALL EMPLOYEES ARE EMPLOYED BY UAHN, WHO DETERMINES THE PERSONNEL NECESSARY TO PROVIDE SERVICES TO UAP AND ACCORDINGLY LEASES THE APPROPRIATE PERSONNEL TO UAP UAHN COMPENSATION IS INCLUDED AT PART VII, SECTION A, COLUMN (E) AND REPRESENTS ALL COMPENSATION EARNED FOR SERVICES RENDERED TO UAHN, INCLUDING THOSE SERVICES LEASED TO UAP

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

Return Reference	Explanation
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

Return Reference	Explanation
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

Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 11	UNIVERSITY PHYSICIANS HEALTHCARE'S FORM 990 IS DISTRIBUTED TO THE EXECUTIVE OFFICERS AND THE BOARD OF DIRECTORS AFTER FILING WITH THE IRS

Return Reference	Explanation
FORM 990, PART VI, SECTION B, LINE 12C	THE UNIVERSITY OF ARIZONA PHYSICIANS' BOARD OF DIRECTORS HAS ADOPTED WRITTEN CONFLICT OF INTEREST POLICIES WHICH ESTABLISH PROCEDURES FOR THE IDENTIFICATION AND DISCLOSURE OF CONFLICTS OF INTEREST UNDER THESE POLICIES, CONFLICTED DIRECTORS, OFFICERS AND EMPLOYEES ARE TO REFRAIN FROM PARTICIPATING IN ANY DECISION OR ACTION BY UAP INVOLVING THE CONFLICT DIRECTORS AND MEMBERS OF SENIOR MANAGEMENT OF UAP ARE REQUIRED ANNUALLY TO REVIEW UAP'S CONFLICT OF INTEREST POLICY AND COMPLETE AND SIGN A CONFLICT OF INTEREST QUESTIONNAIRE

Return Reference	Explanation
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 THE LAST COMPENSATION REVIEW WAS PERFORMED IN MAY 2013

Return Reference	Explanation
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

Return Reference	Explanation
FORM 990, PART IX, LINE 11G	PROFESSIONAL MEDICAL SERVICES PROGRAM SERVICE EXPENSES 150,220,375 MANAGEMENT AND GENERAL EXPENSES 6,732,868 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 156,953,243 UAHN LEASED EMPLOYEES PROGRAM SERVICE EXPENSES 112,726,858 MANAGEMENT AND GENERAL EXPENSES 1,925,517 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 114,652,375

Return Reference	Explanation
FORM 990, PART XI, LINE 9	WRITE-OFF OF CAPITALIZED BOND INSURANCE COSTS -33,455 CAPITAL CONTRIBUTION TO UAHP-UNIVERSITY CARE ADVANTAGE, INC -4,091,408 CAPITAL CONTRIBUTION TO UAHP-FAMILY CARE PLAN, INC -28,045,154

SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships
▶ **Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.**
▶ **Attach to Form 990.** ▶ **See separate instructions.**
▶ **Information about Schedule R (Form 990) and its instructions is at www.irs.gov/form990.**

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
UNIVERSITY PHYSICIANS HEALTHCARE INC

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 (if applicable) 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	-2,742,386	0	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	-82,890	0	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 entity?	
						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	227,565	1,288,491		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	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) ACADEMIC INSURANCE FUNDING LTD PO BOX 1051 GEORGETOWN GRAND CAYMAN KY1-1102 CJ 98-0116943	CAPTIVE INSURANCE	CJ	UNIVERSITY PHYSICIANS HEALTHCARE	C	2,468,853	18,828,118	79 070 %	Yes	
(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					No

Part V

Transactions With Related Organizations

Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36.

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

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 or (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 Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

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

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

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

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

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

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

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

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

Yes

No

1a

No

1b

Yes

1c

Yes

1d

No

1e

Yes

1f

Yes

1g

No

1h

No

1i

No

1j

Yes

1k

Yes

1l

No

1m

No

1n

Yes

1o

No

1p

Yes

1q

No

1r

Yes

1s

Yes

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 related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
See Additional Data Table			

Schedule R (Form 990) 2013

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

Provide additional information for responses to questions on Schedule R (see instructions)

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

Additional Data

Software ID:

Software Version:

EIN: 94-2958258

Name: UNIVERSITY PHYSICIANS HEALTHCARE INC

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

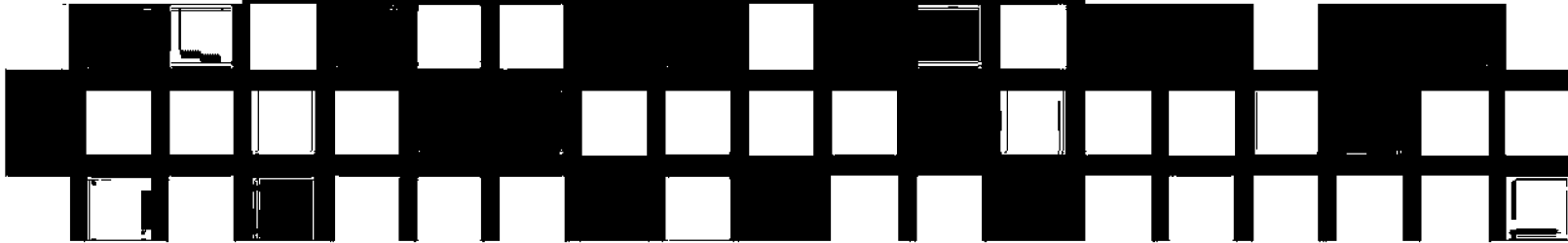
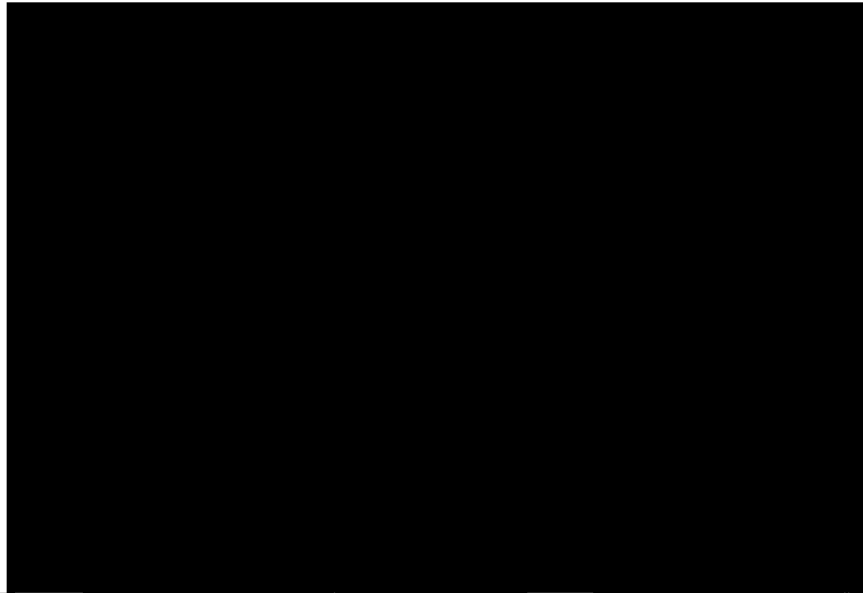
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512 (b)(13) controlled entity?	
						Yes	No
(1) ARIZONA BOARD OF REGENTS 2020 N CENTRAL AVENUE PHOENIX, AZ 85004 86-6004791	GOVERNING BOARD OF ARIZONA'S PUBLIC UNIVERSITIES	AZ			N/A		No
(1) THE UNIVERSITY OF ARIZONA COLLEGE OF MEDICINE 888 N EUCLID TUCSON, AZ 85719 74-2652689	PUBLIC UNIVERSITY	AZ			ARIZONA BOARD OF REGENTS		No
(2) THE UNIVERSITY OF ARIZONA HEALTH NETWORK INC 1501 N CAMPBELL AVENUE TUCSON, AZ 85724 27-2936985	ENHANCE RELATIONSHIP BETWEEN UAMC AND UAP	AZ	501(C)(3)	LINE 11B, II	ARIZONA BOARD OF REGENTS		No
(3) 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
(4) 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
(5) 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	
(6) 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
(7) 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	
(8) THE UNIVERSITY OF ARIZONA HEALTH PLANS-FAMILY CARE INC 2701 E ELVIRA ROAD TUCSON, AZ 85756 46-3766901	HEALTH INSURANCE	AZ	501(C)(3)	LINE 9	UNIVERSITY PHYSICIANS HEALTHCARE	Yes	
(9) THE UNIVERSITY OF ARIZONA HEALTH PLANS-UNIVERSITY CARE ADVANTAGE INC 2701 E ELVIRA ROAD TUCSON, AZ 85756 46-3757358	HEALTH INSURANCE	AZ	501(C)(3)	LINE 9	UNIVERSITY PHYSICIANS HEALTHCARE	Yes	
(10) UNIVERSITY PHYSICIANS HEALTHCARE COMMUNITY HEALTH CENTERS INC 2020 N CENTRAL AVENUE TUCSON, AZ 85756 26-4586679	HEALTHCARE	AZ	501(C)(3)	LINE 3	N/A		No

Form 990, Schedule R, Part V - Transactions With Related Organizations

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
CADUCEUS INDEMNITY INSURANCE	E	5,000,000	ACTUAL TRANSFER
CADUCEUS INDEMNITY INSURANCE	F	6,637,000	ACTUAL TRANSFER
CADUCEUS INDEMNITY INSURANCE	P	10,521,020	ACTUAL TRANSFER
UNIVERSITY PHYSICIANS HEALTHCARE FOUNDATION	C	306,010	ACTUAL TRANSFER
ACADEMIC INSURANCE FUNDING LTD	B	14,808,184	ACTUAL TRANSFER
UAHP-UNIVERSITY CARE ADVANTAGE INC	B	4,091,408	ACTUAL TRANSFER
UAHP-UNIVERSITY FAMILY CARE INC	B	28,045,154	ACTUAL TRANSFER

The University of Arizona Health Network and Subsidiaries

Consolidated Financial Report
With Independent Auditor's Report Thereon
June 30, 2014 and 2013



Contents

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-11
Financial Statements	
Consolidated balance sheets	12
Consolidated statements of revenues, expenses and changes in net position	13
Consolidated statements of cash flows	14-15
Notes to consolidated financial statements	16-41
Supplementary Information	
Consolidating balance sheets	42-44
Consolidating statements of revenues, expenses and changes in net position	45-47



Independent Auditor's Report

To the Board of Directors
The University of Arizona Health Network
Tucson, Arizona

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The University of Arizona Health Network and Subsidiaries (the Corporation), a component of the State of Arizona, as of and for the years ended June 30, 2014 and 2013, and the related notes to the consolidated financial statements, which collectively comprise the Corporation's consolidated financial statements, as listed in the table of contents

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Corporation and the The University of Arizona (UA) executed a Principles of Agreement document with Banner Health, to create a statewide health care organization and a comprehensive new model for academic medicine. This agreement is in the process of being formalized into a final agreement.

As discussed in Note 18 to the consolidated financial statements, the Corporation adopted Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2012. Our opinion is not modified with respect to this matter.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America for state and local governments require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the consolidated financial statements. Such information, although not a part of the consolidated financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audit of the consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual subsidiaries and is not a required part of the consolidated financial statements. Consolidated 2013 information is included for comparative purposes and reflects balances resulting from adoption of GASB Statement No. 65, as discussed in Note 18. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The 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 taken as a whole.



Minneapolis, Minnesota
December 19, 2014

The University of Arizona Health Network and Subsidiaries

Management's Discussion and Analysis Years Ended June 30, 2014, 2013 and 2012

The University of Arizona Health Network (UAHN) and Subsidiaries (the Corporation), an Arizona not-for-profit corporation, controls The 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 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 245-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 Campus and South Campus and at numerous hospital clinics across Tucson, southern Arizona and Nevada.

As faculty of the UA College of Medicine, UAP educates more than 500 medical students and trains nearly as many postgraduate 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 four separate subdivisions:

- **Health Care Group (HCG)** provides health plan services to small businesses with between two and 50 employees under a state-sponsored commercial plan under contract with the Arizona Health Care Cost Containment System (AHCCCS) in various counties in southern Arizona.
- **University Family Care (UFC)** provides health plan services to enrollees under a contract with AHCCCS in various counties in southern Arizona.
- **University Care Advantage (UCA)** offers a Medicare Advantage Prescription Drug (MAPD) plan to enrollees who are dually eligible for both Medicare and Medicaid under contract with Centers for Medicare & Medicaid Services (CMS).
- **Management Contract (MC)** offers health plan administrative services to Maricopa Health Plan and Maricopa Care Advantage for Maricopa Integrated Health System (MIHS).

The University of Arizona Health Network and Subsidiaries

Management's Discussion and Analysis Years Ended June 30, 2014, 2013 and 2012

The UAHP covers 122,000 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. On May 21, 2013, the board of directors of the UMCF determined to discontinue active fundraising efforts. UMC will control the UMCF's remaining assets, and the philanthropic support of the Corporation is now coordinated with the University of Arizona Foundation, an affiliate of the University of Arizona.

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, 2014, 2013 and 2012. 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 and Subsidiaries, 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 sheets present information on the Corporation's assets, liabilities and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating. The consolidated statements of revenues, expenses and changes in net position present information indicating how the Corporation's net position changed during fiscal years 2014 and 2013. All changes in net position 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 consolidated financial statements.

Business Strategy

In 2014, the Corporation entered into negotiations to merge into Banner Health, a Phoenix-based not-for-profit hospital chain with similar values and mission. The merger, scheduled to be finalized in January 2015, will further the Corporation's academic medical mission. Banner Health operates 16 Arizona medical centers and 12 more in six other states. After the deal closes, Banner will employ more than 37,000 workers and be the largest private employer in the state of Arizona.

As part of the proposed merger, Banner will spend at least \$500 million toward capital projects in the next five years, and it will pay \$300 million to establish an academic endowment. The Corporation's long-term debt also will also be paid off.

The merger greatly strengthens the Corporation's ability to provide top-level academic medical care to the people of Arizona and the Southwest.

The University of Arizona Health Network and Subsidiaries

Management's Discussion and Analysis Years Ended June 30, 2014, 2013 and 2012

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 behind 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 Campus 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 130,000 Medicaid, Medicare and state-sponsored covered lives through contracts with AHCCCS, CMS and MIHS. UAHP operates in eight of the 15 Arizona counties, including Pima, Maricopa, Cochise, Santa Cruz, Pinal, Gila, Yuma, Yavapai, La Paz, 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 uncertainty surrounding national health care reform efforts, will continue to negatively impact the Corporation's financial results.

The University of Arizona Health Network and Subsidiaries

Management's Discussion and Analysis Years Ended June 30, 2014, 2013 and 2012

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 2014 and 2013 basic consolidated financial statements.

Results of Operations

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

	2014	2013	2012
Operating revenues			
Net patient service revenue	\$ 857,450	\$ 836,574	\$ 814,399
Capitation revenue	388,726	278,528	288,677
Contract and other operating revenue	49,708	57,980	59,702
Total operating revenues	1,295,884	1,173,082	1,162,778
Operating expenses			
Salaries and wages	483,240	461,703	451,440
Employee benefits	77,177	74,938	70,664
Supplies	194,971	184,511	177,711
Purchased services	42,341	39,935	36,793
Medical claims	274,161	188,768	194,707
Other	225,650	148,424	178,442
Depreciation and amortization	46,609	39,290	39,220
Total operating expenses	1,344,149	1,137,569	1,148,977
Operating (loss) income	(48,265)	35,513	13,801
Nonoperating items	(1,213)	(5,339)	(17,241)
Increase (decrease) in net position	\$ (49,478)	\$ 30,174	\$ (3,440)

The University of Arizona Health Network and Subsidiaries

Management's Discussion and Analysis Years Ended June 30, 2014, 2013 and 2012

Years Ended June 30, 2014, 2013 and 2012

Net patient service revenue for 2014 increased 3 percent over fiscal 2013, reflecting a 1 percent increase in volume. Net patient service revenue for 2013 increased 3 percent over fiscal 2012, reflecting an 8 percent increase in volume. While inpatient days are up slightly, the increase in volume is primarily driven by a strong increase in outpatient services, consisting of surgical procedures and emergency room visits. Net revenue per adjusted patient day increased slightly to \$2,545 in fiscal 2014, as compared to \$2,507 in fiscal 2013 and \$2,641 in fiscal 2012.

Capitation and contract revenue increased 40 percent in 2014 compared to 2013 and decreased 4 percent in 2013 compared to 2012. The increase in 2014 was primarily driven by the expansion of UFC into two new service areas effective on October 1, 2014. UFC's enrollment as of June 30, 2013, was 65,000, compared to 129,000 at June 30, 2014. The decrease in 2013 was driven primarily by a reduction in the Medicaid membership during fiscal year 2013. UFC member months in 2012 were 910,000, compared to 840,000 in 2013.

Salaries, wages and employee benefits for 2014 increased 4 percent over 2013, while full-time-equivalent employees increased from 6,680 in 2013 to 6,923 in 2014. Salaries, wages and employee benefits for 2013 increased 3 percent over 2012, reflecting an increase in full-time-equivalent employees from 6,611 in 2012 to 6,680 in 2013. There was also a 1 percent increase in the rate paid per full-time-equivalent employee in 2014 as compared to 2013 similar to the 1 percent increase in 2013 compared to 2012. The increase in the rate paid per full-time-equivalent was driven by a modest overall market increase in pay and a new physician compensation plan that increased the overall base pay for the physicians.

Supplies expense for 2014 increased approximately 6 percent over 2013, and 2013 supplies expense increased approximately 4 percent over 2012. In addition to the overall higher volume year over year, the increase in supplies expense was also due to higher surgery volumes. Surgery volumes increased 2 percent from 2013 to 2014 and 3 percent, from 2012 to 2013. During 2012, the health care industry had 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.

Medical claims expense relates to claims paid for health plan members. Medical claims expense increased approximately 45 percent in 2014 compared to 2013, primarily due to member months, which increased 489,000, or 32 percent, in 2014 compared to 2013. Medical claims expense decreased approximately 3 percent in 2013 compared to 2012, primarily due to member months, which decreased 121,000, or 7 percent, in 2013 compared to 2012. 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 6 percent increase for 2014 from fiscal year 2013 was primarily driven by the 1 percent increase in overall volume that drives these outsourced services. The 9 percent increase for 2013 from fiscal year 2012 was primarily driven by the 8 percent increase in overall volume that drives these outsourced services.

The University of Arizona Health Network and Subsidiaries

Management's Discussion and Analysis Years Ended June 30, 2014, 2013 and 2012

Other expenses consist primarily of professional services, insurance, utilities, repairs and maintenance, and leases. There was a 52 percent increase in other operating expenses in 2014 compared to 2013 and a 17 percent decrease in other operating expenses in 2013 compared to fiscal year 2012. This was primarily driven by professional services, medical and nonmedical, which increased 134 percent in 2014 compared to fiscal year 2013 and decreased 34 percent in 2013 compared to fiscal year 2012. The increase in professional services, medical and nonmedical in 2014 was due to the consulting cost of implementing a new patient billing system for approximately \$20,000,000 in addition to a new support agreement with The University of Arizona (UA) to support the academic mission of UA in the amount of \$26,350,000. The decrease from 2012 to 2013 was driven by legal and consulting expense related to the revenue cycle engagement and marketing and branding efforts in 2012 for the now-integrated Corporation and did not reoccur at that level in 2013.

Interest expense, included in nonoperating items in the above table, reflecting interest incurred on the Corporation's bonds payable, increased to \$17,715,000 in 2014 from \$16,912,000 in 2013 and decreased to \$16,912,000 in 2013 from \$17,971,000 in 2012. The increase in 2014 interest expense is primarily due to the issuance of new bonds. In fiscal 2014, the Corporation capitalized interest on construction activity of \$1,194,000, compared to \$291,000 in fiscal year 2013 and \$114,000 in fiscal year 2012.

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

Operating Statistics	2014	2013	2014 vs 2013	2012	2013 vs 2012
Net patient service revenue (in thousands)	\$ 857,450	\$ 836,574	2.5%	\$ 814,399	2.7%
Net patient service revenue per adjusted patient days	2,545	2,507	1.5%	2,613	(4.1)%
Admissions (a)	30,184	30,331	(0.5)%	32,612	(7.0)%
Average length of stay (a) (in days)	5.76	5.68	1.4%	5.29	7.4%
Patient days (a)	173,798	172,163	0.9%	172,360	(0.1)%
Adjusted patient days (a) (b)	336,942	333,570	1.0%	308,331	8.2%
Member months (enrollment)	1,994,696	1,506,168	32.4%	1,626,987	(7.4)%
Days per K (c)	601	645	(6.9)%	677	(4.7)%
Admits per K (d)	167	169	(1.3)%	179	(5.4)%

(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, 2014, 2013 and 2012

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 an 11 percent increase and a 1 percent increase in total operating revenues in 2014 versus 2013, and 2013 versus 2012, respectively, due to a variety of factors, including the Indirect Medical Education (IME) funding from AHCCCS and 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 2013, AHCCCS continued their fiscal year 2008 rate freeze until April 2011, when they enacted an additional 5 percent rate cut each in 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 2015.

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 MIHS.

Financial Position

The following are condensed balance sheets at June 30

	2014	2013	2012
Assets			
Current assets	\$ 440,230	\$ 418,853	\$ 406,994
Assets held by trustee, net of current portion	28,124	26,031	26,571
Capital assets, net	418,015	406,474	385,561
Other assets, net	77,104	83,677	93,386
	<u>\$ 963,473</u>	<u>\$ 935,035</u>	<u>\$ 912,512</u>
Liabilities			
Current liabilities	\$ 264,146	\$ 214,238	\$ 211,528
Long-term debt and long-term liabilities	361,613	333,605	340,474
Total liabilities	<u>625,759</u>	<u>547,843</u>	<u>552,002</u>
Net position	<u>337,714</u>	<u>387,192</u>	<u>360,510</u>
	<u><u>\$ 963,473</u></u>	<u><u>\$ 935,035</u></u>	<u><u>\$ 912,512</u></u>

The University of Arizona Health Network and Subsidiaries

Management's Discussion and Analysis Years Ended June 30, 2014, 2013 and 2012

Liquidity and Capital Resources

Cash and short-term unrestricted investments totaled approximately \$158 million, \$155 million and \$161 million at June 30, 2014, 2013 and 2012, respectively. The change in these liquid assets reflects \$51 million in cash provided by operations, offset by \$58 million in capital expenditures. Net cash provided by operating activities increased as compared to the prior year from \$35 million in 2013 to \$51 million in 2014 and increased from \$6 million in 2012 to \$35 million in 2013.

At June 30, 2014, 2013 and 2012, the Corporation's current ratio, which compares current assets to current liabilities, was 1.7, 2.0 and 1.9, respectively. The Corporation's days net patient service revenue in accounts receivable increased to 68, 56 and 57 at June 30, 2014, 2013 and 2012, respectively. The 12-day increase from 2013 to 2014 was driven by a lag in collections due to the implementation of a new patient billing system. The capital expenditures totaled \$58 million in 2014 and \$60 million and \$48 million in 2013 and 2012, respectively.

At June 30, 2014, projects under construction were approximately \$13 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, 2014, the Corporation had \$363 million in debt outstanding versus \$338 million at June 30, 2013, and \$342 million at June 30, 2012. The current portion of assets held by trustee for payments to bondholders payable on July 1 of each year includes \$23 million at June 30, 2014, \$14 million at June 30, 2013, and \$13 million at June 30, 2012. Maturities and other information regarding the current bond obligations are presented in Note 9 to the Corporation's consolidated financial statements.

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, 2014. This includes investment securities held by the UMC and UPH captives of \$63 million at June 30, 2014. With respect to the Corporation's interest-bearing liabilities, the debt payable of \$363 million at June 30, 2014, 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, 2014, 2013 and 2012

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 fee schedule 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.

Subsequent Events

In June 2014, the Corporation and the UA executed a Principles of Agreement document with Banner Health, to create a statewide health care organization and a comprehensive new model for academic medicine. This agreement is in the process of being formalized into a final definitive agreement that is expected to be executed in December 2014. The definitive agreement must also be approved by the Arizona Board of Regents and the boards of directors of the Corporation and Banner Health.

Contact Information

The University of Arizona Health Network
Attn: Administration
1501 North Campbell Ave
Tucson, AZ 85724
www.uahealth.com

The University of Arizona Health Network and Subsidiaries

Consolidated Balance Sheets June 30, 2014 and 2013 (In Thousands)

Assets	2014	2013
Current Assets		
Cash	\$ 46,703	\$ 31,727
Short-term investments	111,290	123,411
Patient accounts receivable, net	161,330	129,117
Capitation and contract receivable, net	20,169	13,302
Supplies inventory	21,171	20,057
Assets held by trustee, current portion	22,674	14,394
Prepaid expenses and other	56,893	86,845
Total current assets	440,230	418,853
Assets Held by Trustee, net of current portion	28,124	26,031
Long-Term Investments	67,346	74,117
Capital Assets, net	418,015	406,474
Other Assets, net	9,758	9,560
Total	\$ 963,473	\$ 935,035
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 98,136	\$ 60,256
Accrued payroll and employee benefits	58,639	67,028
Accrued medical claims	41,133	23,332
Accrued professional liability	9,710	12,711
Other accrued liabilities	29,047	23,438
Current portion of long-term debt	27,481	27,473
Total current liabilities	264,146	214,238
Long-Term Debt, net of current portion	335,805	310,565
Other Long-Term Liabilities	25,808	23,040
Total liabilities	625,759	547,843
Commitments and Contingencies		
Net Position		
Net investment in capital assets	72,668	86,599
Restricted for bonds payable	10,195	9,536
Restricted by donor and other	17,712	16,510
Unrestricted	237,139	274,547
Total net position	337,714	387,192
Total	\$ 963,473	\$ 935,035

See Notes to Consolidated Financial Statements

The University of Arizona Health Network and Subsidiaries

Consolidated Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2014 and 2013
(In Thousands)

	2014	2013
Operating revenues		
Net patient service revenue	\$ 857,450	\$ 836,574
Capitation revenue	388,726	278,528
Contract and other operating revenue	49,708	57,980
Total operating revenues	1,295,884	1,173,082
Operating expenses		
Salaries and wages	483,240	461,703
Employee benefits	77,177	74,938
Supplies	194,971	184,511
Purchased services	42,341	39,935
Professional services, medical	75,607	30,968
Professional services, nonmedical	30,092	14,122
Medical claims	274,161	188,768
Other	119,951	103,334
Depreciation and amortization	46,609	39,290
Total operating expenses	1,344,149	1,137,569
Operating (loss) income	(48,265)	35,513
Nonoperating revenues and (expenses)		
Other nonoperating revenues and expenses	(2,252)	(48)
Investment income	18,754	11,621
Interest expense	(17,715)	(16,912)
Total nonoperating expenses	(1,213)	(5,339)
Increase (decrease) in net position	(49,478)	30,174
Net position, beginning of year	387,192	357,018
Net position, end of year	\$ 337,714	\$ 387,192

See Notes to Consolidated Financial Statements

The University of Arizona Health Network and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended June 30, 2014 and 2013
(In Thousands)

	2014	2013
Cash Flows From Operating Activities		
Cash received for services provided and other operating receipts	\$ 875,939	\$ 889,924
Capitation and contract services received	381,866	275,959
Cash paid for employees and benefits	(552,005)	(527,074)
Cash paid for supplies, purchased services and other	(398,869)	(413,436)
Cash paid for medical claims	(256,360)	(190,605)
Net cash provided by operating activities	50,571	34,768
Cash Flows From Capital and Related Financing Activities		
Purchase of capital assets	(57,876)	(59,905)
Proceeds from issuance of Series 2013 Bonds, net of issuance cost	32,963	-
Proceeds from borrowings on line of credit	20,000	18,250
Repayment of line of credit	(19,734)	(12,466)
Extinguishment of bonds	-	(4,207)
Proceeds from note payable	-	9,440
Principal payments on bonds payable	(6,945)	(13,403)
Principal payments on notes payable	(1,289)	(407)
Repayment of capital lease	(640)	(1,870)
Cash paid for interest	(21,248)	(17,115)
Fundraising and grants received net of expenses paid	(208)	(266)
Net cash used in capital and related financing activities	(54,977)	(81,949)
Cash Flows From Investing Activities		
Purchases of investments	(145,480)	(131,939)
Proceeds from sales of investments	166,619	136,946
(Increase) decrease in assets held by trustee, net	(9,411)	1,051
Investment income received and other	7,654	10,135
Net cash provided by investing activities	19,382	16,193
Net increase (decrease) in cash	14,976	(30,988)
Cash, beginning of year	31,727	62,715
Cash, end of year	\$ 46,703	\$ 31,727

(Continued)

The University of Arizona Health Network and Subsidiaries

Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2014 and 2013
(In Thousands)

	2014	2013
Reconciliation of Operating (Loss) Income to Net Cash Provided by		
Operating Activities		
Operating (loss) income	\$ (48,265)	\$ 35,513
Adjustments to reconcile operating (loss) income to net cash provided		
by operating activities		
Depreciation and amortization	46,609	39,317
Loss on disposal of capital assets	-	(27)
Changes in assets and liabilities		
Receivables	(39,080)	(9,680)
Supplies inventory	(1,114)	(2,641)
Prepaid expenses and other	29,952	(7,881)
Other assets	9,801	9,556
Accounts payable	37,880	(3,392)
Accrued payroll and employee benefits	(8,389)	11,602
Accrued medical claims	17,801	91
Other accrued liabilities	5,376	(37,690)
Net cash provided by operating activities	\$ 50,571	\$ 34,768
Supplemental Schedule of Noncash Investing, Capital and		
Financing Activities		
Capital expenditures included in accounts payable	\$ 6,650	\$ 1,897
Interest capitalized, net of earnings on related bond proceeds	\$ 1,194	\$ 291
Change in pledges receivable	\$ 42	\$ (897)
Change in unrealized net appreciation on investments	\$ 13,562	\$ 1,438

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 (UAHN) and Subsidiaries (the Corporation) controls The University Medical Center Corporation and Subsidiaries (UMC) and University Physicians Healthcare and Subsidiaries (UPH)

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 bases of the assets, liabilities and net position of the separate organizations were combined as of the beginning of the year (July 1, 2010) in which it occurred.

The Corporation provides comprehensive health care through two hospitals, a physician practice plan, and multiple health care insurance plans. The Corporation is closely related to The University of Arizona (UA), helping to advance academic medicine through education and extensive programs in medical research.

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. Accounting records are maintained on the economic resources measurement focus and the accrual basis of accounting. The members of the Corporation's Board of Directors are appointed by the Arizona Board of Regents (ABOR). Consequently, the Corporation follows applicable Governmental Accounting Standards Board (GASB) principles and has prepared the Corporation's consolidated financial statements on the accrual basis of accounting, using the economic resources measurement focus. 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). All significant intercompany accounts and transactions have been eliminated upon consolidation.

Operating revenues and expenses: The Corporation's consolidated statements of revenues, expenses and changes in net position distinguish 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.

Cash: 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. At June 30, 2014, the Corporation had a book balance of cash of \$46,703,000 and bank balance of \$57,670,000. The depository insurance related to these bank balances at June 30, 2014, was \$1,250,000.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Investments: Investments are carried at fair value generally based on quoted market prices or an amount determined by external investment managers if quoted prices are not available. Management reviews and evaluates fair value provided by the external managers, as well as the valuation methods and assumptions used in determining the fair value of such investments. 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 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 funds. Hedge funds are carried at the fair values reported by the fund managers based on the fair value of funds' investments in 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, 2014 and 2013, the estimated fair value of the Corporation's bonds payable was approximately \$356,374,000 and \$323,616,000, 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 \$258,322,000 and \$300,946,000 as of June 30, 2014 and 2013, 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, 2014 and 2013.

	2014	2013
Medicare	32%	30%
Arizona Health Care Cost Containment System (AHCCCS)	23%	20%
Other third-party and commercial payors	37%	38%
Other, including self pay	8%	12%

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.

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.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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:

	<u>Years</u>
Buildings and improvements, land improvements, including certain fixed equipment	10–40
Equipment	3–15

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 \$-0- and \$1,021,000 at June 30, 2014 and 2013, respectively.

Net position: The consolidated financial statements utilize a net position presentation. Net position of the Corporation is classified in three components. *Net position invested in capital assets* consists 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 position* categories consist of noncapital net position that must be used for a particular purpose, as specified by creditors, grantors or contributors external to the Corporation. *Unrestricted net position* is remaining net position that does not meet the definition of restricted or invested in capital assets.

Income taxes: In general, UAHN and its 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 has reviewed its tax positions for all open tax years and has concluded that no material liabilities exist as of June 30, 2014 and 2013. 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 2010.

Premium tax: The State of Arizona imposes a premium tax on capitation payments paid to The University of Arizona Health Plans (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 position.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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 the SNCP program, the Corporation is reimbursed for a portion of costs incurred 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.

SNCP reimbursements are recorded as net patient service revenue in the statement of revenues, expenses and changes in net position. The Corporation recognized net patient service revenue under the SNCP program of approximately \$20,000,000 and \$63,000,000 in 2014 and 2013, respectively.

During the fiscal year ended June 30, 2014, the Corporation adjusted certain factors to the 2012 and 2013 SNCP estimated reimbursement calculation. These changes in prior-year estimates reduced 2014 net patient service revenue and operating income by approximately \$12,000,000.

During fiscal years 2014 and 2013, AHCCCS committed approximately \$50,000,000 and \$53,000,000, respectively, to the Corporation related to the Corporation's eligible unreimbursed Indirect Medical Education (IME) costs. The fiscal year 2014 and 2013 funds were not received by June 30, and are recorded in prepaid expenses and other on the consolidated balance sheets. 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 revenue: Capitation revenue consists of monthly capitation fees as agreed upon by the Corporation and the contracting agency. Amounts receivable under these agreements are recorded as capitation 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.

Contract and other operating revenue: Contract 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 other amounts earned under contractual provisions.

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 trauma readiness costs and electronic health records (EHR).

The Corporation recognizes revenue for Incentive Funding for Meaningful Use of Electronic Health Records payments from AHCCCS and Medicare in the period in which it has obtained reasonable assurance that it is in compliance with the applicable EHR meaningful use requirements. Accordingly, the Corporation recognized \$2,233,000 and \$3,788,000 of other operating revenue for EHR incentives for the years ended June 30, 2014 and 2013, respectively. A portion of the revenue from incentive payments is subject to retrospective adjustments, as those incentive payments are calculated using Medicare cost report data that is subject to audit. Additionally, the Corporation's compliance with the meaningful use criteria is subject to audit by the federal government and AHCCCS.

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 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 \$25,000 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 University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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.

Reclassifications: Certain 2013 balances have been reclassified to conform to the 2014 presentation. These reclassifications had no effect on previously reported changes in net position.

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.

In June 2014, the Corporation and the UA executed a Principles of Agreement document with Banner Health, to create a statewide health care organization and a comprehensive new model for academic medicine. This agreement is in the process of being formalized into a final definitive agreement that is expected to be executed in December 2014. The definitive agreement must also be approved by ABOR and the boards of directors of the Corporation and Banner Health.

The Corporation has evaluated events and transactions occurring subsequent to June 30, 2014, through December 19, 2014, the date of issuance of the consolidated financial statements. During this period, there were no events requiring recognition in the consolidated financial statements. Other than the item above, there were no nonrecognized subsequent events requiring disclosure.

Note 3. Unsponsored Community Benefit Expense

The Corporation provides health care services to individuals who meet certain financial criteria without charge or at amounts less than established rates. Since the Corporation does not pursue collection of these amounts, they are not reported as revenue. The estimated cost of providing these services was \$26,361,000 and \$44,364,000 for the years ended June 30, 2014 and 2013, respectively, determined using a cost of charge ratio. In addition to the charges related to direct patient care, the Corporation incurs costs in excess of revenues received on services provided to enrollees under AHCCCS, a government-mandated program for the indigent (see Note 4). The estimated unreimbursed cost of providing services related to AHCCCS totaled \$59,887,000 and \$19,483,000 for the years ended June 30, 2014 and 2013, respectively.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Unsponsored Community Benefit Expense (Continued)

The Corporation also contributes directly to programs that benefit the community, including medical research at the University of Arizona as further described in Note 14. Total contributions to these programs totaled \$83,390,000 and \$50,552,000 for the years ended June 30, 2014 and 2013, respectively.

	2014	2013
Net cost of charity care (stated above)	\$ 86,248	\$ 63,847
The University of Arizona support	83,390	50,552
Contributions to community organizations	420	434
	<u>\$ 170,058</u>	<u>\$ 114,833</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:

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, 2010. For the years ended June 30, 2014 and 2013, approximately 36 percent and 33 percent, respectively, of net patient service revenue was derived from services provided to Medicare patients.

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. For the years ended June 30, 2014 and 2013, approximately 26 percent of net patient service revenue was derived from services provided to AHCCCS patients.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 4. Net Patient Service Revenue (Continued)

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, 2014 and 2013 (in thousands)

	2014	2013
Net gain on sales of investments	\$ 2,220	\$ 4,551
Change in net unrealized gains on investments	13,562	1,438
Interest income on unrestricted investments	2,784	5,411
Interest income on assets held by trustee	188	221
Investment income	<u>\$ 18,754</u>	<u>\$ 11,621</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, 2014 and 2013 (in thousands)

Investment Type	Fair Value	2014 Investment Maturities (In Years)			
		Less Than 1	1 to 5	6 to 10	11 +
Debt securities					
U S fixed income	\$ 39,044	\$ 3,551	\$ 20,684	\$ 5,463	\$ 9,346
Global fixed income	2,782	502	1,673	607	-
		<u>\$ 4,053</u>	<u>\$ 22,357</u>	<u>\$ 6,070</u>	<u>\$ 9,346</u>
Other securities					
Equity mutual funds	51,496				
Money market mutual funds	23,863				
Domestic bond mutual funds	28,763				
International bond mutual funds	17,751				
Managed futures	4,688				
Commodities/natural resources	2,850				
Hedge funds	4,187				
Real estate	2,699				
Private equity	513				
Total	<u>178,636</u>				
Less short-term investments	<u>(111,290)</u>				
Long-term investments	<u>\$ 67,346</u>				

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Investments (Continued)

Investment Type	Fair Value	2013 Investment Maturities (In Years)			
		Less Than 1	1 to 5	6 to 10	11 +
Debt securities					
U S fixed income	\$ 31,599	\$ 1,372	\$ 10,427	\$ 4,461	\$ 15,339
Global fixed income	1,394	40	595	759	-
		<u>\$ 1,412</u>	<u>\$ 11,022</u>	<u>\$ 5,220</u>	<u>\$ 15,339</u>
Other securities					
Equity mutual funds	64,028				
Money market mutual funds	42,076				
Domestic bond mutual funds	33,155				
International bond mutual funds	9,429				
Managed futures	4,789				
Commodities/natural resources	2,772				
Hedge funds	5,528				
Real estate	1,958				
Private equity	800				
Total	<u>197,528</u>				
Less short-term investments	<u>(123,411)</u>				
Long-term investments	<u>\$ 74,117</u>				

Long-term investments: Long-term investments totaled \$67,346,000 and \$74,117,000 at June 30, 2014 and 2013, 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 \$2,600,000 at June 30, 2014 and 2013, which is required to be maintained to meet their 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, 2014 and 2013, respectively, the Corporation held \$16,410,000 and \$6,833,000 of AAA-rated, \$9,009,000 and \$16,397,000 of AA-rated, \$6,197,000 and \$7,436,000 of A-rated, and \$10,210,000 and \$2,327,000 of below A-rated securities.

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

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Investments (Continued)

Investment policy: 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.

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, 2014 and 2013 (in thousands):

	June 30, 2014			
	UAHN	UPH	UMC	Total
Funds held by trustee, as required by the Industrial Commission of Arizona	\$ 3,250	\$ -	\$ -	\$ 3,250
Funds held by trustee, related to bonds payable				
Debt service funds	-	-	15,990	15,990
Bond reserve funds	-	-	24,874	24,874
Bond construction fund	-	-	6,684	6,684
	-	-	47,548	47,548
Total assets held by trustee	3,250	-	47,548	50,798
Less current portion	-	-	(22,674)	(22,674)
Assets held by trustee, net of current portion	\$ 3,250	\$ -	\$ 24,874	\$ 28,124

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Assets Held by Trustee (Continued)

	June 30, 2013			
	UAHN	UPH	UMC	Total
Funds held by trustee, as required by the Industrial Commission of Arizona	\$ 3,230	\$ -	\$ -	\$ 3,230
Funds held by trustee, related to bonds payable				
Debt service funds	-	-	14,394	14,394
Bond reserve funds	-	127	22,674	22,801
	-	127	37,068	37,195
Total assets held by trustee	3,230	127	37,068	40,425
Less current portion	-	-	(14,394)	(14,394)
Assets held by trustee, net of current portion	\$ 3,230	\$ 127	\$ 22,674	\$ 26,031

Assets held by trustee were invested as follows at June 30, 2014 and 2013 (in thousands)

	June 30, 2014			
	UAHN	UPH	UMC	Total
Money market mutual funds	\$ -	\$ -	\$ 40,577	\$ 40,577
Commercial paper	-	-	4,013	4,013
U S Treasury securities	3,250	-	2,958	6,208
Total assets held by trustee	\$ 3,250	\$ -	\$ 47,548	\$ 50,798

	June 30, 2013			
	UAHN	UPH	UMC	Total
Money market mutual funds	\$ -	\$ 127	\$ 25,738	\$ 25,865
Commercial paper	-	-	4,013	4,013
U S Treasury securities	3,230	-	7,317	10,547
Total assets held by trustee	\$ 3,230	\$ 127	\$ 37,068	\$ 40,425

For the year ended June 30, 2014, \$525,000 in U S Treasury securities belonging to University of Arizona Health Plans—University Healthcare Inc are included in UAHN totals above

All of the Corporation's assets held by trustee mature within one year For the years ended June 30, 2014 and 2013, 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, 2013	Additions	Retirements	Reclassifications	June 30, 2014
Land and improvements	\$ 16,029	\$ -	\$ -	\$ -	\$ 16,029
Buildings and improvements	455,456	13	-	6,125	461,594
Equipment	314,872	-	(852)	83,005	397,025
Construction in process	43,942	58,275	-	(89,130)	13,087
Total	830,299	58,288	(852)	-	887,735
Less accumulated depreciation for					
Land improvements	(997)	(120)	-	-	(1,117)
Buildings and improvements	(185,869)	(14,562)	-	-	(200,431)
Equipment	(236,959)	(31,855)	642	-	(268,172)
Total	(423,825)	(46,537)	642	-	(469,720)
Capital assets, net	\$ 406,474	\$ 11,751	\$ (210)	\$ -	\$ 418,015

	June 30, 2012	Additions	Retirements	Reclassifications	June 30, 2013
Land and improvements	\$ 15,956	\$ -	\$ (55)	\$ 128	\$ 16,029
Buildings and improvements	443,676	589	-	11,191	455,456
Equipment	289,041	2,856	(135)	23,110	314,872
Construction in process	21,859	56,512	-	(34,429)	43,942
Total	770,532	59,957	(190)	-	830,299
Less accumulated depreciation for					
Land improvements	(644)	(353)	-	-	(997)
Buildings and improvements	(169,839)	(16,022)	(8)	-	(185,869)
Equipment	(214,488)	(22,604)	133	-	(236,959)
Total	(384,971)	(38,979)	125	-	(423,825)
Capital assets, net	\$ 385,561	\$ 20,978	\$ (65)	\$ -	\$ 406,474

During 2014 and 2013, 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 \$27,890,000 and \$58,761,000 at June 30, 2014 and 2013, respectively. Interest costs incurred during construction, net of earnings on unspent bond proceeds on project-specific debt, which totaled approximately \$1,194,000 and \$291,000 for the years ended June 30, 2014 and 2013, 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, 2014 and 2013, is as follows (in thousands)

	2014	2013
Long-term portion of pledges receivable	\$ 7,512	\$ 7,303
Other	2,246	2,257
Other noncurrent assets, net	<u>\$ 9,758</u>	<u>\$ 9,560</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 \$56,000 and \$223,000 at June 30, 2014 and 2013, 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, 2014 and 2013, is as follows (in thousands)

	Effective Interest	Principal and Interest Payments Payable Through	2014	2013
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	\$ 67,566	\$ 70,471
Series 2009 Bonds, \$61,800,000, net of discount, collateralized by a security interest in UMC's gross revenue	6.48%	July 2039	59,728	60,464
Series 2013 Bonds, \$32,695,000, net of discount, collateralized by a security interest in UMC's gross revenue	4.75%	July 2036	32,850	-
Series 2005 Bonds, \$140,000,000, net of discount, collateralized by a security interest in UMC's gross revenue	4.99%	July 2035	138,767	139,029
Series 2004 Bonds, \$52,000,000, net of discount, collateralized by a security interest in UMC's gross revenue	4.41%	July 2033	35,511	37,545
Capital leases			-	342
			<u>334,422</u>	<u>307,851</u>
Less current portion			<u>(6,947)</u>	<u>(6,149)</u>
			<u>327,475</u>	<u>301,702</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	2014	2013
Obligated by University Physicians Healthcare				
Note payable—Series 2005 \$9,900,000, net of discount, collateralized by UPH property and equipment 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	4 42%	December 2025	4,644	4,940
Note payable—term loan, payable in monthly installments of \$18,750, collateralized by a deed of trust and repayment guarantee	1 55%	March 2016	4,220	4,444
\$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	(a)	Due on demand	20,000	19,734
Other notes payable			-	418
Capital leases and other			-	381
Total University Physicians Healthcare debt			28,864	29,917
Less current portion			(20,534)	(21,054)
Long-term debt, net of current portion for UPH			8,330	8,863
Obligated by University Medical Imaging				
Capital lease			-	270
Less current portion			-	(270)
Long-term debt, net of current portion			-	-
Total debt for the Corporation			363,286	338,038
Less current portion			(27,481)	(27,473)
			<u>\$ 335,805</u>	<u>\$ 310,565</u>

(a) The interest rate of the revolving line of credit is calculated as the higher of LIBOR plus 2 percent or 2 5 percent, not to exceed 24 percent (2 5 percent at June 30, 2014) The line-of-credit agreement expires in December 2014

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Long-Term Debt (Continued)

Future scheduled maturities of bonds and related interest payable at June 30, 2014, are as follows (in thousands)

Years Ending June 30	Principal	Interest
2015	\$ 27,481	\$ 18,189
2016	11,611	17,807
2017	8,008	17,368
2018	8,423	16,952
2019	8,859	16,515
2020–2024	51,751	75,125
2025–2029	65,047	60,149
2030–2034	83,515	40,815
2035–2039	85,005	16,551
2040–2042	15,760	485
Total	<u>365,460</u>	<u>\$ 279,956</u>
Less unamortized portion of bond discount	(2,174)	
Total scheduled maturities of bonds payable, net	<u>\$ 363,286</u>	

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 of UMC.

For the year ended June 30, 2014, UMC violated the debt service coverage ratio covenant included in the Indenture. The Indenture requires management to perform certain actions during the year immediately following the year of violation. If management performs these actions, an event of default is avoided. Management intends to fulfill these actions. At June 30, 2014, the bonds subject to the Indenture are not in default, accordingly, their maturities have not been adjusted from the original maturities.

UPH is also subject to certain financial and nonfinancial covenants under its debt agreements. UPH was in violation of certain covenants as of June 30, 2014, however, these covenant violations have been waived by the holder of the debt, accordingly, their maturities have not been adjusted from the original maturities.

The Corporation has established and maintains separate funds as a bond reserve fund on outstanding bonds payable. These funds totaled \$24,874,000 and \$22,801,000 at June 30, 2014 and 2013, respectively, are held by the trustee, and are 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.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Long-Term Debt (Continued)

Schedules of changes in the Corporation's long-term debt for the years ended June 30, 2014 and 2013, are as follows (in thousands)

	June 30, 2013	Additions	Reductions	June 30, 2014	Amounts Due Within One Year
Bonds payable	\$ 307,927	\$ 32,963	\$ (6,468)	\$ 334,422	\$ 6,947
Notes payable	9,737	-	(873)	8,864	534
Capital leases	640	-	(640)	-	-
Line of credit	19,734	20,000	(19,734)	20,000	20,000
Total debt	<u>\$ 338,038</u>	<u>\$ 52,963</u>	<u>\$ (27,715)</u>	<u>\$ 363,286</u>	<u>\$ 27,481</u>

	June 30, 2012	Additions	Reductions	June 30, 2013	Amounts Due Within One Year
Bonds payable	\$ 324,465	\$ -	\$ (16,538)	\$ 307,927	\$ 6,228
Notes payable	704	9,440	(407)	9,737	872
Capital leases	2,510	-	(1,870)	640	640
Line of credit	13,950	18,250	(12,466)	19,734	19,733
Total debt	<u>\$ 341,629</u>	<u>\$ 27,690</u>	<u>\$ (31,281)</u>	<u>\$ 338,038</u>	<u>\$ 27,473</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 \$10,839,000 and \$10,956,000 for the years ended June 30, 2014 and 2013, respectively.

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

Years Ending June 30,

2015	\$ 8,237
2016	4,724
2017	1,615
2018	1,134
2019	747
Thereafter	6,435
	<u>\$ 22,892</u>

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 11. Accrued Medical Claims

Accrued medical claims liability at June 30, 2014 and 2013, consists of the following (in thousands)

	2014	2013
Claims payable or pending approval	\$ 26,595	\$ 6,800
Provisions for claims incurred but not yet reported	14,538	16,532
	<u>\$ 41,133</u>	<u>\$ 23,332</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, 2014 and 2013 (in thousands)

	2014	2013
Beginning balance	\$ 23,332	\$ 25,169
Incurred		
Current	275,339	187,109
Prior	(1,178)	1,659
Total	<u>274,161</u>	<u>188,768</u>
Paid		
Current	229,357	163,777
Prior	27,003	26,828
Total	<u>256,360</u>	<u>190,605</u>
Accrued medical claims	<u>\$ 41,133</u>	<u>\$ 23,332</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, 2014 and 2013, are as follows (in thousands)

	June 30, 2013	Additions	Reductions	June 30, 2014	Amounts Due Within One Year
Accrued professional liability	\$ 31,958	\$ 43,754	\$ (44,449)	\$ 31,263	\$ 9,710
Employee vacation and benefit	27,916	396,762	(390,816)	33,862	30,255
Other	5,386	7,212	(7,411)	5,187	4,539
Total	65,260	447,728	(442,676)	70,312	<u>\$ 44,504</u>
Less current portion					
Accrued professional liability	(12,711)	(22,202)	25,203	(9,710)	
Included in accrued payroll and employee benefits	(24,404)	(396,175)	390,324	(30,255)	
Included in other accrued liabilities	(5,105)	(5,725)	6,291	(4,539)	
Other long-term liabilities	<u>\$ 23,040</u>	<u>\$ 23,626</u>	<u>\$ (20,858)</u>	<u>\$ 25,808</u>	

	June 30, 2012	Additions	Reductions	June 30, 2013	Amounts Due Within One Year
Accrued professional liability	\$ 31,343	\$ 63,355	\$ (62,740)	\$ 31,958	\$ 12,711
Employee vacation and benefit	28,577	411,834	(412,495)	27,916	24,404
Other	9,100	16,843	(20,557)	5,386	5,105
Total	69,020	492,032	(495,792)	65,260	<u>\$ 42,220</u>
Less current portion					
Accrued professional liability	(16,382)	(42,656)	46,327	(12,711)	
Included in accrued payroll and employee benefits	(19,433)	(219,733)	214,762	(24,404)	
Included in other accrued liabilities	(6,645)	(16,230)	17,770	(5,105)	
Other long-term liabilities	<u>\$ 26,560</u>	<u>\$ 213,413</u>	<u>\$ (216,933)</u>	<u>\$ 23,040</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/\$30,000,000 (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.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

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

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 Corporation has discounted professional and general liabilities estimated losses of approximately \$31,263,000 and \$31,958,000 at June 30, 2014 and 2013, 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 liability in the accompanying consolidated balance sheets. Cash and investments held by the Corporation's captives to fund this liability totaled approximately \$66,724,000 and \$69,156,000 at June 30, 2014 and 2013, 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 2014 is \$500,000 per occurrence. The Corporation purchases an excess workers' compensation policy to provide statutory limits coverage in excess of the \$500,000 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 \$4,910,000 and \$4,504,000 (inclusive of UPH) as of June 30, 2014 and 2013, 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 medical and dental for its employees. The accrual for estimated claims includes estimates of the ultimate costs for claims incurred but not reported and is based upon the estimated cost of settlement. Self-insured health insurance retention in 2014 is \$500,000 per insured member. The Corporation has recorded a liability of approximately \$7,212,000 and \$6,272,000 at June 30, 2014 and 2013, 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 who 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 \$16,473,000 and \$18,105,000 for the years ended June 30, 2014 and 2013, respectively. Accrued liabilities include \$8,418,000 and \$9,191,000 payable to the UAHN Plan as of June 30, 2014 and 2013, respectively.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 13. Retirement Plans (Continued)

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.

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 \$8,519,000 and \$7,130,000 for the years ended June 30, 2014 and 2013, respectively.

The Corporation pays UA for services provided by interns and residents. Resident and intern salaries totaled approximately \$40,301,000 and \$31,492,000 for the years ended June 30, 2014 and 2013, 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 \$12,066,000 and \$11,627,000, 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 \$9,180,000 and \$9,265,000 for the years ended June 30, 2014 and 2013, respectively. This amount is included in other operating revenue in the accompanying consolidated financial statements.

The Corporation continues to support the UA College of Medicine through various support that helps drive the continuation of underfunded academic and research missions. In turn, these support efforts are reciprocated throughout the health system in the form of innovation, attracting top-tier medical and graduate students, faculty and fellows, and better service to meet the community's medical needs. During the year ended June 30, 2014, the Corporation entered into a one-year mission support agreement for approximately \$26,350,000 to support this initiative.

UPH has an agreement with the Arizona Board of Regents whereby it is required to pay to the College of Medicine 4 percent of all fees collected for professional health care services delivered by its members and employees. Assessments totaled \$6,003,000 and \$6,134,000 in fiscal 2014 and 2013, respectively. The fund may be used at the discretion of the dean of the College of Medicine for the benefit of the College of Medicine. In addition, UPH contracts for payroll, personnel and purchased services with UA. Fees assessed for these services totaled \$4,574,000 and \$5,319,000 in fiscal 2014 and 2013, respectively.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

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 (UFC) 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 per member of \$25,000 and \$20,000 for policy years 2014 and 2013, respectively. 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.

Amounts received and estimated to be recoverable under reinsurance contracts totaling approximately \$12,000,000 and \$14,100,000 for fiscal 2014 and 2013, 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 \$6,931,000 and \$8,319,000 at June 30, 2014 and 2013, respectively.

Note 16. Commitments and Contingencies

Regulatory matters: Laws and regulations concerning government programs, including Medicare, Medicaid and various research grant programs, 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.

Lease with Pima County: In June 2004, UPH entered into an agreement with Pima County (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 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 \$14,400,000 in both 2014 and 2013.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 16. Commitments and Contingencies (Continued)

UAHP performance measures:

- UFC's contract with AHCCCS requires UFC be in compliance with certain financial and nonfinancial performance measures, as well as certain prerequisites to maintain UFC's eligibility as a party to the contract with AHCCCS. Lack of compliance with these measures or prerequisites could result in sanctions, financial penalties, required corrective action plans, or termination of the AHCCCS contract. Management has determined that UFC has maintained AHCCCS nonfinancial performance standards in all categories. 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, 2018. The loss of this contract would have an adverse effect on UFC's future operations.
- A subsidiary of the Corporation, University Care Advantage (UCA), has a contract with Centers for Medicare & Medicaid Services (CMS), which requires UCA to be in compliance with certain financial and nonfinancial covenants. During fiscal year 2013, UCA sought to expand operations within its calendar year 2014 CMS contract to additional counties beyond those historically served by UCA. This expansion was denied by CMS, and UCA responded by appealing that decision. UCA has lost the appeal and, as a result, received a notice of nonrenewal of its CMS contract for calendar year 2014 on all counties. The loss of this contract will have an adverse effect on UCA's future operations for the calendar year 2014, but will not affect UCA's future eligibility to seek renewal of a contractual relationship with CMS for subsequent years.

The Corporation, through its subsidiaries, holds various performance bonds as required by the contracts that govern the operation of the Corporation's health plans, UFC, UCA and HCG.

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

Recent accounting pronouncements adopted in the current year: In 2014, the Corporation adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements, deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. See Note 18.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 17. Recent Accounting Pronouncements (Continued)

Recent accounting pronouncements not yet effective: In 2012, the GASB issued GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which require enhanced note disclosure and supplementary information for both defined benefit and defined contribution pension plans, as well as provide standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for pension plans. GASB Statement No. 67 must be adopted for pension plans no later than the year ending June 30, 2015, while GASB Statement No. 68 must be adopted no later than the year ending June 30, 2016. The Corporation has not yet determined the impact of these statements on the basic financial statements.

Note 18. Restatement (Adoption of New Accounting Standard)

As a result of the Corporation adopting GASB Statement No. 65, the net position as of July 1, 2012, has been decreased by \$3,492,000 for the effect of retroactive application of this standard related to the previously capitalized bond issuance costs, which are now expensed when incurred. Following is a summary of the change in net position due to the restatement:

Net position—July 1, 2012, before restatement	\$ 360,510
Cumulative effect of change in accounting principle	(3,492)
Net position—July 1, 2012, restated	<u>\$ 357,018</u>

The impact to the 2013 consolidated statement of revenues, expenses and changes in net position was a decrease in interest expense and an increase in net position of \$390,000, due to the reversal of the amortization expense for debt issuance costs, which were previously recognized in 2013.

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 19. Condensed Financial Information

Following is the condensed balance sheet as of June 30, 2014, and the related condensed statements of revenues, expenses and changes in net position, and cash flows for the year ended June 30, 2014, for the material subsidiaries of The University of Arizona Health Network (in thousands)

	UMC	UPH	UAHN	AIFL	Eliminations and Other	Consolidated	
						2014	2013
Current assets	\$ 378,292	\$ 206,695	\$ (964)	\$ 1,326	\$ (145,119)	\$ 440,230	\$ 418,853
Capital assets	285,258	25,694	103,508	-	3,555	418,015	406,474
Other long-term assets	41,304	62,209	2,725	22,487	(23,497)	105,228	109,708
Total assets	<u>\$ 704,854</u>	<u>\$ 294,598</u>	<u>\$ 105,269</u>	<u>\$ 23,813</u>	<u>\$ (165,061)</u>	<u>\$ 963,473</u>	<u>\$ 935,035</u>
Current liabilities	\$ 74,655	\$ 232,819	\$ 105,204	\$ 1,414	\$ (149,946)	\$ 264,146	\$ 214,238
Long-term liabilities	328,741	18,590	3,607	10,675	-	361,613	333,605
Total liabilities	<u>403,396</u>	<u>251,409</u>	<u>108,811</u>	<u>12,089</u>	<u>(149,946)</u>	<u>625,759</u>	<u>547,843</u>
Net position							
Net investment in capital assets	7,642	(3,621)	65,192	-	3,455	72,668	86,599
Restricted for bonds payable	6,945	-	2,725	-	525	10,195	9,536
Restricted by donor and other	17,535	177	-	-	-	17,712	16,510
Unrestricted	269,336	46,633	(71,459)	11,724	(19,095)	237,139	274,547
Total net position	<u>301,458</u>	<u>43,189</u>	<u>(3,542)</u>	<u>11,724</u>	<u>(15,115)</u>	<u>337,714</u>	<u>387,192</u>
Total liabilities and net position	<u>\$ 704,854</u>	<u>\$ 294,598</u>	<u>\$ 105,269</u>	<u>\$ 23,813</u>	<u>\$ (165,061)</u>	<u>\$ 963,473</u>	<u>\$ 935,035</u>
	UMC	UPH	UAHN	AIFL	Eliminations and Other	Consolidated	
						2014	2013
Net patient service revenue	\$ 651,861	\$ 264,757	\$ 145	\$ -	\$ (59,313)	\$ 857,450	\$ 836,574
Capitation revenue	-	388,205	-	-	521	388,726	278,528
Contract and other operating revenue	26,668	51,869	553	10,648	(40,030)	49,708	57,980
Total operating revenues	<u>678,529</u>	<u>704,831</u>	<u>698</u>	<u>10,648</u>	<u>(98,822)</u>	<u>1,295,884</u>	<u>1,173,082</u>
Operating expenses	657,439	735,584	(6,462)	7,917	(96,938)	1,297,540	1,098,279
Depreciation and amortization	25,181	4,478	16,501	-	449	46,609	39,290
Total operating expenses	<u>682,620</u>	<u>740,062</u>	<u>10,039</u>	<u>7,917</u>	<u>(96,489)</u>	<u>1,344,149</u>	<u>1,137,569</u>
Operating income (loss)	(4,091)	(35,231)	(9,341)	2,731	(2,333)	(48,265)	35,513
Nonoperating revenue (expenses)	(5,394)	(8,579)	17,430	392	(5,062)	(1,213)	(5,339)
Increase (decrease) in net position	<u>(9,485)</u>	<u>(43,810)</u>	<u>8,089</u>	<u>3,123</u>	<u>(7,395)</u>	<u>(49,478)</u>	<u>30,174</u>
Net position, beginning of year	312,018	86,999	(11,631)	-	(194)	387,192	357,018
Intercompany transfers	(1,075)	-	-	8,601	(7,526)	-	-
Net position, end of year	<u>\$ 301,458</u>	<u>\$ 43,189</u>	<u>\$ (3,542)</u>	<u>\$ 11,724</u>	<u>\$ (15,115)</u>	<u>\$ 337,714</u>	<u>\$ 387,192</u>
Net cash provided by (used in)							
Operating activities	\$ 3,969	\$ (24,915)	\$ 48,998	\$ (3,654)	\$ 26,173	\$ 50,571	\$ 34,768
Capital and related financing activities	(13,801)	12,205	(60,901)	-	7,520	(54,977)	(81,949)
Investing activities	25,192	6,760	17,430	4,980	(34,980)	19,382	16,193
Increase (decrease) in cash	<u>15,360</u>	<u>(5,950)</u>	<u>5,527</u>	<u>1,326</u>	<u>(1,287)</u>	<u>14,976</u>	<u>(30,988)</u>
Beginning cash	32,288	11,003	(11,568)	-	4	31,727	62,715
Ending cash	<u>\$ 47,648</u>	<u>\$ 5,053</u>	<u>\$ (6,041)</u>	<u>\$ 1,326</u>	<u>\$ (1,283)</u>	<u>\$ 46,703</u>	<u>\$ 31,727</u>

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 19. Condensed Financial Information (Continued)

Following is the condensed balance sheet as of June 30, 2014, and the related condensed statements of revenues, expenses and changes in net position, and cash flows for the year ended June 30, 2014, for the material subsidiaries of UMC (in thousands)

	University Campus	Eliminations and Other	UMC	
			2014	2013
Current assets	\$ 372,246	\$ 6,046	\$ 378,292	\$ 319,606
Capital assets	284,972	286	285,258	301,043
Other long-term assets	29,286	12,018	41,304	47,940
Total assets	<u>\$ 686,504</u>	<u>\$ 18,350</u>	<u>\$ 704,854</u>	<u>\$ 668,589</u>
Current liabilities	\$ 74,637	\$ 18	\$ 74,655	\$ 48,650
Long-term liabilities	328,741	-	328,741	307,921
Total liabilities	<u>403,378</u>	<u>18</u>	<u>403,396</u>	<u>356,571</u>
Net position				
Net investment in capital assets	7,642	-	7,642	16,949
Restricted for bonds payable	6,945	-	6,945	6,179
Restricted by donor and other	47	17,488	17,535	16,144
Unrestricted	268,492	844	269,336	272,746
Total net position	<u>283,126</u>	<u>18,332</u>	<u>301,458</u>	<u>312,018</u>
Total liabilities and net position	<u>\$ 686,504</u>	<u>\$ 18,350</u>	<u>\$ 704,854</u>	<u>\$ 668,589</u>

	University Campus	Eliminations and Other	UMC	
			2014	2013
Net patient service revenue	\$ 651,861	\$ -	\$ 651,861	\$ 647,090
Other operating revenue	24,971	1,697	26,668	29,507
Total operating revenues	<u>676,832</u>	<u>1,697</u>	<u>678,529</u>	<u>676,597</u>
Operating expenses	659,324	(1,885)	657,439	606,524
Depreciation	25,181	-	25,181	23,497
Total operating expenses	<u>684,505</u>	<u>(1,885)</u>	<u>682,620</u>	<u>630,021</u>
Operating income (loss)	(7,673)	3,582	(4,091)	46,576
Nonoperating revenue (expenses)	(424)	(4,970)	(5,394)	(11,264)
Increase (decrease) in net position	<u>(8,097)</u>	<u>(1,388)</u>	<u>(9,485)</u>	<u>35,312</u>
Net position, beginning of year	291,223	20,795	312,018	276,706
Intercompany transfers	-	(1,075)	(1,075)	-
Net position, end of year	<u>\$ 283,126</u>	<u>\$ 18,332</u>	<u>\$ 301,458</u>	<u>\$ 312,018</u>

Net cash provided by (used in)				
Operating activities	\$ 18,958	\$ (14,989)	\$ 3,969	\$ 10,721
Capital and related financing activities	(13,396)	(405)	(13,801)	(23,523)
Investing activities	9,721	15,471	25,192	11,876
(Decrease) increase in cash	<u>15,283</u>	<u>77</u>	<u>15,360</u>	<u>(926)</u>
Beginning cash	31,584	704	32,288	33,214
Ending cash	<u>\$ 46,867</u>	<u>\$ 781</u>	<u>\$ 47,648</u>	<u>\$ 32,288</u>

The University of Arizona Health Network and Subsidiaries

Notes to Consolidated Financial Statements

Note 19. Condensed Financial Information (Continued)

Following is the condensed balance sheet as of June 30, 2014, and the related condensed statements of revenues, expenses and changes in net position, and cash flows for the year ended June 30, 2014, for the material subsidiaries of UPH (in thousands)

	UPH	UPH Captive	UFC	Eliminations and Other	UPH	
					2014	2013
Current assets	\$ 191,298	\$ 8,412	\$ 8,404	\$ (1,419)	\$ 206,695	\$ 103,253
Capital assets	25,694	-	-	-	25,694	43,585
Other long-term assets	13,552	40,306	10,851	(2,500)	62,209	70,093
Total assets	<u>\$ 230,544</u>	<u>\$ 48,718</u>	<u>\$ 19,255</u>	<u>\$ (3,919)</u>	<u>\$ 294,598</u>	<u>\$ 216,931</u>
Current liabilities	\$ 170,675	\$ 8,529	\$ 55,034	\$ (1,419)	\$ 232,819	\$ 107,638
Long-term liabilities	84,097	6,852	(72,359)	-	18,590	22,294
Total liabilities	<u>254,772</u>	<u>15,381</u>	<u>(17,325)</u>	<u>(1,419)</u>	<u>251,409</u>	<u>129,932</u>
Net position						
Net investment in capital assets	(3,621)	-	-	-	(3,621)	13,164
Restricted for bonds payable	-	-	-	-	-	127
Restricted by donor and other	177	2,500	-	(2,500)	177	366
Unrestricted	(20,784)	30,837	36,580	-	46,633	73,342
Total net position	<u>(24,228)</u>	<u>33,337</u>	<u>36,580</u>	<u>(2,500)</u>	<u>43,189</u>	<u>86,999</u>
Total liabilities and net position	<u>\$ 230,544</u>	<u>\$ 48,718</u>	<u>\$ 19,255</u>	<u>\$ (3,919)</u>	<u>\$ 294,598</u>	<u>\$ 216,931</u>
Net patient service revenue	\$ 281,744	\$ -	\$ -	\$ (16,987)	\$ 264,757	\$ 254,725
Capitation revenue	60,071	-	328,134	-	388,205	278,528
Contract and other operating revenue	63,265	-	-	(11,396)	51,869	59,551
Total operating revenues	<u>405,080</u>	<u>-</u>	<u>328,134</u>	<u>(28,383)</u>	<u>704,831</u>	<u>592,804</u>
Operating expenses	436,974	8,350	318,766	(28,506)	735,584	598,302
Depreciation	3,728	-	750	-	4,478	4,808
Total operating expenses	<u>440,702</u>	<u>8,350</u>	<u>319,516</u>	<u>(28,506)</u>	<u>740,062</u>	<u>603,110</u>
Operating income (loss)	<u>(35,622)</u>	<u>(8,350)</u>	<u>8,618</u>	<u>123</u>	<u>(35,231)</u>	<u>(10,306)</u>
Nonoperating revenue (expenses)	<u>(13,756)</u>	<u>5,300</u>	<u>-</u>	<u>(123)</u>	<u>(8,579)</u>	<u>5,840</u>
Increase (decrease) in net position	<u>(49,378)</u>	<u>(3,050)</u>	<u>8,618</u>	<u>-</u>	<u>(43,810)</u>	<u>(4,466)</u>
Net position, beginning of year	25,150	36,387	27,962	(2,500)	86,999	91,465
Net position, end of year	<u>\$ (24,228)</u>	<u>\$ 33,337</u>	<u>\$ 36,580</u>	<u>\$ (2,500)</u>	<u>\$ 43,189</u>	<u>\$ 86,999</u>
Net cash provided by (used in)						
Operating activities	\$ (35,455)	\$ (22,355)	\$ 33,157	\$ (262)	\$ (24,915)	\$ (36,891)
Capital and related financing activities	12,025	-	-	180	12,205	16,351
Investing activities	17,326	22,713	(33,157)	(122)	6,760	2,046
Increase (decrease) in cash	<u>(6,104)</u>	<u>358</u>	<u>-</u>	<u>(204)</u>	<u>(5,950)</u>	<u>(18,494)</u>
Beginning cash	7,539	3,083	-	381	11,003	29,497
Ending cash	<u>\$ 1,435</u>	<u>\$ 3,441</u>	<u>\$ -</u>	<u>\$ 177</u>	<u>\$ 5,053</u>	<u>\$ 11,003</u>

Supplementary Information

The University of Arizona Health Network and Subsidiaries

Consolidating Balance Sheet June 30, 2014 (With Comparative Totals for 2013) (In Thousands)

Assets	UMC	UPH	UAHN	Other	Eliminations	Totals	
						2014	2013 (As Restated)
Current Assets							
Cash	\$ 47,648	\$ 5,053	\$ (6,041)	\$ 43	\$ -	\$ 46,703	\$ 31,727
Short-term investments	98,812	-	-	12,478	-	111,290	123,411
Patient accounts receivable, net	120,412	47,517	1,738	-	(8,337)	161,330	129,117
Capitation and contract receivable, net	7	19,888	-	274	-	20,169	13,302
Supplies inventory	17,820	3,351	-	-	-	21,171	20,057
Assets held by trustee, current portion	22,674	-	-	-	-	22,674	14,394
Prepaid expense and other	70,919	130,886	3,339	982	(149,233)	56,893	86,845
Total current assets	378,292	206,695	(964)	13,777	(157,570)	440,230	418,853
Assets Held by Trustee, net of current portion	24,874	-	2,725	525	-	28,124	26,031
Long-Term Investments, net of current portion	4,553	40,306	-	22,487	-	67,346	74,117
Capital Assets, net	285,258	25,694	103,508	3,555	-	418,015	406,474
Other Assets, net	11,877	21,903	-	-	(24,022)	9,758	9,560
Total	\$ 704,854	\$ 294,598	\$ 105,269	\$ 40,344	\$ (181,592)	\$ 963,473	\$ 935,035
Liabilities and Net Position							
Current Liabilities							
Accounts payable	\$ 53,183	\$ 22,438	\$ 22,033	\$ 482	\$ -	\$ 98,136	\$ 60,256
Accrued payroll and employee benefits	19	14,575	49,551	-	(5,506)	58,639	67,028
Accrued medical claims	-	43,536	-	385	(2,788)	41,133	23,332
Accrued professional liability	-	8,481	-	1,229	-	9,710	12,711
Other accrued liabilities	14,506	123,255	33,620	6,942	(149,276)	29,047	23,438
Current portion of long-term debt	6,947	20,534	-	-	-	27,481	27,473
Total current liabilities	74,655	232,819	105,204	9,038	(157,570)	264,146	214,238
Long-Term Debt, net of current portion	327,475	8,330	-	-	-	335,805	310,565
Other Long-Term Liabilities	1,266	10,260	3,607	10,675	-	25,808	23,040
Total liabilities	403,396	251,409	108,811	19,713	(157,570)	625,759	547,843
Net Position (Deficit)	301,458	43,189	(3,542)	20,631	(24,022)	337,714	387,192
Total	\$ 704,854	\$ 294,598	\$ 105,269	\$ 40,344	\$ (181,592)	\$ 963,473	\$ 935,035

University Medical Center Corporation and Subsidiaries

Consolidating Balance Sheet

June 30, 2014 (With Comparative Totals for 2013)

(In Thousands)

Assets	University Campus	Other	Eliminations	Totals	
				2014	2013 (As Restated)
Current Assets					
Cash	\$ 46,867	\$ 781	\$ -	\$ 47,648	\$ 32,288
Short-term investments	98,437	375	-	98,812	106,334
Patient accounts receivable, net	120,412	-	-	120,412	93,880
Capitation and contract receivable, net	7	-	-	7	-
Supplies inventory	17,820	-	-	17,820	16,328
Assets held by trustee, current portion	22,674	-	-	22,674	14,394
Prepaid expenses and other	66,029	4,890	-	70,919	56,382
Total current assets	372,246	6,046	-	378,292	319,606
Assets Held by Trustee, net of current portion	24,874	-	-	24,874	22,674
Long-Term Investments	47	4,506	-	4,553	16,398
Capital Assets, net	284,972	286	-	285,258	301,043
Other Assets, net	4,365	7,512	-	11,877	8,868
Total	\$ 686,504	\$ 18,350	\$ -	\$ 704,854	\$ 668,589
Liabilities and Net Position					
Current Liabilities					
Accounts payable	\$ 53,165	\$ 18	\$ -	\$ 53,183	\$ 21,059
Accrued payroll and employee benefits	19	-	-	19	2,479
Accrued professional liability	-	-	-	-	1,382
Other accrued liabilities	14,506	-	-	14,506	17,581
Current portion of long-term debt	6,947	-	-	6,947	6,149
Total current liabilities	74,637	18	-	74,655	48,650
Long-Term Debt, net of current portion	327,475	-	-	327,475	301,702
Other Long-Term Liabilities	1,266	-	-	1,266	6,219
Total liabilities	403,378	18	-	403,396	356,571
Net Position	283,126	18,332	-	301,458	312,018
Total	\$ 686,504	\$ 18,350	\$ -	\$ 704,854	\$ 668,589

University Physicians Healthcare and Subsidiaries

Consolidating Balance Sheet June 30, 2014 (With Comparative Totals for 2013 (In Thousands)

Assets	UAP	South Campus	UAHP	Capital and Other	UPH Captive	Eliminations	Totals	
							2014	2013 (As Restated)
Current Assets								
Cash	\$ -	\$ -	\$ 1,471	\$ 141	\$ 3,441	\$ -	\$ 5,053	\$ 11,003
Short-term investments	-	-	-	-	-	-	-	5,015
Patient accounts receivable, net	23,131	25,807	-	(2)	-	(1,419)	47,517	42,341
Capitation and contract receivable, net	1,495	13	18,346	34	-	-	19,888	13,302
Supplies inventory	-	3,351	-	-	-	-	3,351	3,729
Assets held by trustee, current portion	-	-	-	-	-	-	-	-
Prepaid expense and other	2,383	8,599	107,983	6,950	4,971	-	130,886	27,863
Total current assets	27,009	37,770	127,800	7,123	8,412	(1,419)	206,695	103,253
Assets Held by Trustee, net of current portion	-	-	-	-	-	-	-	127
Long-Term Investments	-	-	-	-	40,306	-	40,306	57,719
Capital Assets, net	1,154	14,866	8,740	934	-	-	25,694	43,585
Other Assets, net	9,002	484	383	14,534	-	(2,500)	21,903	12,247
Total	\$ 37,165	\$ 53,120	\$ 136,923	\$ 22,591	\$ 48,718	\$ (3,919)	\$ 294,598	\$ 216,931
Liabilities and Net Position								
Current Liabilities								
Accounts payable	\$ 5,717	\$ 9,175	\$ 5,339	\$ 2,207	\$ -	\$ -	\$ 22,438	\$ 19,213
Accrued payroll and employee benefits	4,134	-	-	10,441	-	-	14,575	20,371
Accrued medical claims	-	-	44,955	-	-	(1,419)	43,536	25,260
Accrued professional liability	-	-	-	-	8,481	-	8,481	11,329
Other accrued liabilities	40,064	64,834	18,109	200	48	-	123,255	10,411
Current portion of long- term debt	-	20,036	-	498	-	-	20,534	21,054
Total current liabilities	49,915	94,045	68,403	13,346	8,529	(1,419)	232,819	107,638
Long-Term Debt, net of current portion and discounts	-	503	-	7,827	-	-	8,330	8,863
Other Long-Term Liabilities	2,876	532	-	-	6,852	-	10,260	13,431
Total liabilities	52,791	95,080	68,403	21,173	15,381	(1,419)	251,409	129,932
Net Position (Deficit)	(15,626)	(41,960)	68,520	1,418	33,337	(2,500)	43,189	86,999
Total	\$ 37,165	\$ 53,120	\$ 136,923	\$ 22,591	\$ 48,718	\$ (3,919)	\$ 294,598	\$ 216,931

The University of Arizona Health Network and Subsidiaries

Consolidating Statement of Revenues, Expenses and Changes in Net Position Year Ended June 30, 2014 (With Comparative Totals for 2013) (In Thousands)

	UMC	UPH	UAHN	Other	Eliminations	Totals	
						2014	2013 (As Restated)
Operating revenues							
Net patient service revenue	\$ 651,861	\$ 264,757	\$ 145	\$ -	\$ (59,313)	\$ 857,450	\$ 836,574
Capitation revenue	-	388,205	-	521	-	388,726	278,528
Contract and other operating revenue	26,668	51,869	553	13,994	(43,376)	49,708	57,980
Total operating revenues	678,529	704,831	698	14,515	(102,689)	1,295,884	1,173,082
Operating expenses							
Salaries and wages	215,122	215,901	51,613	696	(92)	483,240	461,703
Employee benefits	45,455	47,278	12,364	159	(28,079)	77,177	74,938
Supplies	164,954	29,133	876	9	(1)	194,971	184,511
Purchased services	23,430	9,224	9,914	273	(500)	42,341	39,935
Professional services, medical	83,636	18,914	585	10	(27,538)	75,607	30,968
Professional services, nonmedical	512	2,293	26,918	387	(18)	30,092	14,122
Medical claims expense	-	304,173	-	1,223	(31,235)	274,161	188,768
Other	124,330	108,668	(108,732)	11,760	(16,075)	119,951	103,334
Depreciation and amortization	25,181	4,478	16,501	449	-	46,609	39,290
Total operating expenses	682,620	740,062	10,039	14,966	(103,538)	1,344,149	1,137,569
Operating income (loss)	(4,091)	(35,231)	(9,341)	(451)	849	(48,265)	35,513
Nonoperating revenues and expenses							
Other nonoperating revenues and expenses	(2,212)	(16,060)	17,287	(418)	(849)	(2,252)	(48)
Investment income	14,287	7,769	143	422	(3,867)	18,754	11,621
Interest expense	(17,469)	(288)	-	42	-	(17,715)	(16,912)
Total nonoperating revenues and expenses	(5,394)	(8,579)	17,430	46	(4,716)	(1,213)	(5,339)
Increase (decrease) in net position (deficit)	\$ (9,485)	\$ (43,810)	\$ 8,089	\$ (405)	\$ (3,867)	\$ (49,478)	\$ 30,174

University Medical Center Corporation and Subsidiaries

Consolidating Statement of Revenues, Expenses and Changes in Net Position Year Ended June 30, 2014 (With Comparative Totals for 2013) (In Thousands)

	University Campus	Other	Eliminations	Totals	
				2014	2013 (As Restated)
Operating revenues					
Net patient service revenue	\$ 651,861	\$ -	\$ -	\$ 651,861	\$ 647,090
Contract and other operating revenue	24,971	5,070	(3,373)	26,668	29,507
Total operating revenues	676,832	5,070	(3,373)	678,529	676,597
Operating expenses					
Salaries and wages	215,074	48	-	215,122	212,667
Employee benefits	45,447	8	-	45,455	49,827
Supplies	164,907	47	-	164,954	156,602
Purchased services	23,427	3	-	23,430	23,535
Professional services, medical	86,860	-	(3,224)	83,636	60,329
Professional services, nonmedical	512	-	-	512	624
Other	123,097	4,988	(3,755)	124,330	102,940
Depreciation and amortization	25,181	-	-	25,181	23,497
Total operating expenses	684,505	5,094	(6,979)	682,620	630,021
Operating income (loss)	(7,673)	(24)	3,606	(4,091)	46,576
Nonoperating revenues and expenses					
Other nonoperating revenues and expenses	3,669	(2,275)	(3,606)	(2,212)	(48)
Investment income	13,376	911	-	14,287	5,002
Interest expense	(17,469)	-	-	(17,469)	(16,218)
Total nonoperating revenues and expenses	(424)	(1,364)	(3,606)	(5,394)	(11,264)
Increase (decrease) in net position	\$ (8,097)	\$ (1,388)	\$ -	\$ (9,485)	\$ 35,312

University Physicians Healthcare and Subsidiaries

Consolidating Statement of Revenues, Expenses and Changes in Net Position Year Ended June 30, 2014 (With Comparative Totals for 2013) (In Thousands)

							Totals	
	UAP	South Campus	UAHP	Capital and Other	UPH Captive	Eliminations	2014	2013 (As Restated)
Operating revenues								
Net patient service revenue	\$ 149,891	\$ 131,815	\$ -	\$ 38	\$ -	\$ (16,987)	\$ 264,757	\$ 254,725
Capitation revenue	4,868	-	383,337	-	-	-	388,205	278,528
Contract and other operating revenue	44,666	17,954	-	645	-	(11,396)	51,869	59,551
Total operating revenues	199,425	149,769	383,337	683	-	(28,383)	704,831	592,804
Operating expenses								
Salaries and wages	142,226	53,208	20,479	62	-	(74)	215,901	205,317
Employee benefits	30,711	11,683	4,619	265	-	-	47,278	43,221
Supplies	1,569	27,398	155	11	-	-	29,133	26,971
Purchased services	1,227	4,158	3,850	53	-	(64)	9,224	9,224
Professional services, medical	1,898	28,271	9	7	-	(11,271)	18,914	10,462
Professional services, nonmedical	241	652	1,383	17	-	-	2,293	3,051
Medical claim expense	-	17	321,143	-	-	(16,987)	304,173	217,106
Other	53,798	26,561	18,907	1,162	8,350	(110)	108,668	82,950
Depreciation and amortization	260	2,790	1,351	77	-	-	4,478	4,808
Total operating expenses	231,930	154,738	371,896	1,654	8,350	(28,506)	740,062	603,110
Operating income (loss)	(32,505)	(4,969)	11,441	(971)	(8,350)	123	(35,231)	(10,306)
Nonoperating revenues and expenses								
Other nonoperating revenues and expenses	832	123	393	(17,285)	-	(123)	(16,060)	
Investment income (loss)	2,493	145	(199)	30	5,300	-	7,769	6,473
Interest expense	-	(131)	(27)	(130)	-	-	(288)	(633)
Total nonoperating revenues and expenses	3,325	137	167	(17,385)	5,300	(123)	(8,579)	5,840
Increase (decrease) in net position (deficit)	\$ (29,180)	\$ (4,832)	\$ 11,608	\$ (18,356)	\$ (3,050)	\$ -	\$ (43,810)	\$ (4,466)