Self Regional Healthcare and Affiliates

Combined Financial Statements

September 30, 2016 and 2015

DIXON HUGHES GOODMAN LLP

Table of Contents

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Independent Auditors' Report

Board of Trustees of
Self Regional Healthcare and Affiliates
Greenwood, South Carolina

Report on the Combined Financial Statements

We have audited the accompanying combined statements of net position of Self Regional Healthcare and Affiliates (the "Hospital") as of September 30, 2016 and 2015, the related combined statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. The consolidated financial statements of the Self Regional Healthcare Foundation and Subsidiary (the "Foundation") as of and for the years ended September 30, 2016 and 2015, were audited by other auditors whose report, dated October 26, 2016, expressed an unmodified opinion on those consolidated financial statements. Those consolidated financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts for the Foundation, as of and for the years ended September 30, 2016 and 2015, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Hospital's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital'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 combined financial statements.

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

DIXON HUGHES GOODMAN LLP

Opinion
In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of September 30, 2016 and 2015, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management Discussion and Analysis
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 be presented to supplement the combined financial statements. Such information, although not a part of the combined financial statements, is required by the Governmental Accounting Standards Board ("GASB"), who considers it to be an essential part of financial reporting for placing the combined 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 combined financial statements, and other knowledge we obtained during our audit of the combined 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.

Required Supplementary Information
Governmental accounting principles generally accepted in the United States of America require that the Schedules of Changes in Net Pension Liability and Related Ratios, and the Schedules of Contributions be presented to supplement the combined financial statements. Such information, although not a part of the combined financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the combined 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 combined financial statements, and other knowledge we obtained during our audit of the combined 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.

Dixon Hughes Goodman LLP

Greenville, South Carolina
December 16, 2016

Management's Discussion and Analysis

OVERVIEW OF THE COMBINED FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Self Regional Healthcare and Affiliates' (the "Hospital's") audited combined financial statements. The Hospital's combined financial statements are comprised of two components: 1) combined financial statements and 2) notes to the combined financial statements.

The combined financial statements include the Combined Statements of Net Position, Combined Statements of Revenues, Expenses, and Changes in Net Position, and Combined Statements of Cash Flows for the fiscal years ended September 30, 2016 and 2015. The Hospital operates similar to a private business and therefore utilizes the enterprise fund method of accounting. This method provides both long-term and short-term financial information and requires that revenue and expenses are recognized on the full accrual basis.

The Combined Statements of Net Position present information on all of the Hospital's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Hospital is improving or deteriorating.

The Combined Statements of Revenues, Expenses, and Changes in Net Position present information demonstrating how the Hospital's net position has changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The Combined Statements of Cash Flows presents information about the Hospital's cash flows resulting from operating, investing, noncapital financing, and capital financing activities. It reports cash receipts, cash payments, and changes in the cash balance during the most recent fiscal year.

FINANCIAL HIGHLIGHTS

The assets of Self Regional Healthcare and Affiliates exceeded its liabilities at September 30, 2016 by $521.3 million, which represents the amount of Hospital's net position. This amount may be used to meet the Hospital's ongoing financial obligations and to finance capital improvement and expansion of services in the future.

The Hospital's total net position increased $30.2 million in the twelve-month period ended September 30, 2016. This increase primarily represents the amount of excess revenues over expenses for the fiscal year along with the change in restricted net position. The following is an analysis of Self Regional Healthcare and Affiliates' financial performance in fiscal year 2016.

FINANCIAL ANALYSIS

Total Assets and Deferred Outflows

As seen in Table 1, total assets and deferred outflows of the Hospital increased $35.3 million in 2016. Current assets increased $13.0 million, net capital assets increased $3.6 million, and investments and assets whose use is limited increased $20.1 million.

Table 1
Self Regional Healthcare and Affiliates
Summary of Assets and Deferred Outflows
(in millions of dollars)

	2016	2015
Current assets	**$ 86.1**	$ 73.1
Capital assets, net of accumulated depreciation	**220.4**	216.8
Investments and assets whose use is limited	**473.1**	454.9
Other assets	**1.4**	1.9
Deferred outflows	**2.9**	3.8
Total assets and deferred outflows	**$ 783.9**	**$ 748.6**

The increase in current assets is due mainly to an increase in patient accounts receivable, net. Capital assets increased due mainly to the installation of a new hospital information system. The increase in investments and assets whose use is limited represents an increase of operating cash reserves.

Total Liabilities, Deferred Inflows, and Net Position

As seen in Table 2, total liabilities of the Hospital increased $5.1 million in fiscal year 2016. Current liabilities increased $10.5 million and long-term liabilities decreased $5.4 million. Total net position increased $30.2 million. Unrestricted net position increased $26.0 million, net position invested in capital assets, net of related debt increased $5.6 million, and net position restricted for specific purposes decreased $1.4 million. Net position restricted for debt service and nonexpendable remained the same.

Table 2
Self Regional Healthcare and Affiliates
Summary of Liabilities, Deferred Inflows, and Net Position
(in millions of dollars)

	2016	2015
Current liabilities	$ 61.2	$ 50.7
Long-term liabilities	197.1	202.5
Total liabilities	258.3	253.2
Deferred inflows	4.4	4.4
Unrestricted net position	461.2	435.2
Invested in capital assets, net of related debt	47.5	41.9
Restricted for debt service	8.3	8.3
Nonexpendable	1.0	1.0
Restricted for specific purposes	3.2	4.6
Total net position	521.2	491.0
Total liabilities, deferred inflows, and net position	$ 783.9	$ 748.6

The increase in Total net position was due to the excess of revenue over expenses of $30.2 million.

Total Operating Revenues

As seen in Table 3, total operating revenues increased by 9.2% or $32.7 million in fiscal year 2016.

Table 3
Self Regional Healthcare and Affiliates
Summary of Total Operating Revenues
(in millions of dollars)

	2016	2015
Inpatient charges	$ 425.4	$ 425.3
Outpatient charges	643.8	566.4
Gross patient service charges	1,069.2	991.7
Contractual allowances	670.0	616.5
Provision for bad debts	48.1	42.8
Total revenue deductions	718.1	659.3
Net patient service revenue	351.1	332.4
Other operating revenue	37.2	23.2
Total operating revenues	$ 388.3	$ 355.6

In fiscal year 2016, gross patient service charges increased 7.8% due to increases in outpatient services. Revenue deductions increased 8.9% in fiscal 2016 due mostly to increased volumes. Net patient service revenue increased 5.6% in fiscal year 2016. Excluded from gross patient service revenue for 2016 is $33.1 million of charity care charges provided by Self Regional Healthcare and Affiliates.

Table 4 presents gross patient service charges by payor type in fiscal year 2016 and 2015 for Self Regional Healthcare and Affiliates.

Table 4
Self Regional Healthcare and Affiliates
Gross Patient Services Charges by Payor Type

	2016	2015
Medicare	**53.8%**	52.2%
Medicaid	**12.3%**	13.8%
Commercial	**26.6%**	23.8%
Uninsured	**7.3%**	10.2%
Total	**100%**	100%

Table 5 presents revenue deductions as a percentage of gross patient service charges in fiscal year 2016 and 2015 for Self Regional Healthcare and Affiliates.

Table 5
Self Regional Healthcare and Affiliates
Revenue Deductions as a Percentage of Gross Patient Services Revenue

	2016	2014
Medicare & Medicaid	**49.1%**	48.7%
Provisions for Bad Debts	**4.4%**	4.2%
Charity Write-Offs	**3.0%**	3.7%
Other	**11.7%**	11.1%
Total	**68.2%**	67.7%

Deductions from gross patient service charges represents the difference between charges and the amount of payment received for services provided. Medicare and Medicaid deductions are the largest category and represent a significant portion of the total deductions. The next largest category, Other, is mostly deductions resulting from contracts with managed care companies along with deductions from other governmental payors such as Champus. Bad debt results from patients who choose not to pay for their services without providing evidence of the lack of financial means to do so. Charity write-offs are provided primarily to uninsured patients who do not have the financial means to pay for their healthcare services.

Total deductions from charges increased from 67.7% in fiscal year 2015 to 68.2% in fiscal year 2016. The increase in deductions was primarily due to an increase in Medicare and Medicaid deductions and higher bad debt write-offs offset by a reduction in charity.

Operating Expenses

Table 6 presents a percentage of operating expense by major category for fiscal year 2016 and 2015 for Self Regional Healthcare and Affiliates.

Table 6
Self Regional Healthcare and Affiliates
Composition of Operating Expenses

	2016	2015
Salaries, Wages, and Benefits	**53.5%**	50.0%
Supplies	**17.6%**	17.9%
Professional Fees and Other	**21.8%**	23.7%
Depreciation and Amortization	**7.1%**	8.4%
Total	**100%**	100%

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As seen in Table 7, the Hospital had a total net investment of $220.4 million in capital assets at the end of fiscal 2016. This amount represents a net increase (including additions and disposals and depreciation) of $3.6 million, or 1.7%, over fiscal year 2015.

Table 7
Self Regional Healthcare and Affiliates
Capital Assets
(in millions of dollars)

	2016	2015
Land and land improvements	**$ 10.2**	$ 9.7
Buildings	**290.1**	284.5
Fixed equipment	**26.4**	24.3
Moveable and other equipment	**173.7**	168.7
Gross capital assets	**500.4**	487.2
Less accumulated depreciation	**(293.4)**	(273.4)
Construction in progress	**13.4**	3.0
Capital assets	**$ 220.4**	$ 216.8

This year's major capital asset additions include:

- Purchase of a medical office building.
- Addition of land for future medical office building development.
- Epic hardware and software implementation.

Outstanding Debt

As demonstrated in Table 8, at September 30, 2016, the Hospital had $172.9 million in outstanding debt, which is a 1.1% decrease over fiscal year 2015.

Table 8
Self Regional Healthcare and Affiliates
Outstanding Debt
(in millions of dollars)

	2016	2015
Revenue bonds and notes payable	**$ 172.6**	$ 174.3
Capital leases	**.3**	.5
Total	**$ 172.9**	$ 174.8

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Self Regional Healthcare and Affiliates' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Self Regional Healthcare
Chief Financial Officer
1325 Spring Street
Greenwood, SC 29646

Self Regional Healthcare and Affiliates
Combined Statements of Net Position
September 30, 2016 and 2015

	2016	2015
ASSETS AND DEFERRED OUTFLOWS		
Current assets:		
Cash and cash equivalents	**$ 13,222,268**	$ 13,990,996
Assets whose use is limited	**3,360,703**	3,342,398
Patient accounts receivable, less allowance for uncollectible accounts of approximately $25,075,000 in 2016 and $23,129,000 in 2015	**58,857,462**	47,830,886
Inventories of drugs and supplies	**2,692,960**	2,502,826
Unconditional promises to give, net	**446,086**	179,771
Deposits, other receivables and prepaid expenses	**7,564,647**	5,287,766
Total current assets	**86,144,126**	73,134,643
Assets whose use is limited, net of current portion	**470,462,478**	453,065,752
Investments	**2,677,391**	-
Physician receivables, net	**52,404**	116,258
Capital assets, net	**220,445,181**	216,765,435
Unconditional promises to give, net of current portion	**727,864**	749,871
Other assets	**615,603**	1,015,824
Total assets	**781,125,047**	744,847,783
Deferred outflows:		
Pension deferrals	**2,848,152**	3,797,536
Total deferred outflows	**2,848,152**	3,797,536
Total assets and deferred outflows	**$ 783,973,199**	$ 748,645,319

See accompanying notes.

	2016	2015
LIABILITIES, DEFERRED INFLOWS, AND NET POSITON		
Current liabilities:		
Current installments of long-term debt	**$ 1,046,232**	$ 1,101,889
Accounts payable	**19,149,640**	12,965,351
Accrued salaries, wages and benefits	**16,361,737**	12,675,053
Other accrued expenses	**6,812,033**	6,274,594
Pledge payable	**1,200,000**	1,200,000
Estimated third-party payor settlements	**16,582,735**	16,487,830
Total current liabilities	**61,152,377**	50,704,717
Net pension liability	**22,284,948**	24,547,794
Annuity obligations	**54,637**	67,109
Pledge payable, excluding current portion	**-**	1,200,000
Other postemployment benefit obligation	**2,912,194**	2,912,194
Long-term debt, excluding current installments	**171,869,585**	173,732,471
Total liabilities	**258,273,741**	253,164,285
Deferred inflows:		
Pension deferrals	**4,427,228**	4,439,554
Total deferred inflows	**4,427,228**	4,439,554
Net position:		
Net investment in capital assets	**47,529,364**	41,931,075
Restricted:		
Held by trustee under indenture agreement	**8,306,179**	8,287,487
Held under employee benefit plan agreement	**33,678**	654,439
By donor for specific activities or capital acquisitions	**3,191,950**	3,960,750
Nonexpendable	**1,034,419**	1,034,419
Unrestricted	**461,176,640**	435,173,310
Total net position	**521,272,230**	491,041,480
Total liabilities, deferred inflows, and net position	**$ 783,973,199**	$ 748,645,319

See accompanying notes.

Self Regional Healthcare and Affiliates
Combined Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2016 and 2015

	2016	2015
Operating revenues:		
Net patient service revenue, net of provision for bad debts of approximately $48,099,000 in 2016 and $42,835,000 in 2015	**$ 351,022,846**	$ 332,367,932
Other operating revenue	**37,246,052**	23,182,243
Total operating revenues	**388,268,898**	355,550,175
Operating expenses:		
Salaries and wages	**158,082,137**	134,429,745
Employee benefits	**38,056,307**	32,568,282
Supplies	**64,598,867**	59,611,999
Professional fees	**24,258,433**	22,223,274
Other expense	**55,565,476**	56,724,235
Depreciation and amortization	**26,123,376**	27,917,215
Total operating expenses	**366,684,596**	333,474,750
Operating income	**21,584,302**	22,075,425
Nonoperating revenues (expenses):		
Interest expense	**(6,262,204)**	(5,437,694)
Investment income, net	**14,690,958**	9,454,409
Rental income, net	**54,349**	62,006
Noncapital grants and contributions	**2,394,980**	1,685,780
Contribution expense	**(385,157)**	(1,021,111)
Fundraising expense	**(112,085)**	(326,773)
Depreciation for Foundation	**(106,276)**	(106,407)
Other	**(1,032,767)**	99,291
Total nonoperating revenues	**9,241,798**	4,409,501
Excess of revenues over expenses	**30,826,100**	26,484,926
Distributions	**(595,350)**	(190,338)
Increase in net position	**30,230,750**	26,294,588
Net position, beginning of year	**491,041,480**	464,746,892
Net position, end of year	**$ 521,272,230**	$ 491,041,480

See accompanying notes.

Self Regional Healthcare and Affiliates
Combined Statements of Cash Flows
Years Ended September 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Receipts from and on behalf of patients	**$ 340,091,175**	$ 337,351,740
Other receipts and payments, net	**40,360,231**	17,144,679
Payments to suppliers and contractors	**(145,719,791)**	(139,016,980)
Payments to employees	**(192,451,760)**	(165,432,766)
Net cash provided by operating activities	**42,279,855**	50,046,673
Cash flows from noncapital financing activities:		
Net change in unconditional promises to give	**(244,308)**	199,181
Net change in annuity obligations	**(12,472)**	(10,681)
Receipts from noncapital grants and contributions	**2,394,980**	1,685,780
Net cash provided by noncapital financing activities	**2,138,200**	1,874,280
Cash flows from capital and related financing activities:		
Purchase of capital assets	**(29,942,050)**	(20,559,933)
Proceeds from sale of capital assets	**47,098**	41,453
Proceeds from long-term debt	**-**	776,533
Principal paid on long-term debt	**(1,546,926)**	(1,545,853)
Interest paid on long-term debt	**(6,272,431)**	(5,813,816)
Net cash used in capital and related financing activities	**(37,714,309)**	(27,101,616)
Cash flows from investing activities:		
Proceeds from sale of investments	**171,717,166**	203,126,344
Purchases of investments	**(198,601,736)**	(245,328,822)
Gain from investment	**14,584,682**	9,348,002
Distributions paid	**(595,350)**	(190,338)
Other	**(1,369,384)**	(1,186,587)
Net cash used in investing activities	**(14,264,622)**	(34,231,401)
Net decrease in cash and cash equivalents	**(7,560,876)**	(9,412,064)
Cash and cash equivalents, beginning of year	**48,289,221**	57,701,285
Cash and cash equivalents, end of year	**$ 40,728,345**	$ 48,289,221

See accompanying notes.

	2016	2015
Reconciliation of cash and cash equivalents to the statement of net position:		
Cash and cash equivalents in current assets	**$ 13,222,268**	$ 13,990,996
Cash and cash equivalents in investments	**34,918**	-
Cash and cash equivalents in assets whose use is limited:		
Internally designated	**18,773,933**	25,029,523
Held by trustee under debt indenture	**8,306,179**	8,287,487
Under employee benefit plan agreement	**33,678**	654,439
Donor restricted for specific activities or capital acquisitions	**357,369**	326,776
Total cash and cash equivalents	**$ 40,728,345**	$ 48,289,221
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	**$ 21,584,302**	$ 22,075,425
Adjustments to reconcile operating income to net cash provided by operating activities:		
Provision for bad debts	**48,098,799**	42,834,653
Depreciation and amortization	**26,123,376**	27,917,215
Loss on disposal of capital assets	**2,963,750**	766,639
Change in net operating assets and liabilities:		
Patient accounts receivable, net	**(59,125,375)**	(41,431,385)
Deposits, other receivables and prepaid expenses	**(2,276,881)**	188,590
Inventories of drugs and supplies	**(190,134)**	(246,064)
Physician receivables, net	**63,854**	121,871
Other assets and deferred outflows	**1,286,575**	(3,726,074)
Accounts payable, accrued salaries, wages and benefits and other accrued expenses	**7,131,856**	(1,039,638)
Other postemployment benefit obligation	**-**	(166,685)
Other liabilities and deferred inflows	**(2,275,172)**	2,371,586
Pledge payable	**(1,200,000)**	(3,200,000)
Estimated third-party payor settlements	**94,905**	3,580,540
Net cash provided by operating activities	**$ 42,279,855**	$ 50,046,673
Noncash investing and financing activities:		
Acquisition of equipment through long-term debt	**$ -**	$ 72,590
Acquisition of equipment through accounts payable	**$ 3,286,783**	$ 921,325

See accompanying notes.

Notes to Combined Financial Statements

1. Description of Reporting Entity and Summary of Significant Accounting Policies

Reporting entity

The Greenwood County Hospital Board (the "Board") is a public body corporate of South Carolina and was established by Act No. 1554 enacted by the General Assembly of the State of South Carolina on May 30, 1968. The members of the Board are appointed by the Governor of the State of South Carolina upon recommendation of the Board and the Greenwood County legislative delegation. The Board is empowered to operate Self Regional Healthcare ("SRH"), an acute care facility located in Greenwood, South Carolina, and other health care facilities as are necessary and convenient to benefit the residents of Greenwood County. The Board leases the original main hospital building and the land on which it stands from Greenwood County. The lease expires in 2047 and provides for annual rent of $1. Although legal title to the property is held by Greenwood County, such assets are recorded on the books of Self Regional Healthcare and reflected in the accompanying combined financial statements at the original cost to Greenwood County.

Self Memorial Regional Health Services, Inc. ("SMRHS") is a not-for-profit corporation established by the Board to provide health related services to the residents of Greenwood County and the surrounding area. The Board is the sole member and appoints the Board of Trustees of SMRHS. Further, SMRHS operates for the benefit of the Board and Self Regional Healthcare. Accordingly, SMRHS is reported as a blended component unit of the SRH, the primary government.

SMRHS formed The Surgery Center at Self Memorial Hospital L.L.C. d/b/a Surgery Center of the Lakelands (the "Surgery Center"). The Surgery Center, a joint venture with qualified physician investors, commenced operations during 2001. Under the terms of the operating agreement, SMRHS retains at least a 51% ownership in the Surgery Center. The remaining ownership percentage has been designated as restricted nonexpendable net position on the combined statements of net position.

Self Regional Physician Services L.L.C. ("SRPS") is a wholly-owned subsidiary of Self Regional Healthcare. When formed, SRPS purchased substantially all of the assets of a physician group practice for the purpose of operating one or more physician group practices in the region. SRPS is controlled by the Board. Accordingly, SRPS is reported as a blended component unit of the SRH, the primary government.

Self Regional Healthcare Foundation and Subsidiary (the "Foundation") was organized as an eleemosynary corporation on January 9, 1985. The purpose of the Foundation is to receive, hold, manage, invest, or arrange for investing and to acquire by gift, devise, bequest, purchase or otherwise use of property of any kind and funds exclusively for the benefit of Self Regional Healthcare and any other publicly supported hospitals in the State of South Carolina. Members of the Board of Trustees of the Foundation are approved by the Board. Accordingly, the Foundation is reported as a blended component unit of the SRH, the primary government.

The Foundation is the sole shareholder of Greenwood Medical Company, Inc. (the "Subsidiary"), a for profit corporation. The Subsidiary, which owns several medical buildings in Greenwood, South Carolina, leases space to a variety of physician practices, laboratories, and durable medical equipment suppliers for medical practice sites. Accordingly, the accounts of the Subsidiary have been consolidated with the Foundation.

Self Memorial Hospital Auxiliary, Inc. (the "Auxiliary") was organized as a not-for-profit entity on July 12, 1971. This corporation was established to engage in activities that are devoted to charitable purposes, and shall promote, enhance, and support SRH. Members of the Board of Trustees of the Auxiliary are approved by the Board. Accordingly, the Auxiliary is reported as a blended component unit of the SRH, the primary government.

Self Medical Group, Inc. ("SMG") was organized as a not-for-profit entity on July 27, 2009. This corporation was established to employ and manage physician practices. Members of the Board of Trustees of SMG are appointed by the Board. Accordingly, SMG is reported as a blended component unit of the SRH, the primary government.

Combined financial statements

The accompanying combined financial statements include the accounts of SRH, SMRHS, the Surgery Center, SRPS, the Foundation, the Auxiliary, and SMG, jointly referred to as Self Regional Healthcare and Affiliates (the "Hospital"). All intercompany balances between these entities have been eliminated in the combination.

Enterprise fund accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Pursuant to Governmental Accounting Standards Board ("GASB") Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, the Hospital will only recognize GASB statements as authoritative guidance. Financial Accounting Standards Board ("FASB") statements, including those issued after November 30, 1989 and AICPA pronouncements will no longer be authoritative and may be used as non-authoritative guidance.

Use of estimates

The preparation of the Hospital's combined 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 amounts reported in the combined financial statements and accompanying notes. Actual results could differ from those estimates and assumptions.

Cash and cash equivalents

The Hospital considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

The Hospital maintains bank accounts at various financial institutions covered by the Federal Deposit Insurance Corporation ("FDIC"). At various times throughout the year, the Hospital may maintain bank account balances in excess of FDIC insured limits. At September 30, 2016 and 2015, the Hospital's deposits had a carrying amount of approximately $13,222,000 and $13,991,000, respectively, and a bank balance of approximately $17,358,000 and $14,525,000, respectively. The Hospital had cash on hand of approximately $13,000 and $8,000 at September 30, 2016 and 2015, respectively.

Patient accounts receivable

Patient accounts receivable are carried at the original charge less an estimate made for doubtful or uncollectible accounts. The estimate for doubtful or uncollectible accounts is based upon a review of the outstanding balances aged by financial class. Management uses historical collection percentages to determine collectability. Management also reviews troubled, aged accounts to determine collection potential. Patient accounts receivable are written off when deemed uncollectible. Recoveries of accounts previously written off are recorded as a reduction to provision for bad debts when received. Interest is not charged on patient accounts receivable.

Inventories of drugs and supplies

Inventories of drugs and supplies are stated at the lower of cost, determined using the first-in, first-out method, or market.

Unconditional promises to give, net

Unconditional promises to give cash and other assets to the Foundation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. An allowance for uncollectible unconditional promises to give is estimated based on past experience and on analysis of collectability.

Investments in debt and equity securities

Investments in debt and equity securities are reported at fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating revenues (expenses) when earned.

Assets whose use is limited

Assets whose use is limited include cash and cash equivalents and investments that are internally designated for operations and capital improvement, held by trustee under indenture agreement, for employee benefit plan agreement, and restricted by donor. The current portion of assets whose use is limited is assets held by trustee under indenture agreement that will be paid in the following year.

Capital assets

The Hospital's policy is to capitalize any capital asset with a unit cost of $1,500 or more. Capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using these asset lives or lease periods:

Land improvements	3 to 25 years
Buildings and building fixtures	5 to 30 years
Fixed equipment	5 to 20 years
Major movable equipment	3 to 20 years

When properties are retired or otherwise disposed of, the cost of the assets and related allowances for depreciation are removed from the accounts, and any resulting gain or loss is recognized in operating income on the combined statement of revenues, expenses, and changes In net position.

Costs of borrowing

Except for capital assets acquired through gifts, contributions or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquisition of those assets.

Annuity obligations

The Foundation has received charitable gift annuities as contributions. The donors contributed assets to the Foundation or placed the assets under an irrevocable trust agreement in exchange for a promise by the Foundation to pay fixed amounts to the donors for the remainder of their lives. The Foundation has recognized the asset or beneficial interests received and the related liability for the annuity payments.

Net position

Net position of the Hospital is classified in three components. Net investment 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 those assets. Restricted net position are noncapital and capital net position that must be used for a particular purpose, as specified by creditors, grantors, trustees, or donors external to the Hospital. Nonexpendable restricted net position represents the portion of net position attributable to non-controlling interests. Unrestricted net position are remaining net position that do not meet the definition of net investment in capital assets or restricted.

Net patient service revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Third-party contractual revenue adjustments are accrued on an estimated basis in the period the related services are rendered. Such amounts are subject to audit by governmental agencies. Adjustments, if any, are included in contractual revenue adjustments in the year of determination. In compliance with GASB pronouncements, net patient service revenues have been reduced by the amount of provision for bad debts incurred by the Hospital.

The Hospital's policy does not require collateral or other security for patient accounts receivable. The Hospital routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies such as those related to Medicare, Medicaid, Blue Cross, health maintenance organizations and commercial insurance carriers.

Charity care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. The amounts of direct and indirect costs foregone for services and supplies furnished under the Hospital's charity care policy totaled approximately $9,647,000 and $11,162,000 for the years ended September 30, 2016 and 2015, respectively, and is based on a ratio of the Hospital's operating expenses to its gross patient service charges.

Operating revenues and expenses

The Hospital's combined statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Hospital's principal activity. Nonexchange revenues including grants and contributions received for purposes other than capital asset acquisition are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

Grants and contributions

From time to time, the Hospital receives grants from Federal and state agencies as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Fundraising

The Foundation incurs expenses related to obtaining contributions and grants which are included in other nonoperating expenses.

Amortization

Bond discounts and premiums are amortized over the respective lives of the bonds.

Income taxes

SRH, SMRHS, the Foundation, the Auxiliary, and SMG have been recognized by the Internal Revenue Service as not-for-profit organizations as described in section 501(c)(3) of the Internal Revenue Code ("IRC") and are exempt from federal income taxes pursuant to section 501(a) of the IRC. SRPS, as a wholly-owned limited liability partnership of SMRHS, is not subject to federal income taxes. The Surgery Center is a limited liability company and, therefore, is not subject to income taxes. Greenwood Medical Company, Inc., as a wholly-owned subsidiary of the Foundation, is a for-profit entity, and as such, is subject to federal and state income taxes. The Hospital has determined that it does not have any material unrecognized tax benefits or obligations as of September 30, 2016. Fiscal years ending on or after September 30, 2013 remain subject to examination by federal and state tax authorities.

Compensated absences

The Hospital's employees earn paid time off ("PTO") at varying rates depending on years of service. Accumulated PTO time may be carried over each year up to a maximum amount, depending on years of service.

Risk management

The Hospital is exposed to various risks of loss including torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and, employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The Hospital is self-insured for amounts up to a specified level for health and medical coverage for its employees. The estimated liability is the total estimated amount to be paid for all known claims or incidents and a reserve for incurred but not reported claims.

2. Assets Whose Use Is Limited

The Hospital's investments generally are reported at fair value, as discussed in Note 1, and included in the assets whose use is limited on the combined statements of net position. At September 30, 2016 and 2015, the Hospital had the following investments with set maturities, all of which were held in the Hospital's name by a custodial bank that is the agent of the Hospital.

		Investment Maturities (in Years)			
September 30, 2016	**Carrying Amount**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Investment Type:					
U.S. Treasury obligations	**$ 25,220,850**	**$ -**	**$ 21,153,810**	**$ 4,067,040**	**$ -**
U.S. Municipal bonds	**4,502,977**	**-**	**4,502,977**	**-**	**-**
U.S. Corporate bonds	**151,609,092**	**-**	**121,603,274**	**25,947,398**	**4,058,420**
U.S. Government bonds	**179,660,064**	**76,780**	**84,488,243**	**21,930,603**	**73,164,438**
Foreign bonds and notes	**4,740,300**	**-**	**4,740,300**	**-**	**-**
Total	**$365,733,283**	**$ 76,780**	**$236,488,604**	**$ 51,945,041**	**$ 77,222,858**

		Investment Maturities (in Years)			
September 30, 2015	**Carrying Amount**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Investment Type:					
U.S. Treasury obligations	$ 16,912,330	$ -	$ 12,951,090	$ 3,961,240	$ -
U.S. Municipal bonds	5,830,671	-	5,830,671	-	-
U.S. Corporate bonds	142,150,057	-	103,830,366	36,335,211	1,984,480
U.S. Government bonds	187,457,993	76,780	86,236,400	26,647,219	74,497,594
Total	$352,351,051	$ 76,780	$208,848,527	$ 66,943,670	$ 76,482,074

The composition of assets whose use is limited at September 30, 2016 and 2015 is set forth in the following table. The Hospital's investments included in assets whose use is limited are categorized to give an indication of the level of risk assumed by the Hospital. Assets whose use is limited are comprised of the following:

	2016	2015
Internally designated for operations and capital improvements:		
Cash	**$ 1,597,873**	$ 5,028,721
Money market funds	**17,176,060**	20,000,802
U. S. Municipal bonds	**4,502,977**	5,830,671
U. S. Treasury obligations	**25,220,850**	16,912,330
U. S. Government bonds	**179,660,064**	187,457,993
U. S. Mutual funds	**65,121,929**	55,256,334
U. S. Corporate bonds	**151,045,086**	141,666,808
Foreign bonds and notes	**4,740,300**	-
Multi-manager structured product	**11,028,000**	10,000,000
Accrued interest	**2,222,618**	2,380,847
	462,315,757	444,534,506
Held by trustee under indenture agreement:		
Cash	**8,306,179**	8,287,487
Held under employee benefit plan agreement:		
Cash	**33,678**	654,439
Donor restricted for specific activities or capital acquisitions:		
Money market funds	**357,369**	326,776
U. S. Corporate bonds	**564,006**	483,249
U. S. Equities	**1,913,500**	1,858,745
Foreign equities	**130,839**	126,618
Exchange traded funds	**201,853**	136,330
	3,167,567	2,931,718
Total	**473,823,181**	456,408,150
Less current portion	**3,360,703**	3,342,398
Long term portion	**$ 470,462,478**	$ 453,065,752

Interest rate risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Hospital's Investment Policy authorizes a strategic asset allocation that is designed to provide an optimal return over the Hospital's investment horizon and within the Hospital's risk tolerance and cash requirements.

Investment income, net consists of the following:

	2016	2015
Interest and dividend income	$ 7,106,097	$ 9,382,095
Increase in fair value of investments, net	7,584,861	72,314
Investment income, net	$ 14,690,958	$ 9,454,409

Custodial credit risk

The Hospital's deposits are exposed to custodial credit risk if they are not covered by depository insurance and deposits are uncollateralized or are collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The deposit risk is that, in the event of the failure of a depository financial institution, the Hospital will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

Credit risk

This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Hospital's investment policy provides guidelines for its fund managers and lists specific allowable investments so that no more than 15% of the portfolio's market value may be held in the lowest investment grade category ("BBB" or "BBB+"). As of September 30, 2016 and 2015, the credit ratings assigned to the Hospital's applicable securities by a nationally recognized credit rating agency were rated "A-" or better except for approximately $22,031,000 and $22,700,000, respectively, that were rated "BAA" or "BBB+."

Concentration of credit risk

The Hospital places no limit on the amount it may invest in any one issuer. The Hospital held less than 5% of the carrying amount of investments in any one issuer as of September 30, 2016 and 2015.

3. Fair Value of Financial Investments

The Fair Value Measurements and Application Standard addresses accounting and financial reporting issues related to fair value measurements. The standard describes fair value as an exit price. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The statement establishes a three-level hierarchy of inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets or liabilities, inputs that are observable for the asset or liability, and market-corroborated inputs. Level 3 inputs are unobservable inputs and take into account all information about market participant assumptions that are reasonably available. The Hospital categorizes its fair value measurements within the fair value hierarchy established by this standard.

For assets and liabilities carried at fair value, the following table provides fair value information as of September 30, 2016 and 2015:

	Fair value measurements at September 30, 2016			
	Fair value at Sept 30, 2016	**Quoted prices In active markets for identical assets and liabilities (Level 1)**	**Quoted prices for similar assets and liabilities (Level 2)**	**Significant unobservable inputs (Level 3)**
Investments by fair value level				
Money market accounts	**$ 17,533,429**	**$ 17,533,429**	**$ -**	**$**
U.S. Municipal bonds	**4,502,977**	**4,502,977**	**-**	**-**
U.S. Treasury obligations	**25,220,850**	**25,220,850**	**-**	**-**
U.S. Government bonds	**179,660,064**	**179,660,064**	**-**	**-**
U.S. Mutual funds	**67,764,402**	**67,764,402**	**-**	**-**
U.S. Corporate bonds	**151,609,092**	**151,609,092**	**-**	**-**
U.S. equities	**1,913,500**	**1,913,500**	**-**	**-**
Foreign bonds and notes	**130,839**	**130,839**	**-**	**-**
Foreign bonds and notes	**4,740,300**	**4,740,300**	**-**	**-**
Exchange traded funds	**201,853**	**201,853**	**-**	**-**
Multi-manager structured product	**11,028,000**	**-**	**-**	**11,028,000**
Total investments by level	**$ 464,305,306**	**$ 453,277,306**	**$ -**	**$ 11,028,000**

At September 30, 2016, approximately $9,973,000 in cash and $2,223,000 in accrued interest are included in assets whose use is limited on the statements of net position.

	Fair value measurements at September 30, 2015			
	Fair value at Sept 30, 2015	**Quoted prices In active markets for identical assets and liabilities (Level 1)**	**Quoted prices for similar assets and liabilities (Level 2)**	**Significant unobservable inputs (Level 3)**
Investments by fair value level				
Money market accounts	$ 20,327,578	$ 20,327,578	$ -	$
U.S. Municipal bonds	5,830,671	5,830,671	-	-
U.S. Treasury obligations	16,912,330	16,912,330	-	-
U.S. Government bonds	187,457,993	187,457,993	-	-
U.S. Mutual funds	55,256,334	55,256,334	-	-
U.S. Corporate bonds	142,150,057	142,150,057	-	-
U.S. Equities	1,858,745	1,858,745	-	-
Foreign equities	126,618	126,618	-	-
Exchange traded funds	136,330	136,330	-	-
Multi-manager structured product	10,000,000	-	-	10,000,000
Total investments by level	$ 440,056,656	$ 430,056,656	$ -	$ 10,000,000

At September 30, 2015, approximately $13,971,000 in cash and $2,381,000 in accrued interest are included in assets whose use is limited on the statements of net position.

Money markets accounts, common stocks, bond and stock mutual funds, structured notes, and exchange traded funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Multi Manager Structured fund classified as Level 3 is valued using fundamental analysis of underlying securities.

4. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services are reimbursed under a prospective payment system called the Ambulatory Payment Classification System ("APCs"). Inpatient nonacute services and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items on a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through 2010.

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services are reimbursed at prospectively determined rates per procedure. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through 2011.

Revenue from the Medicare and Medicaid programs accounted for approximately 45 percent and 9 percent, respectively, of the Hospital's net patient service revenue for the year ended September 30, 2016. Revenue from the Medicare and Medicaid programs accounted for approximately 52 percent and 14 percent, respectively, of the Hospital's net patient service revenue for the year ended September 30, 2015. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2016 and 2015 net patient service revenue decreased approximately $66,000 and increased approximately $389,000, respectively, due to prior year retroactive adjustments in excess of amounts previously estimated and to the addition of allowances estimated that are still subject to audits, reviews and investigations.

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

The Hospital qualified for disproportionate share payments from the South Carolina Medicaid Program (the "Program") through September 30, 2016. The Hospital recognized quarterly lump-sum payments totaling approximately $6,966,000 and $5,957,000 for the years ended September 30, 2016 and 2015, respectively. These amounts are reflected as a reduction of contractual adjustments. The Program contains a provision requiring the repayment of disproportionate funds received if the participating hospital is determined to be ineligible. The Hospital is also subject to audits performed by the Program and could have repayments due to Program as a result of the audits. The disproportionate share payments are subject to audit by the South Carolina Medicaid Program. In fiscal year 2016 the Medicaid Program completed the audit of the fiscal year 2012 disproportionate share payments and as a result the Hospital returned $285,000 in payments. The hospital has set aside reserves for future repayments (if any). As a result of the audits it is a reasonable possibility that recorded reserves will change by a material amount in the near term.

HITECH funding for meaningful use of Electronic Health Records ("EHR")

The Hospital recognizes revenue for incentives earned under the EHR program in the period in which all contingencies related to the payments are complete. Incentive payments received under the EHR program include a discharge-related portion, which is calculated by Centers for Medicare & Medicaid Services ("CMS") based on the Hospital's most recently filed cost report. Such amounts are subject to adjustment at the time of settling the 12-month cost report for the Hospital's fiscal year that begins after the beginning of the payment year. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The EHR funding received is subject to CMS audit. The results of that audit and settlement could result in a potential payback in future periods. The Hospital achieved compliance with Year 3 meaningful use requirements under the Medicare program during fiscal year 2015 and, accordingly received payments of approximately $1,170,000 during fiscal year 2016. The Hospital achieved compliance with Year 3 meaningful use requirements under the Medicaid program during fiscal year 2014 and, accordingly received payments of approximately $219,000 during fiscal year 2016. Under the contingency model, payments received of $1,389,000 and $1,645,000 were recorded in the accompanying statements of net position in estimated third-party payor settlements for the years ended September 30, 2016 and 2015, respectively.

Contractual adjustments related to Medicare and Medicaid programs and other adjustments were deducted from gross patient service charges to arrive at net patient service revenue as follows:

	2016	**2015**
Gross patient service charges, net of charity care	**$ 1,069,152,918**	$ 991,686,700
Deductions:		
Contractual adjustments	**(670,031,273)**	(616,484,115)
Provision for bad debts	**(48,098,799)**	(42,834,653)
Net patient service revenue	**$ 351,022,846**	$ 332,367,932

5. Accounts Receivable and Accounts Payable

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Hospital consisted of these amounts at September 30:

Patient Accounts Receivable

	2016	**2015**
Receivable from patients and their insurance carriers	**$ 71,970,854**	$ 63,425,347
Receivable from Medicare	**79,788,631**	55,639,195
Receivable from Medicaid	**27,790,771**	29,640,532
Total patient accounts receivable	**179,550,256**	148,705,074
Less allowance for contractual adjustments	**95,617,587**	77,745,681
Less allowance for uncollectible amounts	**25,075,207**	23,128,507
	120,692,794	100,874,188
Patient accounts receivable, net	**$ 58,857,462**	$ 47,830,886

Accounts payable and accrued expenses

	2016	2015
Payable to suppliers and others	**$ 25,961,673**	$ 19,239,945
Payable to employees (including payroll taxes)	**16,361,737**	12,675,053
Total accounts payable and accrued expenses	**$ 42,323,410**	$ 31,914,998

6. Capital Assets

Capital asset additions, retirements, transfers, and balances for the years ended September 30 were as follows:

	Balance September 30 2015	Additions	Retirements	Transfers	Balance September 30 2016
Land	$ 4,695,565	$ 521,466	$ -	$ -	$ 5,217,031
Construction in progress	2,963,781	13,512,809	-	(3,018,135)	13,458,455
	7,659,346	14,034,275	-	(3,018,135)	18,675,486
Land improvements	5,012,560	20,136	(26,149)	5,375	5,011,922
Buildings and building fixtures	284,530,663	10,059,305	(6,992,021)	2,465,009	290,062,956
Fixed equipment	24,251,744	2,197,322	(129,808)	58,037	26,377,295
Major moveable equipment	168,687,807	6,917,795	(2,382,949)	489,714	173,712,367
,	482,482,774	19,194,558	(9,530,927)	3,018,135	495,164,540
Accumulated depreciation	(273,376,685)	(26,538,239)	6,520,079	-	(293,394,845)
	209,106,089	(7,343,681)	(3,010,848)	3,018,135	201,769,695
Capital assets, net	$ 216,765,435	$ 6,690,594	$ (3,010,848)	$ -	$ 220,445,181

	Balance September 30 2014	Additions	Retirements	Transfers	Balance September 30 2015
Land	$ 4,695,565	$ -	$ -	$ -	$ 4,695,565
Construction in progress	8,571,256	13,446,569	-	(19,054,044)	2,963,781
	13,266,821	13,446,569	-	(19,054,044)	7,659,346
Land improvements	4,346,719	45,718	(173,879)	794,002	5,012,560
Buildings and building fixtures	286,484,066	825,029	(19,195,393)	16,416,961	284,530,663
Fixed equipment	25,116,334	253,460	(1,207,910)	89,860	24,251,744
Major moveable equipment	189,618,339	6,910,482	(29,594,235)	1,753,221	168,687,807
	505,565,458	8,034,689	(50,171,417)	19,054,044	482,482,774
Accumulated depreciation	(294,825,989)	(27,914,021)	49,363,325	-	(273,376,685)
	210,739,469	(19,879,332)	(808,092)	19,054,044	209,106,089
Capital assets, net	$ 224,006,290	$ (6,432,763)	$ (808,092)	$ -	$ 216,765,435

During 2016 and 2015, the Hospital capitalized approximately $-0- and $306,000, respectively, of interest related to construction.

At September 30, 2016, construction in progress includes costs related to various construction projects and the implementation of an electronic medical records system. The Hospital has entered into various contracts related to these projects which amount to approximately $51,054,000. As of September 30, 2016, approximately $45,389,000 remains payable of these contracts.

7. Long-Term Debt

A schedule of changes in the Hospital's long-term debt for 2016 and 2015 follows:

	Balance September 30 2015	Additions	Reductions	Balance September 30 2016	Amounts Due Within One Year
Hospital Facilities Revenue Bonds – Series 2012 A1	$ 25,000,000	$ -	$ -	$ 25,000,000	$ -
Hospital Facilities Revenue Bonds – Series 2012 A2	14,500,000	-	(500,000)	14,000,000	-
Hospital Facilities Revenue Bonds – Series 2012 B	54,285,000	-	(690,000)	53,595,000	715,000
Hospital Facilities Revenue Bonds – Series 2009	50,000,000	-	-	50,000,000	-
Hospital Facilities Revenue Bonds – Series 2004 B	25,000,000	-	-	25,000,000	-
	168,785,000	-	(1,190,000)	167,595,000	715,000
Plus/less discount/premium	3,894,196	-	(371,617)	3,522,579	-
	172,679,196	-	(1,561,617)	171,117,579	715,000
Notes payable to banks - The Surgery Center	1,598,665	-	(93,649)	1,505,016	89,000
Note payable – Foundation	71,725	-	(71,725)	-	-
Capital lease obligations	484,774	-	(191,552)	293,222	242,232
	$ 174,834,360	$ -	$ (1,918,543)	$ 172,915,817	$ 1,046,232

	Balance September 30 2014	Additions	Reductions	Balance September 30 2015	Amounts Due Within One Year
Hospital Facilities Revenue Bonds – Series 2012 A1	$ 24,223,467	$ 776,533	$ -	$ 25,000,000	$ -
Hospital Facilities Revenue Bonds – Series 2012 A2	15,000,000	-	(500,000)	14,500,000	-
Hospital Facilities Revenue Bonds – Series 2012 B	54,960,000	-	(675,000)	54,285,000	690,000
Hospital Facilities Revenue Bonds – Series 2009	50,000,000	-	-	50,000,000	-
Hospital Facilities Revenue Bonds – Series 2004 B	25,000,000	-	-	25,000,000	-
	169,183,467	776,533	(1,175,000)	168,785,000	690,000
Plus/less discount/premium	4,270,318	-	(376,122)	3,894,196	-
	173,453,785	776,533	(1,551,122)	172,679,196	690,000
Notes payable to banks - The Surgery Center	1,685,000	-	(86,335)	1,598,665	86,335
Note payable – Foundation	145,750	-	(74,025)	71,725	71,725
Capital lease obligations	622,677	72,590	(210,493)	484,774	253,829
	$ 175,907,212	$ 849,123	$ (1,921,975)	$ 174,834,360	$ 1,101,889

Hospital Facilities Revenue Bonds - Series 2012A, were issued by Greenwood County, South Carolina, on May 11, 2012 to be used for the following projects (a) the acquisition, construction, renovation, improvement, and equipping of: support services building, data center, service center AHU, health education, west tower, east tower, old main demolition, old main 1st and 2nd floor, pharmacy, lab, and cafeteria (b) pay certain costs of issuance of the Series 2012A Bonds and (c) to fund interest during the construction of the project. The Series 2012 A include $25,000,000 Series 2012A-1 variable rate and $15,000,000 Series 2012A-2 fixed rate bonds. The Series 2012A-1 variable rate bonds bear interest at the monthly British Bankers Association LIBOR rate (“LIBOR”). The Series 2012A-2 fixed rate bonds bear interest at 2.578%. Interest is paid monthly. The Series 2012A-1 variable rate bonds have principal requirements ranging from $750,000 to $7,025,000 due October 1, 2032 through October 1, 2042. The Series 2012A-2 fixed rate bonds have principal requirements ranging from $500,000 to $2,000,000 due October 1, 2015 through October 1, 2032. A Trust Agreement names a bank as Trustee to receive, transfer and disburse all monies. The agreement contains certain restrictive covenants which, among other matters, require the Hospital to maintain its rates, fees and charges to the extent necessary in order for the Hospital to maintain certain earnings levels, as defined in the Trust Agreement. The Series 2012A bonds are limited obligations of Greenwood County payable solely from and secured by revenues of the Hospital, as defined in the Trust Agreement, and certain funds and accounts held under the Trust Agreement. Payment of the obligations is also secured by a mortgage on the land on which the Hospital’s main and related support facilities stand.

A financial institution directly purchased the Series 2012A Bonds from Greenwood County. The financial institution advanced the principal amount of the 2012A Bonds to the Hospital, and the advances were used to pay for the project. The Hospital pays interest on the advanced principal amounts on the first day of each month, until the Series 2012A Bonds have been paid in full. The initial mandatory purchase date from the financial institution is May 1, 2022.

Hospital Facilities Revenue Bonds - Series 2012B, were issued by Greenwood County, South Carolina, on April 24, 2012 to be used to pay for (a) refunding the outstanding principal amount of the Series 1998A Bonds (b) refunding the outstanding principal amount of the Series 2001 bonds and (c) certain costs of issuance of the Series 2012B Bonds. The Series 2012B Bonds include term bonds with principal requirements ranging from $655,000 to $5,645,000 due October 1, 2013 through October 1, 2032. The Series 2012B bonds bear interest at varying rates from 2% to 5%. Interest is paid semi-annually. The 2012B Bonds are subject to mandatory sinking fund redemption beginning October 1, 2028, through October 1, 2031, with principal requirements ranging from $200,000 through

$5,645,000. A Trust Agreement names a bank as Trustee to receive, transfer and disburse all monies. The agreement contains certain restrictive covenants which, among other matters, require the Hospital to maintain its rates, fees and charges to the extent necessary in order for the Hospital to maintain certain earnings levels, as defined in the Trust Agreement. The Series 2012B bonds are limited obligations of Greenwood County payable solely from and secured by revenues of the Hospital, as defined in the Trust Agreement, and certain funds and accounts held under the Trust Agreement. Payment of the obligations is also secured by a mortgage on the land on which the Hospital's main and related support facilities stand.

Hospital Facilities Revenue Bonds - Series 2009, were issued by Greenwood County, South Carolina, on September 29, 2009 to be used for (a) construction of the Cancer Center and (b) reimbursement to the Hospital for routine capital items acquired during fiscal years 2008 and through September 2009. The Series 2009 Bonds include term bonds with principal requirements ranging from $315,000 to $10,360,000 due October 1, 2019 through October 1, 2040. The Series 2009 bonds bear interest at varying rates from 4.375% to 5.375%. Interest is paid annually. The 2009 Bonds are subject to mandatory sinking fund redemption beginning October 1, 2033, through October 1, 2040, with principal requirements ranging from $190,000 through $10,360,000. A Trust Agreement names a bank as Trustee to receive, transfer and disburse all monies. The agreement contains certain restrictive covenants which, among other matters, require the Hospital to maintain its rates, fees and charges to the extent necessary in order for the Hospital to maintain certain earnings levels, as defined in the Trust Agreement. The Series 2009 bonds are limited obligations of Greenwood County payable solely from and secured by revenues of the Hospital, as defined in the Trust Agreement, and certain funds and accounts held under the Trust Agreement. Payment of the obligations is also secured by a mortgage on the land on which the Hospital's main and related support facilities stand.

Hospital Facilities Revenue Bonds - Series 2004 B, were issued by Greenwood County, South Carolina, on February 4, 2004, to be used in connection with the advance refunding of the Series 1993 Bonds and to assist in the construction of a new patient tower facility. The 2004 B Bonds are Auction Rate Hospital Revenue Bonds subject to mandatory sinking fund redemption beginning October 1, 2018, through October 1, 2034, with principal requirements ranging from $190,000 through $7,565,000. The Series 2004 B bonds bear interest at varying rates from .399% to .620%. Interest on the Series 2004 Bonds are paid semi-annually. A Trust Agreement names a bank as Trustee to receive, transfer and disburse all monies. The agreement contains certain restrictive covenants which, among other matters, require the Hospital to maintain its rates, fees and charges to the extent necessary in order for the Hospital to maintain certain earnings levels, as defined in the Trust Agreement. The Series 2004 B bonds are limited obligations of Greenwood County payable solely from and secured by revenues of the Hospital, as defined in the Trust Agreement, and certain funds and accounts held under the Trust Agreement. Payment of the obligations is also secured by a mortgage on the land on which the Hospital's main and related support facilities stand. The Series 2004B bonds were issued as variable rate bonds secured by municipal bond insurance. The municipal bond insurance would be placed into effect if the Remarketing Agents are unable to resell, under a "best efforts" arrangement, bonds that are tendered. The municipal bond insurance would make payments under the terms of the Bonds.

The notes payable to banks consist of two notes, the Building note and the Equipment note. The Building note for $2,350,000 was executed to finance construction for the Surgery Center. The note is payable over 25 years, ending September 2026. Interest for the building note is payable monthly based on a rate equal to the monthly LIBOR Index, as defined in the credit agreement, plus 150 basis points.

The Foundation has an outstanding note payable collateralized by a deed of trust on certain real estate. The note is payable over 10 years ending August 2016 with an original principal amount of $600,000. Principal and interest at a rate of 6.24% are payable at $6,762 monthly. In August 2008, the Foundation obtained an additional note payable collateralized by a deed of trust on certain real estate. Principal and interest at a rate of 6.40% are payable at $4,304 monthly. The note was paid off during fiscal year 2016.

The 2012B, 2009, and 2004B Series bonds are reported net of premium (discount) on bonds payable at September 30, 2016 and 2015 of approximately $3,523,000 and $3,894,000, respectively.

Future principal and interest payments, excluding unamortized discount and premium, under the Hospital's long-term debt agreements less capital lease obligations are as follows for the year ending September 30, 2016:

	Principal Payments	Interest Payments
2017	$ 804,000	$ 6,203,075
2018	1,367,774	6,173,875
2019	3,984,526	6,086,834
2020	4,139,652	5,945,356
2021	4,280,636	5,796,894
2022 – 2026	24,983,428	26,346,300
2027 – 2031	31,375,000	20,520,941
2032 – 2036	42,070,000	14,981,042
2037 – 2041	42,045,000	4,254,984
2042 – 2043	14,050,000	-
	$ 169,100,016	$ 96,309,301

8. Employee Pension Plans

Plan description

The Pension Plan (the "Plan") is a single-employer defined benefit pension plan, which provides for retirement, death, and disability benefits to Plan participants and beneficiaries. The Hospital reserves the right to amend the Plan at any time. Generally, the Pension Benefit Guaranty Corporation reserves the right to terminate the Plan if the Hospital fails to meet the minimum funding standards, or is unable to pay benefits when due. If the Plan is terminated, the Plan assets will be distributed among the Plan participants based upon a priority allocation procedure. The Hospital shall be liable for any unfunded vested benefits to the extent required by law.

Effective September 30, 2009, the Hospital chose to freeze the Plan. Active employees as of September 30, 2009 were eligible to participate in the Plan, and any employees hired subsequent to September 30, 2009 were not eligible to participate in the Plan.

Pension benefits

Pension benefits are provided to participants under several types of retirement options based upon years of service and age. Retirement benefits are paid to pensioners or beneficiaries in various forms of joint and survivor payment options, including a lump-sum payment.

Death and disability benefits

In the event of a vested employee's death, his or her designated beneficiary will be entitled to receive a survivor benefit equal to 50% of the participant's accrued benefit, according to the Plan provisions. The survivor benefit commences on the earliest date that the deceased participant could have elected to receive retirement benefits. If a participant becomes disabled, he or she may elect disability retirement. The disability retirement payment commences in the month coincident with or following the disability retirement date.

Employees covered by benefit terms

At the September 30, 2016 and 2015 measurement dates, the following employees were covered by the benefit terms:

	2016	2015
Active employees	**889**	1,009
Inactive employees or beneficiaries currently receiving benefits	**356**	306
Inactive employees entitled to but not yet receiving benefits	**366**	341
	1,611	1,656

Contributions

Contributions to provide benefits under the Plan are made solely by the Hospital. The entire cost of the Plan is borne by the Hospital. Plan members are not required to contribute to the Plan. The Hospital contributes at an actuarially determined rate. The Hospital contributed approximately $3,000,000 to the Plan for the Hospital's fiscal years ended September 30, 2016 and 2015.

Net pension liability

The most recent annual actuarial valuation reports are as of October 1, 2015. The net pension liability of each defined benefit pension plan was therefore determined based on the October 1, 2015 actuarial valuations, using membership data as of October 1, 2015, and financial information of the pension funds as of October 1, 2015, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by the Hospital's consulting actuary.

For the years ended September 30, 2016 and 2015, the Hospital recognized pension expense of approximately $1,674,000 and $1,574,000.

The following represents the changes in the net pension liability as of September 30, 2016:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2015	$ 89,326,085	$ 64,778,291	$ 24,547,794
Changes for the year:			
Interest	5,208,700	-	5,208,700
Differences between expected and actual experiences	(382,692)	-	(382,692)
Contributions - employer	-	3,000,000	(3,000,000)
Net investment income	-	4,255,360	(4,255,360)
Benefits paid	(5,028,831)	(5,028,831)	-
Administrative expenses	-	(166,506)	166,506
Net changes	(202,823)	2,060,023	(2,262,846)
Balances at September 30, 2016	$ 89,123,262	$ 66,838,314	$ 22,284,948

Sensitivity analysis

The following represents the sensitivity of the total pension liability and the net pension liability to changes in the interest rate based on values as of September 30, 2016:

	1% Decrease 5.00%	Current Rate 6.00%	1% Increase 7.00%
Net pension liability	$ 32,534,535	$22,284,948	$ 13,759,192

Actuarial assumptions and methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The total pension liability in the October 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate	6.0%
Future Salary Increase	4.0%
Expected return on plan assets	6.0%
Mortality	RP-2000 Combined Healthy (Blue Collar) Male and Female Tables projected seven years

The discount rate adopted by the Hospital for valuing Plan liabilities was determined by the methods prescribed under GASB 68 which requires the use of a long term rate of return on Plan assets, unless a projection of the net fiduciary position will not be sufficient to provide for projected benefit payments of the covered current and former employees.

The projected return on Plan assets and inflation assumptions are developed through review of current and historical capital markets data and historical performance of investment strategies. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of the October 1, 2015 valuation date are summarized in the following table:

	Target Asset Allocation	Expected Arithmetic Real Rate of Return
Bonds	33.5%	2.9%
Equities	65.0%	8.2%
Cash	1.5%	0.9%
	100.0%	

Deferred inflows and outflows of resources related to pensions

At September 30, 2016, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ (649,405)
Changes of assumptions	-	(3,088,619)
Difference between expected and actual return on plan assets	2,848,152	(689,204)
	$ 2,848,152	$ (4,427,228)

The amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense for the year ended September 30, 2016 as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	$ 949,384	$ (824,545)
2018	949,384	(824,545)
2019	949,384	(651,754)
2020	-	(651,754)
2021	-	(492,867)
Thereafter	-	(981,763)
	$ 2,848,152	$ (4,427,228)

Defined contribution plan

The Hospital has a 403b defined contribution plan (the “contribution plan”) covering substantially all its employees. The contribution plan is employee and employer contributory. The Hospital contributed a match based on 100% of the first 3% of the employee’s elected deferral percentage calculated on the employee’s base compensation. The Hospital can also contribute a discretionary amount determined annually by the Board of Trustees. Defined contribution expense amounted to approximately $3,532,000 and $3,165,000 for 2016 and 2015, respectively.

9. Other Postemployment Benefit (“OPEB”)

Plan description

The Hospital offers certain postretirement benefits to employees and their spouses including health and dental insurance until age 65, life insurance coverage until age 65, and a percentage of the employee’s basic salary until age 62 for all employees who are at least age 55 and have 30 years of service with the Hospital. The Hospital has elected to partially pay the future overall cost of coverage for these benefits. The Hospital chose to freeze the salary continuation portion of the Plan effective September 30, 2010.

As of September 30, 2015 (healthcare benefits) and September 30, 2016 (retiree salaries), the date of the latest actuarial valuation, there were 1,289 total members of the OPEB that consisted of 1,226 active members, 51 retirees in pay status, and 12 spouses of retirees.

Funding policy

The Hospital has chosen to fund the healthcare benefits on a pay as you go basis.

The annual required contribution ("ARC") rate for September 30, 2016 and 2015 for healthcare benefits is 1.2% 1.3%, respectively, of annual covered payroll. The ARC for retiree salaries is 0.3% at September 30, 2015, and there are no required contributions for retiree salaries at September 30, 2016. For the year ended September 30, 2016, the Hospital contributed approximately $685,000 for healthcare benefits and approximately $241,000 in salary continuation payments for retirees that each represents 0.9% and 0.3% of covered payroll, respectively. For the year ended September 30, 2015, the Hospital contributed approximately $1,188,000 for healthcare benefits and approximately $243,000 in salary continuation payments for retirees that each represents 1.7% and 0.4% of covered payroll, respectively. There were no contributions made by employees.

Annual OPEB cost and net OPEB obligation

The Hospital's annual OPEB cost (expense) is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The Hospital's annual OPEB cost for the year, the amount actually contributed to the OPEB, and changes in the Hospital's net OPEB obligation for the healthcare benefits and retiree salaries were as follows:

	2016	2015
Annual required contribution for healthcare benefits	**$ 889,268**	$ 899,816
Annual required contribution for retiree salaries	**-**	190,969
Interest on net OPEB obligation	**196,208**	150,661
Adjustment to ARC	**(159,730)**	22,815
Annual OPEB costs	**925,746**	1,264,261
Contributions made	**(925,746)**	(1,430,946)
(Decrease) increase in net OPEB obligation	**-**	(166,685)
OPEB obligation, beginning of year	**2,912,194**	3,078,879
OPEB obligation, end of year	**$ 2,912,194**	$ 2,912,194

The Hospital's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the OPEB obligation were as follows:

Fiscal Year Ending	**Annual OPEB Cost**	**Percentage of Annual OPEB Cost Contributed**	**Net OPEB Obligation**
September 30, 2016	$ 925,746	100.00%	$ 2,912,194
September 30, 2015	$ 1,264,261	113.18%	$ 2,912,194
September 30, 2014	$ 1,264,261	117.02%	$ 3,078,879

Funded status and funding progress

As of September 30, 2015 (healthcare benefits) and September 30, 2016 (retiree salaries), the most recent actuarial valuation date, the OPEB was not funded. The actuarially accrued liability for benefits and, thus, the unfunded actuarially accrued liability ("UAAL") was $8,391,379. The covered payroll (annual payroll of active employees covered by the plan) was approximately $73,860,000, and the ratio of the UAAL to the covered payroll was 11 percent. Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the OPEB and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the As of September 30, 2015 (healthcare benefits) and September 30, 2016 (retiree salaries) actuarial valuations, the projected unit credit actuarial cost method was used. The actuarial assumptions for 2015 included (a) 5.0% discount rate, (b) an annual medical cost trend of 9.0%, and (c) an annual dental cost trend of 5.0%.

10. Commitments and Contingencies

Operating leases

The Hospital leases various equipment and facilities under operating leases expiring at various dates through 2019. Total rental expense in 2016 and 2015 for all operating leases was approximately $1,091,000 and $1,158,000, respectively.

Minimum annual lease payments for years subsequent to September 30, 2016 are as follows:

2017	$	374,343
2018		282,000
2019		70,500
	$	726,843

Pledge payable

In 2014, SRH pledged a total of $5,600,000 to a local university for equipment and research funding. In the years ending September 30, 2016 and 2015, SRH paid $1,200,000 and $3,200,000, respectively. Total pledge payments for years subsequent to September 30, 2016 are as follows:

2017	$	1,200,000

Professional malpractice liability insurance

The Hospital participates in a multiprovider captive insurance company for professional and general liability insurance coverage on a claims made basis. Liabilities are joint and several among participating providers. The aggregate limit under insurance coverage is $12,000,000. The Hospital's premiums are accrued based on the experience to date of the participating health care providers.

In addition, the Hospital has an unsecured letter of credit related to malpractice claims with a financial institution for approximately $1,000,000. The letter of credit expires on December 1, 2017.

Malpractice claims have been asserted against the Hospital by various claimants, and additional claims could be asserted for incidents occurring through September 30, 2016. At September 30, 2016, management is aware of no incidents that might lead to significant claims that are not adequately covered by insurance through the captive insurance company that would have a material adverse effect on the combined financial position of the Hospital. Accordingly, no provision has been made in the accompanying combined financial statements for any such claims.

Litigation

The Hospital is involved in litigation and regulatory investigations arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Hospital's future combined financial position or combined results from operations.

Industry

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulation by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services billed.

11. Net Position Restricted by Donor

Net position restricted by donor at September 30 consists of the following:

	2016	2015
Access Health Lakelands	**$ 126,005**	$ 110,346
Benjamin Parker Pediatric Fund	**97,824**	87,455
Blackwell Scholarship Fund	**59,687**	53,051
Cancer Fund	**257,959**	216,454
Capital Campaign Fund	**809,604**	1,434,992
Chaplain/Pastoral Fund	**18,863**	21,830
Community Outreach & Wellness Fund	**-**	61,908
Diabetes Fund	**82,703**	64,957
Donated Artwork	**11,525**	511,525
Duke – Childhood Obesity (WWKF)	**5,141**	4,966
Duke – Tobacco Cessation Program	**364**	351
Elizabeth May Fund	**90,022**	75,633
GCMA Scholarship Fund	**14,891**	15,348
Grace Fund	**93,590**	78,612
Heydel Respiratory Therapy Scholarship Fund	**62,222**	54,625
J. Smith Cardiac Rehab	**87,735**	84,202
Lakelands Rural Health Net	**510**	493
May-Magruder Lab Scholarship Fund	**137,644**	116,892
ME Ruff Scholarship Fund	**102,825**	90,426
Medical Library Fund	**26,930**	24,075
Medical Museum Fund	**35,665**	31,885
NM Thurmond Memorial Fund	**97,242**	203,560
Nursing Education Fund	**55,111**	48,392
OR Equipment Fund	**33,652**	30,085
Other	**370,480**	54,370
Pulmonary Rehab Fund	**7,416**	7,000
Radiology	**2,400**	2,146
SAFE Kids Fund	**68,294**	65,598
Spoone Scholarship Fund	**3,764**	3,042
Susan G. Komen Breast Cancer	**-**	14,650
Vascular Excellence Fund	**157,913**	141,826
William Barnette	**167,758**	149,977
Women's Health	**106,211**	100,078
Donor restricted net position	**$ 3,191,950**	$ 3,960,750

12. Subsequent Events

Subsequent events have been evaluated through December 16, 2016, which is the date the combined financial statements were issued.

Required Supplementary Information

Self Regional Healthcare and Affiliates

Schedules of Changes in Net Pension Liability and Related Ratios

Years Ended September 30, 2016, 2015, and 2014

	2016	2015	2014
Total pension liability			
Interest	$ 5,208,700	$ 5,192,103	$ 5,497,280
Differences between expected and actual experience	(382,692)	-	(489,428)
Assumption changes	-	-	(4,411,559)
Benefits paid	(5,028,831)	(4,802,142)	(5,190,506)
Net change in total pension liability	(202,823)	389,961	(4,594,213)
Total pension liability - beginning	89,326,085	88,936,124	93,530,337
Total pension liability - ending (a)	$ 89,123,262	$ 89,326,085	$ 88,936,124
Plan fiduciary net position			
Contributions - employer	$ 3,000,000	$ 3,000,000	$ 3,000,000
Net investment income (loss)	4,255,360	(755,628)	4,742,173
Benefits paid	(5,028,831)	(4,802,142)	(5,190,506)
Administrative expenses	(166,506)	(86,549)	(175,029)
Net change in plan fiduciary net position	2,060,023	(2,644,319)	2,376,638
Total plan fiduciary net position - beginning	64,778,291	67,422,610	65,045,972
Total plan fiduciary net position - ending (b)	$ 66,838,314	$ 64,778,291	$ 67,422,610
Net pension liability - ending (a) - (b)	$ 22,284,948	$ 24,547,794	$ 21,513,514
Plan fiduciary net position as a percentage of the total pension liability	75.00%	72.52%	75.81%
Covered-employee payroll	54,340,899	62,349,985	62,349,985
Net pension liability (asset) as a percentage of covered-employee payroll	41.01%	39.37%	34.50%

See independent auditors' report.

	2016	2015	2014
Actuarially determined contribution	**$ 1,566,597**	$ 1,665,989	$ 2,133,949
Contributions in relation to the actuarially determined contribution	**3,000,000**	3,000,000	3,000,000
Contribution excess	**$ (1,433,403)**	$ (1,334,011)	$ (866,051)
Covered-employee payroll	**54,340,899**	62,349,985	62,349,985
Contributions as a percentage of covered-employee payroll	**5.52%**	4.81%	4.81%

Notes to Schedule

Measurement date	September 30, 2016
Valuation date	October 1, 2015
Salary increases	N/A, plan frozen in 2009
Discount rate	6.00%
Expected rate of return on plan assets	6.00%
Inflation Rate	2.5%
Mortality	RP-2000 Combined Healthy (Blue Collar) Male and Female Tables projected seven years

See independent auditors' report.