

Combined financial statements and report of independent certified public accountants

University Health Care, Inc. and Affiliates

December 31, 2002 and 2001

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**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors
University Health Care, Inc. and Affiliates

We have audited the accompanying combined statements of financial position of University Health Care, Inc. and Affiliates as of December 31, 2002 and 2001, and the related combined statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of University Health Care, Inc. and Affiliates as of December 31, 2002 and 2001, and the combined results of their activities and their combined cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Madison, Wisconsin
February 28, 2003

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UNIVERSITY HEALTH CARE, INC. AND AFFILIATES
COMBINED STATEMENTS OF FINANCIAL POSITION
December 31,

ASSETS	2002	2001
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,573,208	\$ 907,741
Accounts receivable		
Trade, less allowance for doubtful accounts of \$1,827,000 in 2002 and \$1,337,000 in 2001	1,715,758	1,698,176
Other	139,406	165,202
	1,855,164	1,863,378
Risk pool reimbursement receivable	2,465,622	757,553
Prepaid expenses	201,078	256,983
	6,095,072	3,785,655
Total current assets		
INVESTMENTS IN AFFILIATES	231,006	609,839
PROPERTY AND EQUIPMENT - AT COST		
Buildings and improvements	3,750,671	3,750,296
Leasehold improvements	105,727	88,430
Furniture and equipment	1,626,800	1,845,612
Medical equipment	346,598	386,578
	5,829,796	6,070,916
Less accumulated depreciation and amortization	2,466,481	2,493,333
	3,363,315	3,577,583
Land	926,643	926,643
	4,289,958	4,504,226
OTHER ASSETS		
Other long-term receivables	27,168	113,133
Investment in leased assets	-	75,255
	27,168	188,388
Total assets	\$ 10,643,204	\$ 9,088,108

The accompanying notes are an integral part of these statements.

LIABILITIES AND DEFICIT IN NET ASSETS	2002	2001
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 1,653,805	\$ 221,237
Trade accounts payable	821,613	488,897
Risk pool payable	2,465,622	757,553
Accrued liabilities		
Salaries, wages and payroll withholdings	394,989	182,565
Vacation and sick pay	125,614	178,181
Pension plans	698,572	591,515
Other	23,750	46,237
	<u>1,242,925</u>	<u>998,498</u>
Deferred revenue	-	4,136
	<u>6,183,965</u>	<u>2,470,321</u>
LONG-TERM DEBT, less current maturities	3,701,903	5,355,692
COMMITMENTS AND CONTINGENCIES	-	-
MINORITY INTEREST IN SUBSIDIARY	1,500,000	1,500,000
DEFICIT IN UNRESTRICTED NET ASSETS	<u>(742,664)</u>	<u>(237,905)</u>
Total liabilities and deficit in net assets	<u>\$ 10,643,204</u>	<u>\$ 9,088,108</u>

UNIVERSITY HEALTH CARE, INC. AND AFFILIATES
COMBINED STATEMENTS OF ACTIVITIES

Year ended December 31,

	2002	2001
Operating revenues and other support		
Capitation fees	\$ 85,407,195	\$ 75,725,632
Net patient service revenue	8,625,128	8,099,272
Program and other support		
University of Wisconsin Hospital and Clinics Authority	3,351,336	3,227,420
University of Wisconsin Medical Foundation	1,679,281	1,552,938
University of Wisconsin Medical Foundation - Ophthalmology	53,221	47,591
	5,083,838	4,827,949
Total operating revenues and other support	99,116,161	88,652,853
Operating expenses		
Capitation costs	85,689,773	74,412,955
Staff salaries and wages	4,784,275	4,318,749
Staff benefits	1,182,705	1,138,823
Physician and mid-level compensation and benefits	5,626,968	4,940,683
Malpractice insurance	135,134	121,311
Purchased services and office expenses	1,740,169	1,575,637
Building rent and utilities	1,203,891	1,169,364
Medical and ancillary supplies	1,756,393	1,453,158
Advertising and promotion	142,276	163,701
Equipment expense	442,779	626,938
Start-up expenses	28,483	70,541
	102,732,846	89,991,860
Total operating expenses	102,732,846	89,991,860
Decrease in unrestricted net assets from operations	(3,616,685)	(1,339,007)
Other income (expense)		
Risk pool reimbursement	3,386,091	1,541,844
Investment income (loss)		
Interest and dividends	19,852	183,196
CHS, LLC	8,408	18,643
Agnesian - UW Health Ventures, LLC	(487,241)	(255,131)
	(458,981)	(53,292)
Interest expense	(345,270)	(586,955)
Expenses of closed clinic facilities	(14,211)	(167,542)
Gain (loss) on sale of property and equipment	(22,044)	4,831
Miscellaneous income	566,341	651,916
	3,111,926	1,390,802
Total other income	3,111,926	1,390,802
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(504,759)	51,795
Deficit in unrestricted net assets at beginning of year	(237,905)	(289,700)
Deficit in unrestricted net assets at end of year	\$ (742,664)	\$ (237,905)

The accompanying notes are an integral part of these statements.

UNIVERSITY HEALTH CARE, INC. AND AFFILIATES
COMBINED STATEMENTS OF CASH FLOWS
Year ended December 31,

	2002	2001
Cash flows from operating activities		
Increase (decrease) in unrestricted net assets for the year	\$ (504,759)	\$ 51,795
Adjustments to reconcile increase (decrease) in unrestricted net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	349,558	501,338
Share in net gain of CHS, LLC	(8,408)	(18,643)
Share in net loss of Agnesian - UW Health Ventures, LLC	487,241	255,131
(Gain) loss on sale of property and equipment	22,044	(4,831)
Changes in operating assets and liabilities:		
Accounts receivable	8,214	(399,214)
Risk pool reimbursement receivable	757,553	9,331,392
Prepaid expenses	55,905	(33,229)
Trade accounts payable	332,716	(528,391)
Risk pool payable	(757,553)	(10,899,418)
Accrued liabilities	244,427	(25,759)
Deferred revenue	(4,136)	(42,369)
	982,802	(1,812,198)
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Purchase of property and equipment	(162,318)	(590,423)
Proceeds from sale of property and equipment	4,984	231,100
Investment in Agnesian - UW Health Ventures, LLC	(100,000)	(400,000)
Payments received on other long-term receivables	146,052	457,801
Decrease in other long-term receivables	15,168	16,788
	(96,114)	(284,734)
Net cash used in investing activities		
Cash flows from financing activities		
Payments of long-term debt	(221,221)	(2,049,488)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	665,467	(4,146,420)
Cash and cash equivalents at beginning of year	907,741	5,054,161
Cash and cash equivalents at end of year	\$ 1,573,208	\$ 907,741

UNIVERSITY HEALTH CARE, INC. AND AFFILIATES
COMBINED STATEMENTS OF CASH FLOWS - CONTINUED
Year ended December 31,

	2002	2001
Supplemental disclosure of cash flow information		
Interest paid	\$ 367,757	\$ 613,995

Supplemental schedule of noncash operating, investing and financing activities:

During 2002, University Health Care, Inc. (UHC) recognized a risk pool payable of \$2,465,622 and an offsetting risk pool reimbursement receivable from Blue Cross/Blue Shield of Wisconsin in connection with the gain incurred under the Unity/University Plus risk pool.

During 2001, UHC recognized a risk pool payable of \$757,553 and an offsetting risk pool reimbursement receivable from Blue Cross/Blue Shield of Wisconsin in connection with the gain incurred under the Unity/University Plus risk pool.

During 2002 and 2001, University Community Clinics, Inc. (UCC) increased other long-term receivables and decreased investment in leased assets by \$75,255 and \$301,200, respectively.

The accompanying notes are an integral part of these statements.

UNIVERSITY HEALTH CARE, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2002 and 2001

NOTE A - SUMMARY OF ACCOUNTING POLICIES

The accompanying financial statements include the accounts of University Health Care, Inc. (UHC), University Community Clinics, Inc. (UCC) and Health Professionals of Wisconsin, Inc. (HPW) (the company).

UHC is a non-stock, not-for-profit corporation organized under Chapter 181 of the Wisconsin Statutes to promote medical education, research and public service by the University of Wisconsin Medical School and its faculty, the University of Wisconsin Medical Foundation and the University of Wisconsin Hospital and Clinics Authority.

The bylaws of UCC designate UHC as the sole member of the corporation. UCC is a Wisconsin non-stock, not-for-profit, taxable corporation which develops, owns and operates private health care practices in various communities surrounding Madison for the benefit of the University of Wisconsin - Madison, the University of Wisconsin Medical School and the University of Wisconsin Hospital and Clinics Authority.

UCC owns all of the common stock of HPW and has a controlling interest (90%) in HPW. The minority stockholder, Blue Cross/Blue Shield United of Wisconsin (BC/BS), owns all of HPW's outstanding preferred stock of \$1,500,000. HPW is a taxable shareholder corporation formed to hold the real property used by UCC in pursuit of UCC's mission of medical practice development.

A summary of the company's significant accounting policies consistently applied in the preparation of the accompanying combined financial statements follows:

1. Principles of Combination and Consolidation

The accounts of UCC have been consolidated with its majority-owned subsidiary, HPW, and the accounts of the consolidated entity have been combined with UHC in the accompanying financial statements since ultimate control is under common management. All significant intercompany balances and transactions have been eliminated.

2. Use of Estimates

In preparing combined financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

UNIVERSITY HEALTH CARE, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
December 31, 2002 and 2001

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

3. Cash and Cash Equivalents

For purposes of the combined statements of cash flows, the company considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

4. Depreciation and Amortization

Depreciation and amortization of property and equipment are provided in amounts sufficient to relate the cost of property and equipment to operations over their estimated service lives using both straight-line and accelerated methods. Improvements to leased property are amortized over the lesser of the life of the lease or life of the improvement. A summary of estimated useful lives follows:

	<u>Estimated useful life</u>
Buildings and improvements	7 to 39 years
Leasehold improvements	5 to 39 years
Furniture and equipment	3 to 7 years
Medical equipment	5 to 7 years

5. Recognition of Revenues and Other Support

Patient service revenue is recognized at the time services are rendered and is reported at the estimated net realizable amounts from patients, third-party payors under reimbursement agreements and others for services rendered.

Receipts designated for programs and other support by an outside party are deemed to be earned and reported as revenue as related expenses are incurred.

UNIVERSITY HEALTH CARE, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
December 31, 2002 and 2001

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

6. Capitation Fees and Costs

Capitation fees consist of amounts received from Unity Health Plans Insurance Corporation (Unity) and Group Health Cooperative (GHC) in 2002 and 2001 and Touchpoint Health Plan, Inc. (Touchpoint) in 2001 for the company's portion of the risk pools. Capitation costs consist of cash payments to University of Wisconsin Hospital and Clinics Authority (UWHC), University of Wisconsin Medical Foundation (UWMF) and other non-University of Wisconsin providers. Most of these providers have contractual agreements which define the responsibility they have assumed for providing medical services to enrollees of Unity, GHC and Touchpoint in exchange for monthly capitation payments.

7. Deferred Income Taxes

Deferred income taxes are provided on a liability method whereby deferred tax assets are recognized for the temporary differences in reporting the allowance for doubtful receivables and accounting for certain accrued liabilities and for net operating loss carryforwards. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Deferred tax balances are adjusted to reflect tax rates, based on currently enacted tax laws, that will be in effect in the years in which the temporary differences are expected to reverse.

NOTE B - ACCOUNTS RECEIVABLE

The majority of the company's accounts receivable are due from third party payors under reimbursement agreements and patients for services provided. Accounts receivable are due upon receipt of invoice. Receivables are stated at net of any allowance for doubtful accounts and contractual adjustments. The company determines its allowance for doubtful accounts by considering number of days past due, collection history, and the general economy and industry as a whole. Contractual adjustments are based on expected payment rates in accordance with third party payor agreements. The company writes-off accounts receivable when they become uncollectible, and payments subsequently received are credited to the allowance for doubtful accounts.

UNIVERSITY HEALTH CARE, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
December 31, 2002 and 2001

NOTE C - RELATED PARTIES

UHC owns 20.89% of Community Health Systems, LLC (CHS). CHS represents the rural interests connected with Unity Joint Venture. This investment is accounted for on the equity method. Under this method, UHC recognizes its proportionate share of the net earnings or loss of CHS, and dividends received are treated as a reduction of the investment. UHC recognized income of \$8,408 and \$18,643 for the years ended December 31, 2002 and 2001, respectively.

Agnesian-UW Health Ventures, LLC was a joint venture owned by UHC and Agnesian Health Care, Inc. (AHC). Effective December 31, 2002, the joint venture ceased operations and the carrying value of the investment of \$316,309 was written off since it is expected that no amounts will be recovered. The joint venture employed physicians and other personnel as necessary to support the practice of the medical clinic and further the achievement of the charitable, educational and scientific purposes of UHC and AHC. The joint venture entered into an agreement with AHC to provide all necessary facilities, equipment and administrative services.

UHC's 50% ownership interest in Agnesian-UW Health Ventures, LLC was accounted for on the equity method. Under this method, UHC recognized its proportionate share of the net earnings or loss of the joint venture, and dividends received were treated as a reduction of the investment. UHC recognized a loss of \$170,932 and \$255,131 for the years ended December 31, 2002 and 2001, respectively, for its share of the loss of the joint venture.

UHC entered into a managed care joint venture, Unity Joint Venture (Unity), with BC/BS, United Wisconsin Services, Inc. (UWSI) and CHS. Under the managed care joint venture agreement, UHC has agreed to provide or to arrange to provide medical services for Unity members who select a contracted UHC physician as their primary care physician. UHC is at risk for providing medical services to these members and receives monthly capitation payments. A calculation is performed at year-end to determine the risk pool reimbursement receivable from or payable to BC/BS. The risk pool reimbursement receivable at December 31, 2002 and 2001 represents net gains for 2002 and 2001, respectively, resulting from BC/BS's contractual obligation to UHC.

The risk pool payable at December 31, 2002 and 2001 represents amounts due to UWHC and UWMF for UHC's contractual obligation to them for their share of the Unity/University Plus risk fund gain for 2002 and 2001, respectively, resulting from BC/BS's contractual obligation to UHC.

UNIVERSITY HEALTH CARE, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
December 31, 2002 and 2001

NOTE D - LONG-TERM DEBT

Long-term debt consists of the following obligations as of December 31:

	2002	2001
Notes payable to M&I Bank of Southern Wisconsin, interest ranging from 7.4% to 9%, collateralized by assets of HPW, due in monthly installments of \$25,890 including interest, due at various dates from April 2003 through August 2006	\$ 2,343,831	\$ 2,455,814
Note payable to BC/BS, interest payable annually at the prime rate (effective rate of 4.25% at December 31, 2002), collateralized by a general business security agreement, principal due upon dissolution of Unity Joint Venture	3,000,000	3,000,000
Notes payable to Ford Motor Credit Company, interest at 9.4%, collateralized by vehicles, monthly installments totaling \$1,792 including interest, due July 2003	11,877	31,262
Capital lease obligations, paid in full during 2002	-	89,853
	5,355,708	5,576,929
Less current maturities	1,653,805	221,237
	\$ 3,701,903	\$ 5,355,692

At December 31, 2002 and 2001, the company was in compliance with all loan covenants.

Future principal maturities of long-term debt as of December 31, 2002 are as follows:

Year ending December 31,	
2003	\$ 1,653,805
2004	71,293
2005	76,982
2006	553,628
Upon dissolution of Unity Joint Venture	3,000,000
	\$ 5,355,708

UNIVERSITY HEALTH CARE, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
December 31, 2002 and 2001

NOTE E - LEASES

1. Capital Leases

UCC leased equipment under a lease which expired in March 2002 and entered into a sublease with Freeport Regional Health Care Services, Inc. (Freeport) for this equipment. UCC recorded this equipment as an investment in leased assets. The company also leased medical equipment under leases which expired during 2002.

2. Operating Leases

The company leases office space, equipment and facilities under noncancelable operating leases. Total future minimum rental payments required under operating leases as of December 31, 2002 are as follows:

Year ending December 31,	
2003	\$ 949,000
2004	803,000
2005	736,000
2006	562,000
2007	575,000
Later years	<u>2,114,000</u>
	<u>\$ 5,739,000</u>

Rent expense for the years ended December 31, 2002 and 2001 was \$989,000 and \$1,018,000, respectively.

UNIVERSITY HEALTH CARE, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
December 31, 2002 and 2001

NOTE F - COMMITMENTS

1. Letter of Credit

As required for the Wisconsin Unemployment Reserve Fund, UHC has available a letter of credit for \$30,929 at M&I Bank of Southern Wisconsin expiring on December 31, 2006.

2. Pension Plans

UHC and UCC maintain a money purchase pension plan covering substantially all employees. They contribute 5.7% of eligible employees' compensation plus 4.3% of the amount of each employee's compensation in excess of \$30,000 to the plan.

UHC maintains a 403(b) salary reduction plan for all of its eligible employees. The company makes a matching contribution for all eligible employees, which varies for each employee based upon employee compensation and level of salary reduction participation.

UCC maintains a 401(k) salary reduction plan, which is a contributory defined contribution retirement plan. Under the provisions of this plan, UCC makes a matching contribution equal to 50% of each participant's contribution with a maximum company contribution of 3% of each employee's compensation.

Pension expense under all plans was \$806,000 for 2002 and \$692,000 for 2001.

3. Contracts

UCC employs physicians and other individuals for their services. Certain contracts specify a minimum amount of annual compensation to be paid and provide for additional payments based on the provider's professional services, as defined in the contracts. Most of these contracts are automatically renewable for additional terms. Future minimum payments under these contracts as of December 31, 2002 are as follows:

Year ending December 31,	
2003	\$ 640,000
2004	<u>200,000</u>
	<u>\$ 840,000</u>

UNIVERSITY HEALTH CARE, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
December 31, 2002 and 2001

NOTE F - COMMITMENTS - Continued

3. Contracts - (continued)

UCC and HPW have entered into a revolving credit agreement with BC/BS in the amount of \$15,000,000. The purpose of this agreement is to provide support for the expansion and operation of the regional provider network. Any amounts outstanding are collateralized by the assets of UCC and a second mortgage on the land and buildings owned by HPW which will be subordinated to the M&I Bank of Southern Wisconsin notes presently outstanding on these properties. A note payable to BC/BS totaling \$3,000,000 was outstanding as of December 31, 2002 and 2001.

NOTE G - CONTINGENCIES

The company is involved in several negotiations, many of which occur normally in the health care business. No provision has been made for any liability as a result of these proceedings since such liability is not readily estimable and management does not expect the outcomes to materially affect the company's financial position.

NOTE H - FUNCTIONAL EXPENSES

Following is a summary of operating expenses reported on a functional basis as of December 31:

	2002	2001
Program services	\$ 87,325,015	\$ 75,765,506
Clinic operations	13,565,109	12,060,490
General and administrative	1,842,722	2,165,864
	\$ 102,732,846	\$ 89,991,860

UNIVERSITY HEALTH CARE, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
December 31, 2002 and 2001

NOTE I - INCOME TAXES

The company consists of three separate entities for income tax reporting purposes:

UHC has received a determination letter from the Internal Revenue Service dated October 23, 1984 stating that it is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

UCC is a taxable, nonprofit organization.

HPW is a taxable organization.

The statements of financial condition do not reflect any net deferred income tax assets because they have been fully reduced by a valuation allowance as follows as of December 31:

	<u>2002</u>	<u>2001</u>
Deferred income tax assets (see note A7)	\$ 15,350,000	\$ 14,300,000
Less valuation allowance	<u>(15,350,000)</u>	<u>(14,300,000)</u>
	<u>\$ -</u>	<u>\$ -</u>

The valuation allowance increased by \$1,050,000 and \$960,000 in 2002 and 2001, respectively.

UNIVERSITY HEALTH CARE, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED
December 31, 2002 and 2001

NOTE I - INCOME TAXES - Continued

Net operating loss carryforwards available to offset future taxable income expire as follows:

Date of expiration	Amount
2005	\$ 53,000
2006	642,000
2007	1,354,000
2008	1,857,000
2009	1,941,000
2010	2,113,000
2011	3,992,000
2012	6,682,000
2018	5,924,000
2019	4,741,000
2020	2,318,000
2021	1,542,000
2022	3,731,000
	\$ 36,890,000

NOTE J - POTENTIAL DISSOLUTION OF UNIVERSITY COMMUNITY CLINICS, INC.

The accompanying financial statements have been prepared assuming that UCC will continue indefinitely as a going concern. However, it is the intent of management to dissolve UCC during 2003 and to assign certain existing obligations and commitments to either UWMF or UHC. It is also the intent of management that UCC's ownership of HPW will be assumed by UHC.

SUPPLEMENTARY INFORMATION

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON SUPPLEMENTARY INFORMATION**

Board of Directors
University Health Care, Inc. and Affiliates

Our audits were conducted for the purpose of forming an opinion on the basic combined financial statements taken as a whole of University Health Care, Inc. and Affiliates as of and for the years ended December 31, 2002 and 2001, which are presented in the preceding section of this report. The supplementary information presented hereinafter is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position and activities of the individual companies and is not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

Grant Thornton LLP

Madison, Wisconsin
February 28, 2003

UNIVERSITY HEALTH CARE, INC. AND AFFILIATES
COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2002

ASSETS	University Community Clinics, Inc.	Health Professionals of Wisconsin, Inc.
CURRENT ASSETS		
Cash and cash equivalents	\$ 607,040	\$ 113,855
Accounts receivable		
Trade, less allowance for doubtful accounts of \$1,827,000	1,715,758	-
Other	26,724	19,630
	<u>1,742,482</u>	<u>19,630</u>
Risk pool reimbursement receivable	-	-
Prepaid expenses	162,734	7,046
Advances to UHC	4,876	-
Advances to UCC	-	728,868
	<u>2,517,132</u>	<u>869,399</u>
Total current assets		
	2,517,132	869,399
INVESTMENTS IN AFFILIATES		
	-	-
PROPERTY AND EQUIPMENT - AT COST		
Buildings and improvements	-	3,750,671
Leasehold improvements	85,503	-
Furniture and equipment	726,138	69,632
Medical equipment	346,598	-
	<u>1,158,239</u>	<u>3,820,303</u>
Less accumulated depreciation and amortization	821,381	963,489
	<u>336,858</u>	<u>2,856,814</u>
Land	-	926,643
	<u>336,858</u>	<u>3,783,457</u>
OTHER ASSETS		
Other long-term receivables	27,168	-
Investment in HPW	773,603	-
	<u>800,771</u>	<u>-</u>
Total assets		
	<u>\$ 3,654,761</u>	<u>\$ 4,652,856</u>

Eliminations	Consolidated total	University Health Care, Inc.	Eliminations	Combined total
\$ -	\$ 720,895	\$ 852,313	\$ -	\$ 1,573,208
-	1,715,758	-	-	1,715,758
-	46,354	93,052	-	139,406
-	1,762,112	93,052	-	1,855,164
-	-	2,465,622	-	2,465,622
-	169,780	31,298	-	201,078
-	4,876	-	(4,876)	-
(728,868)	-	-	-	-
(728,868)	2,657,663	3,442,285	(4,876)	6,095,072
-	-	231,006	-	231,006
-	3,750,671	-	-	3,750,671
-	85,503	20,224	-	105,727
-	795,770	831,030	-	1,626,800
-	346,598	-	-	346,598
-	4,978,542	851,254	-	5,829,796
-	1,784,870	681,611	-	2,466,481
-	3,193,672	169,643	-	3,363,315
-	926,643	-	-	926,643
-	4,120,315	169,643	-	4,289,958
-	27,168	-	-	27,168
(773,603)	-	-	-	-
(773,603)	27,168	-	-	27,168
\$ (1,502,471)	\$ 6,805,146	\$ 3,842,934	\$ (4,876)	\$ 10,643,204

UNIVERSITY HEALTH CARE, INC. AND AFFILIATES
COMBINING STATEMENT OF FINANCIAL POSITION - CONTINUED
December 31, 2002

LIABILITIES AND NET ASSETS	University Community Clinics, Inc.	Health Professionals of Wisconsin, Inc.
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ -	\$ 1,641,928
Trade accounts payable	550,486	35,422
Risk pool payable	-	-
Accrued liabilities		
Salaries, wages and payroll withholdings	355,357	-
Vacation and sick pay	107,612	-
Pension plans	620,910	-
Other	23,750	-
	<u>1,107,629</u>	-
Advances from UCC	-	-
Advances from HPW	728,868	-
	<u>728,868</u>	-
Total current liabilities	2,386,983	1,677,350
LONG-TERM DEBT, less current maturities	3,000,000	701,903
COMMITMENTS AND CONTINGENCIES	-	-
MINORITY INTEREST IN SUBSIDIARY	-	1,500,000
COMMON STOCK	-	669,715
UNRESTRICTED NET ASSETS (DEFICIT)	(1,732,222)	103,888
	<u>(1,732,222)</u>	<u>103,888</u>
Total liabilities and net assets	\$ 3,654,761	\$ 4,652,856
	<u>\$ 3,654,761</u>	<u>\$ 4,652,856</u>

Eliminations	Consolidated total	University Health Care, Inc.	Eliminations	Combined total
\$ -	\$ 1,641,928	\$ 11,877	\$ -	\$ 1,653,805
-	585,908	235,705	-	821,613
-	-	2,465,622	-	2,465,622
-	355,357	39,632	-	394,989
-	107,612	18,002	-	125,614
-	620,910	77,662	-	698,572
-	23,750	-	-	23,750
-	1,107,629	135,296	-	1,242,925
-	-	4,876	(4,876)	-
(728,868)	-	-	-	-
(728,868)	3,335,465	2,853,376	(4,876)	6,183,965
-	3,701,903	-	-	3,701,903
-	-	-	-	-
-	1,500,000	-	-	1,500,000
(669,715)	-	-	-	-
(103,888)	(1,732,222)	989,558	-	(742,664)
<u>\$ (1,502,471)</u>	<u>\$ 6,805,146</u>	<u>\$ 3,842,934</u>	<u>\$ (4,876)</u>	<u>\$ 10,643,204</u>

UNIVERSITY HEALTH CARE, INC. AND AFFILIATES
COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2001

ASSETS	University Community Clinics, Inc.	Health Professionals of Wisconsin, Inc.
CURRENT ASSETS		
Cash and cash equivalents	\$ 221,002	\$ 61,224
Accounts receivable		
Trade, less allowance for doubtful accounts of \$1,337,000	1,698,176	-
Other	61,224	33,980
	1,759,400	33,980
Risk pool reimbursement receivable	-	-
Prepaid expenses	207,284	5,952
Advances to UHC	10,377	-
Advances to UCC	-	740,067
	2,198,063	841,223
INVESTMENTS IN AFFILIATES	-	-
PROPERTY AND EQUIPMENT - AT COST		
Buildings and improvements	-	3,750,296
Leasehold improvements	68,206	-
Furniture and equipment	994,244	69,632
Medical equipment	386,578	-
	1,449,028	3,819,928
Less accumulated depreciation and amortization	1,024,240	829,091
	424,788	2,990,837
Land	-	926,643
	424,788	3,917,480
OTHER ASSETS		
Other long-term receivables	113,133	-
Investment in HPW	733,521	-
Investment in leased assets	75,255	-
	921,909	-
Total assets	\$ 3,544,760	\$ 4,758,703

Eliminations	Consolidated total	University Health Care, Inc.	Eliminations	Combined total
\$ -	\$ 282,226	\$ 625,515	\$ -	\$ 907,741
-	1,698,176	-	-	1,698,176
-	95,204	69,998	-	165,202
-	1,793,380	69,998	-	1,863,378
-	-	757,553	-	757,553
-	213,236	43,747	-	256,983
-	10,377	-	(10,377)	-
(740,067)	-	-	-	-
(740,067)	2,299,219	1,496,813	(10,377)	3,785,655
-	-	609,839	-	609,839
-	3,750,296	-	-	3,750,296
-	68,206	20,224	-	88,430
-	1,063,876	781,736	-	1,845,612
-	386,578	-	-	386,578
-	5,268,956	801,960	-	6,070,916
-	1,853,331	640,002	-	2,493,333
-	3,415,625	161,958	-	3,577,583
-	926,643	-	-	926,643
-	4,342,268	161,958	-	4,504,226
-	113,133	-	-	113,133
(733,521)	-	-	-	-
-	75,255	-	-	75,255
(733,521)	188,388	-	-	188,388
\$ (1,473,588)	\$ 6,829,875	\$ 2,268,610	\$ (10,377)	\$ 9,088,108

UNIVERSITY HEALTH CARE, INC. AND AFFILIATES
COMBINING STATEMENT OF FINANCIAL POSITION - CONTINUED
December 31, 2001

	University Community Clinics, Inc.	Health Professionals of Wisconsin, Inc.
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 89,854	\$ 112,001
Trade accounts payable	271,877	69,369
Risk pool payable	-	-
Accrued liabilities		
Salaries, wages and payroll withholdings	160,458	-
Vacation and sick pay	137,217	-
Pension plans	509,712	-
Other	46,237	-
	<u>853,624</u>	<u>-</u>
Deferred revenue	4,136	-
Advances from UCC	-	-
Advances from HPW	740,067	-
	<u>740,067</u>	<u>-</u>
Total current liabilities	1,959,558	181,370
LONG-TERM DEBT, less current maturities	3,000,000	2,343,812
COMMITMENTS AND CONTINGENCIES	-	-
MINORITY INTEREST IN SUBSIDIARY	-	1,500,000
COMMON STOCK	-	669,715
UNRESTRICTED NET ASSETS (DEFICIT)	(1,414,798)	63,806
	<u>(1,414,798)</u>	<u>63,806</u>
Total liabilities and net assets	\$ 3,544,760	\$ 4,758,703
	<u>\$ 3,544,760</u>	<u>\$ 4,758,703</u>

Eliminations	Consolidated total	University Health Care, Inc.	Eliminations	Combined total
\$ -	\$ 201,855	\$ 19,382	\$ -	\$ 221,237
-	341,246	147,651	-	488,897
-	-	757,553	-	757,553
-	160,458	22,107	-	182,565
-	137,217	40,964	-	178,181
-	509,712	81,803	-	591,515
-	46,237	-	-	46,237
-	853,624	144,874	-	998,498
-	4,136	-	-	4,136
-	-	10,377	(10,377)	-
(740,067)	-	-	-	-
(740,067)	1,400,861	1,079,837	(10,377)	2,470,321
-	5,343,812	11,880	-	5,355,692
-	-	-	-	-
-	1,500,000	-	-	1,500,000
(669,715)	-	-	-	-
(63,806)	(1,414,798)	1,176,893	-	(237,905)
<u>\$ (1,473,588)</u>	<u>\$ 6,829,875</u>	<u>\$ 2,268,610</u>	<u>\$ (10,377)</u>	<u>\$ 9,088,108</u>

UNIVERSITY HEALTH CARE, INC. AND AFFILIATES
COMBINING STATEMENT OF ACTIVITIES
Year ended December 31, 2002

	University Community Clinics, Inc.	Health Professionals of Wisconsin, Inc.
Operating revenues and other support		
Capitation fees	\$ 3,103,514	\$ -
Net patient service revenue	8,625,128	-
Program and other support		
University of Wisconsin Hospital and Clinics Authority	-	-
University of Wisconsin Medical Foundation	-	-
University of Wisconsin Medical Foundation - Ophthalmology	-	-
	-	-
Total operating revenues and other support	11,728,642	-
Operating expenses		
Capitation costs	-	-
Staff salaries and wages	3,573,604	-
Staff benefits	906,250	-
Physician and mid-level compensation and benefits	5,626,968	-
Malpractice insurance	135,134	-
Purchased services and office expenses	1,150,498	54,625
Building rent and utilities	922,542	121,965
Medical and ancillary supplies	1,756,393	-
Advertising and promotion	78,133	-
Equipment expense	313,778	13,249
Start-up expenses	28,483	-
	14,491,783	189,839
Total operating expenses	14,491,783	189,839
Decrease in unrestricted net assets from operations	(2,763,141)	(189,839)
Other income (expense)		
Risk pool reimbursement	-	-
Investment income (loss)		
Interest and dividends	6,093	28,977
CHS, LLC	-	-
Agnesian - UW Health Ventures, LLC	-	-
HPW	40,082	-
	46,175	28,977
Interest expense	(175,550)	(198,697)
Expenses of closed clinic facilities	(14,211)	-
Loss on sale of property and equipment	(21,482)	-
Miscellaneous income	86,069	399,641
	(78,999)	229,921
Total other income (expense)	(78,999)	229,921
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(2,842,140)	40,082
Transfer from UHC to UCC	2,524,716	-
Unrestricted net assets (deficit) at January 1, 2002	(1,414,798)	63,806
Unrestricted net assets (deficit) at December 31, 2002	\$ (1,732,222)	\$ 103,888

Eliminations	Consolidated total	University Health Care, Inc.	Eliminations	Combined total
\$ -	\$ 3,103,514	\$ 84,943,901	\$ (2,640,220)	\$ 85,407,195
-	8,625,128	-	-	8,625,128
-	-	3,351,336	-	3,351,336
-	-	1,679,281	-	1,679,281
-	-	53,221	-	53,221
-	-	5,083,838	-	5,083,838
-	11,728,642	90,027,739	(2,640,220)	99,116,161
-	-	88,329,993	(2,640,220)	85,689,773
-	3,573,604	1,210,671	-	4,784,275
-	906,250	276,455	-	1,182,705
-	5,626,968	-	-	5,626,968
-	135,134	-	-	135,134
(49,863)	1,155,260	584,909	-	1,740,169
(75,538)	968,969	234,922	-	1,203,891
-	1,756,393	-	-	1,756,393
-	78,133	64,143	-	142,276
-	327,027	115,752	-	442,779
-	28,483	-	-	28,483
(125,401)	14,556,221	90,816,845	(2,640,220)	102,732,846
125,401	(2,827,579)	(789,106)	-	(3,616,685)
-	-	3,386,091	-	3,386,091
(28,977)	6,093	13,759	-	19,852
-	-	8,408	-	8,408
-	-	(487,241)	-	(487,241)
(40,082)	-	-	-	-
(69,059)	6,093	(465,074)	-	(458,981)
28,977	(345,270)	-	-	(345,270)
-	(14,211)	-	-	(14,211)
-	(21,482)	(562)	-	(22,044)
(125,401)	360,309	206,032	-	566,341
(165,483)	(14,561)	3,126,487	-	3,111,926
(40,082)	(2,842,140)	2,337,381	-	(504,759)
-	2,524,716	(2,524,716)	-	-
(63,806)	(1,414,798)	1,176,893	-	(237,905)
\$ (103,888)	\$ (1,732,222)	\$ 989,558	\$ -	\$ (742,664)

UNIVERSITY HEALTH CARE, INC. AND AFFILIATES
COMBINING STATEMENT OF ACTIVITIES
Year ended December 31, 2001

	<u>University Community Clinics, Inc.</u>	<u>Health Professionals of Wisconsin, Inc.</u>
Operating revenues and other support		
Capitation fees	\$ 2,854,521	\$ -
Net patient service revenue	8,099,272	-
Program and other support		
University of Wisconsin Hospital and Clinics Authority	-	-
University of Wisconsin Medical Foundation	-	-
University of Wisconsin Medical Foundation - Ophthalmology	-	-
	<hr/>	<hr/>
Total operating revenues and other support	10,953,793	-
Operating expenses		
Capitation costs	-	-
Staff salaries and wages	3,250,904	-
Staff benefits	875,462	-
Physician and mid-level compensation and benefits	4,940,683	-
Malpractice insurance	121,311	-
Purchased services and office expenses	964,179	46,221
Building rent and utilities	877,671	122,435
Medical and ancillary supplies	1,453,158	-
Advertising and promotion	38,214	-
Equipment expense	507,399	13,249
Start-up expenses	70,541	-
	<hr/>	<hr/>
Total operating expenses	13,099,522	181,905
Increase (decrease) in unrestricted net assets from operations	(2,145,729)	(181,905)
Other income (expense)		
Risk pool reimbursement	-	-
Investment income (loss)		
Interest and dividends	22,914	43,908
CHS, LLC	-	-
Agnesian - UW Health Ventures, LLC	-	-
HPW	35,089	-
	<hr/>	<hr/>
Interest expense	(298,757)	(207,731)
Expenses of closed clinic facilities	(167,542)	-
Gain (loss) on sale of property and equipment	5,320	-
Miscellaneous income	200,543	380,817
	<hr/>	<hr/>
Total other income (expense)	(202,433)	216,994
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(2,348,162)	35,089
Transfer from UHC to UCC	2,305,992	-
Unrestricted net assets (deficit) at January 1, 2001	(1,372,628)	28,717
Unrestricted net assets (deficit) at December 31, 2001	\$ (1,414,798)	\$ 63,806

Eliminations	Consolidated total	University Health Care, Inc.	Eliminations	Combined total
\$ -	\$ 2,854,521	\$ 75,228,783	\$ (2,357,672)	\$ 75,725,632
-	8,099,272	-	-	8,099,272
-	-	3,227,420	-	3,227,420
-	-	1,552,938	-	1,552,938
-	-	47,591	-	47,591
-	-	4,827,949	-	4,827,949
-	10,953,793	80,056,732	(2,357,672)	88,652,853
-	-	76,770,627	(2,357,672)	74,412,955
-	3,250,904	1,067,845	-	4,318,749
-	875,462	263,361	-	1,138,823
-	4,940,683	-	-	4,940,683
-	121,311	-	-	121,311
(40,000)	970,400	605,237	-	1,575,637
(53,234)	946,872	222,492	-	1,169,364
-	1,453,158	-	-	1,453,158
-	38,214	125,487	-	163,701
-	520,648	106,290	-	626,938
-	70,541	-	-	70,541
(93,234)	13,188,193	79,161,339	(2,357,672)	89,991,860
93,234	(2,234,400)	895,393	-	(1,339,007)
-	-	1,541,844	-	1,541,844
(43,623)	23,199	159,997	-	183,196
-	-	18,643	-	18,643
-	-	(255,131)	-	(255,131)
(35,089)	-	-	-	-
(78,712)	23,199	(76,491)	-	(53,292)
43,623	(462,865)	(124,090)	-	(586,955)
-	(167,542)	-	-	(167,542)
-	5,320	(489)	-	4,831
(93,234)	488,126	163,790	-	651,916
(128,323)	(113,762)	1,504,564	-	1,390,802
(35,089)	(2,348,162)	2,399,957	-	51,795
-	2,305,992	(2,305,992)	-	-
(28,717)	(1,372,628)	1,082,928	-	(289,700)
\$ (63,806)	\$ (1,414,798)	\$ 1,176,893	\$ -	\$ (237,905)

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