The Frist Foundation

Audited Financial Statements

December 31, 2018 and 2017

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THE FRIST FOUNDATION

AUDITED FINANCIAL STATEMENTS

December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Frist Foundation
Nashville, Tennessee

We have audited the accompanying financial statements of **The Frist Foundation** (a not-for-profit organization), which are comprised of the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

(Continued)

INDEPENDENT AUDITOR'S REPORT

Auditor's Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Frist Foundation as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note A to the financial statements, effective January 1, 2018, The Frist Foundation adopted new accounting guidance prescribed by the Financial Accounting Standards Board related to presentation of financial statements for not-for-profit entities and applied the new guidance retrospectively to January 1, 2017. Our opinion is not modified with respect to this matter.

Other Matter

The financial statements of The Frist Foundation for the year ended December 31, 2017, were audited by Faulkner Mackie and Cochran, P.C., which rebranded as "FMC CPAs, PLLC" as of January 1, 2019. Faulkner Mackie and Cochran, P.C. expressed an unmodified opinion on the 2017 financial statements in its report dated July 25, 2018.

FMC CPAs, PLLC

July 24, 2019

THE FRIST FOUNDATION

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents, at fair value	$ 3,724,995	$ 4,588,758
Accrued income on investments	268,044	278,463
Unsettled investment transactions	740,057	225,110
Federal excise taxes refundable	45,337	0
Other current assets	34,295	11,081
Total Current Assets	4,812,728	5,103,412
Investments, at fair value		
Equity securities	357,231,474	315,769,645
Debt securities	7,544,101	19,296,900
Ownership interests in pass-through entities	21,855,177	18,331,975
Total Investments	386,630,752	353,398,520
Property and Equipment, net	16,742	19,976
TOTAL ASSETS	$ 391,460,222	$ 358,521,908
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 179,190	$ 177,356
Accrued employee benefits	57,198	55,681
Federal excise taxes payable	0	6,579
Unsettled equity derivatives - covered call options	78,843	210,669
Unconditional promises to give	425,000	3,159,000
Total Current Liabilities	740,231	3,609,285
Unconditional Promises to Give, less current portion	4,616,854	4,858,166
Deferred Federal Excise Taxes	4,023,243	3,252,700
Other Liabilities	3,049	4,845
Total Liabilities	9,383,377	11,724,996
Net Assets Without Donor Restrictions	382,076,845	346,796,912
TOTAL LIABILITIES AND NET ASSETS	$ 391,460,222	$ 358,521,908

See notes to financial statements.

THE FRIST FOUNDATION

STATEMENTS OF ACTIVITIES

	Year Ended December 31	
	2018	2017
NET INVESTMENT INCOME	$ 50,286,996	$ 46,829,290
EXPENSES		
Program Services		
Grants to not-for-profit organizations	14,176,943	18,898,307
Salaries, wages, and benefits	510,899	491,179
Office rent and occupancy	49,994	48,250
Depreciation and amortization	6,052	4,304
Supplies, postage, and telephone	5,185	5,006
Travel, conferences, and meetings	23,196	21,794
Other, net	11,611	14,823
Total Program Services	14,783,880	19,483,663
General and Administrative		
Salaries, wages, and benefits	139,651	130,338
Office rent and occupancy	16,665	16,084
Depreciation and amortization	2,017	1,434
Supplies, postage, and telephone	6,449	7,168
Travel, conferences, and meetings	7,732	7,265
Legal, accounting, auditing, and tax	49,757	51,111
Other, net	912	1,288
Total General and Administrative	223,183	214,688
TOTAL EXPENSES	15,007,063	19,698,351
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Net Increase During the Year	$ 35,279,933	$ 27,130,939
Beginning of Year	346,796,912	319,665,973
END OF YEAR	$ 382,076,845	$ 346,796,912

See notes to financial statements.

THE FRIST FOUNDATION

STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Investment income received	$ 8,125,508	$ 4,605,492
Grants paid to not-for-profit organizations	(17,152,255)	(12,246,243)
Cash paid to employees, consultants, and suppliers	(1,614,251)	(1,693,525)
Federal excise taxes (paid) refunded	(188,000)	(20,000)
Net Cash Used in Operating Activities	(10,828,998)	(9,354,276)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments sold	51,488,298	74,978,396
Payments for investments acquired	(41,518,227)	(66,438,628)
Payments for property and equipment acquired	(4,836)	(8,443)
Net Cash Provided by Investing Activities	9,965,235	8,531,325
CASH FLOWS FROM FINANCING ACTIVITIES	0	0
NET DECREASE IN CASH AND CASH EQUIVALENTS	$ (863,763)	$ (822,951)
Balance at Beginning of Year	4,588,758	5,411,709
CASH AND CASH EQUIVALENTS AT END OF YEAR, at fair value	$ 3,724,995	$ 4,588,758

See notes to financial statements.

THE FRIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE A -- NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities: The Frist Foundation, formerly The HCA Foundation, was chartered as a Tennessee not-for-profit organization on April 19, 1982, by Hospital Corporation of America. Effective April 1, 1997, its name was formally changed to The Frist Foundation (herein the "Foundation") to recognize the philanthropic influence and creative support of its founding directors, Dr. Thomas F. Frist, Sr. and Dr. Thomas F. Frist, Jr.

The Foundation's mission is to sustain and improve the quality of life in Nashville, Tennessee. The Foundation focuses on agencies serving vulnerable people and supports efforts of selected not-for-profit organizations to develop new sources of earned revenue and improve their managerial and technological infrastructure. The Foundation does not actively solicit contributions, nor does it directly conduct charitable programs or activities. Accordingly, the Foundation is considered to be a non-operating private foundation.

Basis of Accounting: The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") using the accrual method of accounting.

Change in Accounting Principle: Effective January 1, 2018, the Foundation adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, ("ASU 2016-14"). The guidance in ASU No. 2016-14 provides for: (1) reporting donor-imposed restrictions using two classes of net assets (with and without donor restrictions); (2) requiring qualitative and quantitative disclosures regarding an organization's liquidity and availability of assets to meet general cash needs within one year of the balance sheet date; (3) requiring presentation of expenses by both function and nature in a single financial statement, along with guidance regarding cost allocations and disclosure of the organization's methodology; (4) reporting investment return net of external and direct internal investment expenses, and (5) allowing the presentation of cash flows from operations using a direct method without an accompanying indirect method reconciliation.

ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, and is required to be applied retrospectively to all periods presented in the year of adoption. The adoption of ASU 2016-14 by the Foundation did not affect the reported amounts of net assets, net increase in net assets, or cash flows for the years ended December 31, 2018 or 2017.

As permitted by ASU 2016-14, management has elected to present cash flows from operations using the direct method without including an accompanying indirect method reconciliation. Accordingly, the "Reconciliation of Change in Unrestricted Net Assets to Cash Flows from Operations", which was previously included in the Foundation's financial statements for the year ended December 31, 2017, has been omitted from the accompanying financial statements.

Certain prior year amounts have been reclassified in the Statement of Activities to conform to the current year presentation, and the effects of the reclassifications on the 2017 Statement of Activities are presented in the table on the following page.

Reclassifications - Adoption of ASU 2016-14	Year Ended December 31, 2017 As Previously Reported	Reclassifications	As Currently Reported
SUPPORT AND REVENUES / NET INVESTMENT INCOME			
Net investment income	$ 0	$ 46,829,290	$ 46,829,290
Investment income	4,384,074	(4,384,074)	0
Net realized and unrealized capital gains (losses)	44,141,836	(44,141,836)	0
TOTAL SUPPORT AND REVENUES / NET INVESTMENT INCOME	48,525,910	(1,696,620)	46,829,290
EXPENSES			
Grant Expenses / Program Services			
Grants to not-for-profit organizations	18,898,307	0	18,898,307
Processing and administration expenses			
Salaries, wages, and benefits	645,557	(154,378)	491,179
Office rent and occupancy	64,334	(16,084)	48,250
Depreciation and amortization	5,738	(1,434)	4,304
Supplies, postage, and telephone	12,452	(7,446)	5,006
Travel, conferences, and meetings	29,059	(7,265)	21,794
Legal, accounting, auditing, and tax	51,111	(51,111)	0
Other, net	16,111	(1,288)	14,823
Total	824,362		
Total Grant Expenses / Program Services	19,722,669	(239,006)	19,483,663
General and Administrative			
Salaries, wages, and benefits	0	130,338	130,338
Office rent and occupancy	0	16,084	16,084
Depreciation and amortization	0	1,434	1,434
Supplies, postage, and telephone	0	7,168	7,168
Travel, conferences, and meetings	0	7,265	7,265
Legal, accounting, auditing, and tax	0	51,111	51,111
Other, net	0	1,288	1,288
Total General and Administrative	0	214,688	214,688
Investment Management and Custodial Fees	861,932	(861,932)	0
Federal Excise Tax Expense			
Current	144,901	(144,901)	0
Deferred	665,469	(665,469)	0
Total Federal Excise Tax Expense	810,370	(810,370)	0
TOTAL EXPENSES	21,394,971	(1,696,620)	19,698,351
NET ASSETS WITHOUT DONOR RESTRICTIONS:			
Net Increase During the Year	$ 27,130,939	$ 0	$ 27,130,939
Beginning of Year	319,665,973	0	319,665,973
END OF YEAR	$ 346,796,912	$ 0	$ 346,796,912

Financial Statement Presentation: The Foundation reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Due to the absence of any donor-imposed restrictions on the Foundation, all activities and net assets are reported without donor restrictions in the accompanying financial statements. The Foundation uses the calendar year as its annual reporting period.

Use of Estimates: Preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, net assets, net investment income, and expenses, and the disclosure of contingent assets and liabilities. Significant estimates used by management in preparing these financial statements principally include those assumed in establishing: (1) the fair values of cash equivalents and investments held, as more fully described in Notes A, D, and E; and (2) the estimated liability for deferred federal excise taxes. Actual results could differ from the significant estimates used by management and such differences could be material.

Subsequent Events: In preparing the accompanying financial statements, management has evaluated subsequent events through July 24, 2019, which represents the date the financial statements were available to be issued.

Cash and Cash Equivalents: Cash consists of amounts on deposit in bank accounts and investment-related custodial accounts, adjusted for outstanding checks and other uncleared items as of the reporting date. The Federal Deposit Insurance Corporation ("FDIC") insures the total amount deposited by each customer in a participating bank up to its maximum limit of $250,000. At December 31, 2018, the Foundation had interest-bearing cash deposits in one bank that exceeded the FDIC insurance limit by approximately $3,695,000.

Cash balances held in investment-related custodial accounts are generally eligible for up to $250,000 of insurance coverage provided by the Securities Investor Protection Corporation ("SIPC"), in the event of bankruptcy of the brokerage firm.

Cash equivalents include all highly-liquid investments, such as bank money market accounts and shares of money market mutual funds, that have a scheduled maturity of three months or less as of the respective acquisition date. Cash equivalents may be issued on an unsecured basis, or they may be eligible for FDIC or SIPC insurance coverage, subject to applicable limits and conditions. The Foundation held no cash equivalents at December 31, 2018 or 2017.

Contributions from Donors: A contribution to the Foundation is recorded at fair value on the date received from the donor. However, the Foundation does not actively solicit contributions, conduct fund-raising activities, or generally receive any significant donations of services or materials.

Receivables and Allowance for Uncollectible Amounts: Receivables are recorded at each reporting date for amounts due from various parties in conjunction with financial transactions. An allowance for potentially uncollectible receivables is provided when necessary and amounts deemed worthless are written off as determined. Recognition of an allowance was deemed unnecessary by management at both December 31, 2018 and 2017.

Investments: The Foundation's investment portfolio is comprised of a diversified mix of domestic and international investments, which are allocated among several asset categories according to the Foundation's investment policy and guidelines. The Foundation acquires publicly-traded investments via brokers who process trades through public security exchanges. Non-publicly traded investments are acquired via private placement offerings and typically represent ownership of capital stock, member units, or an interest in a "pass-through" entity (e.g., a limited partnership).

Major categories of investments typically held by the Foundation include: equity securities (e.g., common stocks, equity and fixed income mutual funds, and other types of investment funds), debt securities, and ownership interests in various limited partnerships. Certain of these investments (e.g., hedge funds) are deemed to represent "alternative" or "opportunistic" investments for which the objective is to reduce overall portfolio risk and generate positive risk-adjusted returns by participating in investment opportunities that may perform contrary to general market conditions or that seek to take advantage of market dislocations and pricing opportunities within a distinct market segment.

Investments are presented at fair value in accordance with prescribed measurement principles, which are described in Note E. Unrealized capital gains and losses are recorded for changes in the fair value of investments during the reporting period. Realized capital gains and losses are recorded when investments are sold, as periodically reported by pass-through entities, and upon settlement of certain financial instruments. Investment purchase and sale transactions are recorded on a "trade date" basis. At each reporting date, unsettled investment transactions are combined and presented as a net current asset or a net current liability in the Statement of Financial Position.

The Statement of Activities for each reporting period presents "Net Investment Income" as an aggregate net amount comprised of the various components of investment return. This caption typically includes dividend and interest income, realized and unrealized capital gains and losses, and other income and expenses reported by "pass-through" entities, which may be recognized in different periods for financial statement and tax reporting purposes. Investment-related expenses, including external and direct internal investment expenses, as well as current and deferred excise and income taxes assessed on investment income, are offset against gross investment income items for financial reporting purposes.

Equity Derivatives – Covered Call Options: The Foundation periodically writes publicly-traded covered call options on certain investment securities held in its portfolio (principally market index funds). In exchange for the call premium received, the Foundation grants the buyer an option to purchase the underlying securities at a specified strike price during a specified time frame. Based on management's analysis, these options are considered to be derivative instruments, however, they are not designated as part of a hedging strategy. As derivatives, call premiums received are not recognized as revenue until: (1) the option expires, (2) the option is exercised by the buyer, or (3) the option is repurchased and closed by the Foundation. As a result, call premiums for unsettled options as of each reporting date are shown as a current liability in the Statements of Financial Position. This liability is adjusted to reflect the current estimated fair value of the options. Realized and unrealized capital gains and losses for settled and unsettled options during each reporting period, respectively, are recognized in the Statements of Activities.

Investment Management and Custody of Assets: The Foundation's Board of Directors has engaged a global investment banking, securities, and investment management firm to assist with allocating the Foundation's investment portfolio among various asset categories, identifying various investment alternatives within such categories, and monitoring the performance of active sub-account managers, investment funds, and pass-through entities. Notwithstanding the foregoing, the Foundation's Board of Directors and its management remain primarily responsible for the Foundation's overall investment policy and guidelines regarding permissible investments, allocation mix, and other restrictive parameters.

The Foundation also utilizes the global investment firm's brokerage and custodian services to process transactions and maintain custody of substantially all cash, cash equivalents, and publicly-traded investment securities directly owned by the Foundation. In regard to non-publicly-traded investments, such as ownership interests in pass-through entities, the underlying invested assets are typically held in certificate form and managed by the investee's principal manager, or one or more third-party investment custodians or managers. (Refer to "Risks and Uncertainties" in Note K.)

Foreign Currency Translation: The accounting records of the Foundation are maintained in U.S. dollars. The value of cash and foreign securities associated with direct and indirect non-U.S. investments held by the Foundation are recorded after translation to U.S. dollars. Accordingly, "Net Investment Income" reported in the accompanying financial statements includes the effect of changes in foreign exchange rates without isolation and separate reporting of such amounts.

Property and Equipment: Furniture, equipment, and leasehold improvements are recorded at cost if purchased, or at estimated fair value if contributed. Significant additions and improvements are also capitalized. Depreciation and amortization expense is recognized over the estimated service lives of the assets, principally three to ten years, using the straight-line method. Normal repairs and maintenance, including the cost of annual service contracts, are charged to expense as incurred. Upon the retirement or disposal of a capitalized asset, the recorded cost and accumulated depreciation are removed from the accounts and any gain or loss is recognized in operations of the current period. Property and equipment is reported net of accumulated depreciation and amortization in the Statements of Financial Position.

Unconditional Promises to Give to Not-for-profit Organizations: A promise by the Foundation to give financial support to a not-for-profit organization is recognized as a liability, at fair value, on the date the Foundation considers its grant obligation to be unconditional. A conditional grant is not recorded by the Foundation until the contingent condition is effectively satisfied. Grants scheduled to be paid in less than one year are recorded at net settlement value. Grants scheduled for payment in excess of one year are recorded at estimated present value. This amount is derived by discounting the expected future cash flows using a risk-free interest rate, such as the rate available on zero-coupon U.S. government issues with a similar maturity date. Additional grant expense is recorded in subsequent years to recognize accretion of the discount to the ultimate settlement value.

Retirement Plans: The Foundation maintains a qualified retirement plan, *The Frist Foundation 403(B) Plan* (the "Plan"), which covers all employees and provides for their elective deferral of compensation into the Plan up to the specified annual federal threshold. Each participant's deferred compensation under the Plan is deposited into a separate custodial account maintained with an unrelated investment company and then invested pursuant to the participant's direction. Plan participants are eligible to receive benefits upon the occurrence of a qualifying event such as normal retirement, disability, or separation of employment. All contributions to the Plan are made directly by the Plan participants.

The Foundation also maintains a simplified employee pension plan ("SEP"), which covers all eligible employees and allows the Foundation to make discretionary contributions to the Individual Retirement Account ("IRA") of each employee. While annual contributions are discretionary, each such contribution is required to be made using a written allocation formula based upon compensation and must be consistently applied to all eligible employees. Employees direct the investments within their respective IRAs, and the accounts are subject to normal rules and regulations for such accounts. Discretionary SEP contributions made by the Foundation during the years ended December 31, 2018 and 2017 totaled $74,413 and $68,561, respectively.

Functional Allocation of Expenses: The Statements of Activities present the Foundation's expenses by natural classification disaggregated by function. Expenses that are attributable to only one function are directly allocated in the Statements of Activities. However, certain categories of expenses are attributed to investment income, program expense, and general and administrative expense and require allocation on a reasonable basis that is consistently applied. Salaries, wages, and benefits have been allocated based on estimates of time and effort. Office rent and occupancy have been allocated consistently with allocation of employee time and effort, since this approximates the use of the office space. Management re-evaluates its allocation methodology each year to determine whether revisions are necessary based on actual activities conducted during the year.

Income and Excise Taxes: The Foundation is generally exempt from federal and state income taxes (except as discussed below) as a result of its qualification under Internal Revenue Code Section 501(c)(3). However, continued compliance with statutory rules and regulations is required to maintain this exemption. Management is not aware of the occurrence of any event or activity that might adversely affect the Foundation's status as a tax-exempt not-for-profit organization.

The Foundation may be subject to federal and state income taxes if it has net income from trade or business activities that are not substantially related to its exempt purpose or activities. For example, trade or business income reported to the Foundation by "pass-through" entities is typically recognized as "unrelated business income" that is subject to regular corporate income taxation.

Although generally exempt from income tax, the Foundation is subject to federal excise tax on its net investment income calculated for tax purposes. The annual excise tax rate is normally 2%, however, when qualifying charitable distributions exceed certain thresholds, the excise tax rate is reduced to 1%. The Foundation qualified for the reduced tax rate of 1% in both 2017 and 2018. Net investment income subject to excise tax includes taxable investment income less allocated investment expenses, plus net realized capital gains for the reporting period. Net realized capital losses and investment expenses allocated to tax-exempt income are not deductible in computing taxable net investment income. Unrealized gains and losses are also excluded from the computation of federal excise taxes currently payable or refundable.

When the Foundation reports a net unrealized capital gain on its investments for financial statement purposes, a deferred excise tax liability is also recognized for the estimated future tax consequences of the net unrealized capital gain. However, a deferred tax asset is not recognized when a net unrealized capital loss is reported by the Foundation, because federal tax rules prohibit using a "net capital loss" to offset taxable investment income. In addition, federal tax rules do not allow a net capital loss to be carried forward to a future tax year.

A deferred excise tax liability is recognized by the Foundation when certain amounts reported by "pass-through" entities are reported for financial statement purposes in advance of the period in which they are recognized for tax purposes. Deferred federal excise tax liabilities are measured using the maximum enacted excise tax rate of 2%. Deferred excise tax expense (benefit) represents the net increase (decrease), respectively, of the deferred tax liability at the current financial statement date compared to the prior financial statement date.

In accordance with U.S. GAAP, management evaluates the federal and state tax and regulatory filing positions of the Foundation to identify uncertain tax positions for consideration of whether to record an estimated liability or disclose a potential liability, including applicable interest and penalties. Management has not identified any material uncertain tax positions that require financial statement recognition as of December 31, 2018 or 2017. The Foundation's tax and information returns are subject to examination by the applicable taxing and regulatory authorities, generally for a period of three years after a return is filed. As of December 31, 2018, management considers the Foundation's open tax years to include the returns filed for 2015, 2016, and 2017, as well as the returns that will be filed for 2018.

NOTE B -- LIQUIDITY AND AVAILABLE RESOURCES

The Foundation's current assets, as presented in the 2018 Statement of Financial Position, are readily available to fund general expenditures within one year of the financial statement date. No current assets are subject to donor restrictions or other contractual restrictions that make them unavailable for general expenditures. In addition, the Foundation generally has discretionary access to funds held in investments classified in Levels 1 and 2 of the fair value hierarchy, as more fully described in Note E. The Foundation anticipates that these sources of available resources are sufficient to fund its current level of operations.

NOTE C -- FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values of the Foundation's financial instruments (principally cash, cash equivalents, investments, unconditional promises to give, and investment-related liabilities) are summarized in the accompanying Statements of Financial Position. Significant fair value measurement principles and assumptions used by the Foundation are described in Note A and supplemented by information presented in Notes D, E, and G.

NOTE D -- INVESTMENTS

Components of Major Investment Categories: Components of the Foundation's major investment categories are summarized as follows:

	December 31	
	2018	2017
INVESTMENTS, at fair value		
Equity securities:		
Common stocks	$ 220,334,056	$ 155,231,359
Market index funds	62,636,440	62,237,656
Equity mutual funds	41,726,995	60,753,105
Fixed income funds	12,865,592	16,378,782
Global multi-strategy hedge funds	88,087	5,028,291
Mortgage-backed security fund	705,382	1,478,666
Opportunistic funds	368,830	723,088
Private equity funds	16,246,427	11,852,277
Risk management fund	2,259,665	2,086,421
Total equity securities	357,231,474	315,769,645
Debt securities	7,544,101	19,296,900
Ownership interests in pass-through entities:		
Private equity partnerships	15,046,600	11,793,707
Real estate partnerships	28,621	391,418
Hedge and opportunistic partnerships	2,561,016	2,148,850
Risk management partnership	4,218,940	3,998,000
Total pass-through entities	21,855,177	18,331,975
TOTAL INVESTMENTS, at fair value	$ 386,630,752	$ 353,398,520

Refer to Note E for additional information regarding the fair value of investments, including definitions and the fair value hierarchy.

THE FRIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

Realized Capital Gains and Losses: Components of the Foundation's net realized capital gains and losses are summarized as follows:

	Year Ended December 31	
	2018	2017
Gains (Losses) from Investments Sold:		
Aggregate realized gains	$ 7,488,066	$ 12,993,157
Less: Aggregate realized losses	(3,406,342)	(3,175,530)
Net Realized Gains (Losses) from Investments Sold	4,081,724	9,817,627
Net realized gains reported by pass-through entities	1,276,465	1,600,422
Net realized gains (losses) resulting from settlement of equity derivatives - covered call options	(28,913)	(549,635)
NET REALIZED CAPITAL GAINS (LOSSES)	$ 5,329,276	$ 10,868,414

Unrealized Capital Gains and Losses: Components of the Foundation's net unrealized capital gains and losses are summarized as follows:

	December 31	
	2018	2017
Aggregate estimated fair value of investments	$ 386,630,752	$ 353,398,520
Less: Aggregate cost basis of investments	(185,389,740)	(190,552,861)
Less: Unsettled equity derivatives – covered call options	(78,843)	(210,669)
NET UNREALIZED CAPITAL GAINS (LOSSES)	$ 201,162,169	$ 162,634,990

Net unrealized capital gains and losses by investment category are summarized as follows:

Equity securities	$ 194,795,474	$ 156,229,564
Debt securities	(125,333)	41,223
Ownership interests in pass-through entities	6,408,298	6,453,711
Unsettled equity derivatives – covered call options	83,730	(89,508)
NET UNREALIZED CAPITAL GAINS (LOSSES)	$ 201,162,169	$ 162,634,990

Components of Net Investment Income: The amounts presented in the caption "Net Investment Income" are comprised of the following significant components:

	Year Ended December 31	
	2018	2017
Net Realized Capital Gains (Losses)	$ 5,329,276	$ 10,868,414
Net Change in Net Unrealized Capital Gains (Losses)	38,527,179	33,273,422
Other Investment Income, net of direct and indirect expenses	6,430,541	2,687,454
NET INVESTMENT INCOME	$ 50,286,996	$ 46,829,290

Investment in Common Stock of HCA: As discussed in Note A, the Foundation was organized in 1982 by Hospital Corporation of America, a predecessor company to HCA Healthcare, Inc. ("HCA"). At both December 31, 2018 and 2017, the Foundation held 1,527,250 shares of HCA common stock with a cost basis of $1,812,072. Management has estimated that the fair value of HCA common stock held by the Foundation at December 31, 2018 and 2017 was $190,066,263 and $134,153,640, respectively, based on the quoted market price per share of $124.45 and $87.84 as of the respective date. These fair value totals are reported herein as a component of "Common stocks" under the investment category captioned "Equity securities".

The Foundation's holdings of HCA common stock represent approximately 49% and 38% of its total investments at December 31, 2018 and 2017, respectively. Due to the relative significance of this stock holding to total investments, a significant concentration of market risk is deemed to exist within the Foundation's investment portfolio.

Affiliation with HCA: Two members of the Foundation's Board of Directors are affiliated with HCA as a result of serving as members of its Board of Directors and their stock ownership in HCA Healthcare, Inc. In addition, several other members of the Foundation's Board could be deemed to be affiliated with HCA Healthcare, Inc. as a result of their direct or indirect ownership of HCA common stock.

NOTE E -- FAIR VALUE MEASUREMENTS – INVESTMENTS

DEFINITION AND HIERARCHY

As prescribed by U.S. GAAP, provisions relating to fair value measurements define fair value, establish a framework for measuring fair value, establish a fair value hierarchy based on the quality of inputs used to measure fair value, and provide disclosure requirements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

U.S. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that gives the highest priority to observable inputs (Level 1) and the lowest priority to unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect management's assumptions about the inputs market participants would use in pricing the asset or liability, based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1: Fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities. (Valuation adjustments and block discounts are not applied to Level 1 securities, and valuation of these securities does not entail a significant degree of judgment.)

Level 2: Fair values are based on quoted prices in markets that are not active or models in which all significant inputs are observable either directly or indirectly.

Level 3: Fair values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors. To the extent that a valuation is based on models or inputs that are less observable or unobservable, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. According to U.S. GAAP, in such cases, the level in the fair value hierarchy within which the fair value measurement falls is determined by the lowest level input that is significant to the fair value measurement in its entirety. Further, it should be noted that the disclosures do not take into consideration the effect of offsetting Level 1 and 2 financial instruments entered into by the Foundation that economically hedge certain exposures to the Level 3 positions.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Foundation's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Foundation uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

Various conditions and changing circumstances can cause a security to be reclassified to a higher or lower level within the fair value hierarchy. The Foundation reports any such reclassifications among fair value hierarchy levels as of the date of the triggering event, if known, or at the end of the applicable reporting period if a single date is not identifiable.

Valuation of Investments in Securities: Equity securities, such as common stocks, mutual funds, and other investment funds that are listed on one or more securities exchanges, will generally be classified as Level 1 securities and valued on the basis of market quotations. Debt securities and non-publicly traded equity securities are generally classified as Level 2 or Level 3 securities. These classifications are typically based on information obtained from representative independent pricing sources or valuation provided by the investee's management and contracted financial advisors.

As a practical expedient, other securities may be valued by the Foundation utilizing the net asset value per share (or equivalent unit) ("NAV"), without adjustment, that is reported by investee management. Such securities have been excluded from the fair value hierarchy in accordance with U.S. GAAP. (Refer to the additional information presented herein regarding fair value measurements based on NAV.)

Valuation of Ownership Interests in Pass-Through Entities: The Foundation's investments in pass-through entities are recorded on the basis of its contributions to the respective entity plus its allocated share of undistributed profits and losses, as reported annually for tax purposes. The recorded value of each investment is adjusted to fair value for financial reporting based on valuation of the underlying net assets provided by the investee's management and contracted financial advisors.

This type of investment is typically subject to advance notification and withdrawal restrictions, as specified in the underlying ownership agreement. Management considers subscription and redemption rights, as well as the existence of withdrawal restrictions, in its determination of fair value.

Pass-through entity investments may be valued by the Foundation utilizing the NAV reported by investee management, without adjustment, as a practical expedient. Such investments are excluded from the fair value hierarchy in accordance with U.S. GAAP. (Refer to the additional information presented herein regarding fair value measurements based on NAV.)

If the NAV method is not utilized, these investments are generally classified as Level 3 in the fair value hierarchy.

Valuation of Derivative Financial Instruments: The Foundation periodically uses derivative financial instruments, such as forward currency contracts and covered call options, in connection with its investment activities. Management determines the fair value of these investments by evaluating multiple inputs, such as currency rates, equity prices, time value, interest rates, credit and default risks, and implied volatility, as applicable. These investments are generally classified as Level 2 or Level 3 in the fair value hierarchy. Risks associated with these types of contracts principally include exposure to adverse changes in the operative contractual inputs and the potential failure of the counterparty to fulfill its obligations under the contract.

Additional Information Regarding Investment-Related Liabilities

Unsettled Equity Derivatives – Covered Call Options: At December 31, 2018 and 2017, the Foundation recorded liabilities totaling $78,843 and $210,669, respectively, for unsettled equity derivative transactions associated with writing covered call options. These liabilities reflect gross call premiums received of $162,573 and $121,161, adjusted for unrealized capital gains (losses) of $83,730 and $(89,508), respectively.

FAIR VALUE MEASUREMENTS

Information regarding fair values of the Foundation's investments and investment-related liabilities at December 31, 2018, categorized in accordance with the fair value hierarchy and NAV measurement principles prescribed by U.S. GAAP, is summarized in the following table.

December 31, 2018	Level 1	Level 2	Level 3	Total
INVESTMENTS, at fair value				
Equity securities:				
Common stocks	$ 220,334,056	$ 0	$ 0	$ 220,334,056
Market index funds	62,636,440	0	0	62,636,440
Equity mutual funds	41,726,995	0	0	41,726,995
Fixed income funds	12,865,592	0	0	12,865,592
Subtotal equity securities	337,563,083	0	0	337,563,083
Equity securities measured at NAV				19,668,391
Total equity securities				357,231,474
Debt securities	0	7,544,101	0	7,544,101
Ownership interests in pass-through entities	0	0	0	0
Pass-through entities measured at NAV				21,855,177
Total pass-through entities				21,855,177
TOTAL INVESTMENTS, at fair value	$ 337,563,083	$ 7,544,101	$ 0	$ 386,630,752
INVESTMENT-RELATED LIABILITIES, at fair value				
Unsettled equity derivatives - covered call options	$ 0	$ 78,843	$ 0	$ 78,843
TOTAL INVESTMENT-RELATED LIABILITIES, at fair value	$ 0	$ 78,843	$ 0	$ 78,843

Information regarding fair values of the Foundation's investments and investment-related liabilities at December 31, 2017, categorized in accordance with the fair value hierarchy and NAV measurement principles prescribed by U.S. GAAP, is summarized in the following table.

December 31, 2017	Level 1	Level 2	Level 3	Total
INVESTMENTS, at fair value				
Equity securities:				
Common stocks	$ 155,231,359	$ 0	$ 0	$ 155,231,359
Market index funds	62,237,656	0	0	62,237,656
Equity mutual funds	60,753,105	0	0	60,753,105
Fixed income funds	16,378,782	0	0	16,378,782
Subtotal equity securities	294,600,902	0	0	294,600,902
Equity securities measured at NAV				21,168,743
Total equity securities				315,769,645
Debt securities	0	19,296,900	0	19,296,900
Ownership interests in pass-through entities	0	0	0	0
Subtotal pass-through entities	0	0	0	0
Pass-through entities measured at NAV				18,331,975
Total pass-through entities				18,331,975
TOTAL INVESTMENTS, at fair value	$ 294,600,902	$ 19,296,900	$ 0	$ 353,398,520
INVESTMENT-RELATED LIABILITIES, at fair value				
Unsettled equity derivatives - covered call options	$ 0	$ 210,669	$ 0	$ 210,669
TOTAL INVESTMENT-RELATED LIABILITIES, at fair value	$ 0	$ 210,669	$ 0	$ 210,669

FAIR VALUE MEASUREMENTS FOR INVESTMENTS IN CERTAIN ENTITIES THAT CALCULATE NET ASSET VALUE PER SHARE (OR ITS EQUIVALENT)

Non-publicly traded investments (e.g., private equity securities and ownership interests in certain pass-through entities) typically do not have readily determinable fair values due to the absence of quoted market prices. Accordingly, for these investments, investee management periodically provides financial reports to investors, such as the Foundation, that present NAV per share or an equivalent unit, as determined in accordance with U.S. GAAP requirements for investment companies.

In accordance with U.S. GAAP, the Foundation may utilize the NAV provided by the investee management, without adjustment, as a practical expedient for estimating the fair value of its investment holding, provided that the NAV reflects the amount the Foundation could reasonably expect to receive if the investment was withdrawn as of the measurement date or within the near term. Assets measured using the NAV as a practical expedient are excluded from the fair value hierarchy. However, use of the practical expedient approach is not allowed if it is probable that the Foundation will sell all or a portion of an investment at an amount different from the NAV reported by the investee. In such an instance, the Foundation considers other factors in addition to the NAV in its determination of fair value, such as relevant features of the investment (e.g., redemption rights, expected discounted cash flows, overall market conditions, etc.), and uses these factors to categorize such investments within the fair value hierarchy.

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As of December 31, 2018 and 2017, the estimated fair value of all non-publicly traded investments held by the Foundation was derived from the unadjusted NAV (or its equivalent unit) reported by the investee management as of the respective reporting date. Accordingly, for these investments, there were no unobservable inputs that have been internally developed and used by the Foundation in determining the reported fair values at either date.

Additional information regarding fair value measurements is presented below and supplemented by Notes (a) through (k) on pages 21 through 23 herein.

December 31, 2018	Notes	Fair Value	Unfunded Commitments	General Redemption Frequency	Redemption Notice Period
Equity securities:					
Global multi-strategy hedge funds	(a)	$ 88,087	$ 0		
Mortgage-backed security fund	(b)	705,382	1,450,000		
Opportunistic funds	(c)	368,830	3,762,237		
Private equity funds	(d)	16,246,427	15,834,617		
Risk management fund	(e)	2,259,665	0		
Technology fund	(f)	0	2,500,000		
Total equity securities		19,668,391	23,546,854		
Ownership interests in pass-through entities:					
Private equity partnerships	(g)	15,046,600	5,828,968		
Real estate partnerships	(h)	28,621	483,808		
Opportunistic partnerships	(i)	482,075	107,476		
Hedge partnerships	(j)	2,078,941	936,875		
Risk management partnership	(k)	4,218,940	0		
Total pass-through entities		21,855,177	7,357,127		
TOTAL		$ 41,523,568	$ 30,903,981		

December 31, 2017	Notes	Fair Value	Unfunded Commitments	General Redemption Frequency	Redemption Notice Period
Equity securities:					
Global multi-strategy hedge funds	(a)	$ 5,028,291	$ 0	Quarterly	30 - 91 days
Mortgage-backed security fund	(b)	1,478,666	1,450,000		
Opportunistic funds	(c)	723,088	4,076,714		
Private equity funds	(d)	11,852,277	16,663,254		
Risk management fund	(e)	2,086,421	0		
Technology fund	(f)	0	0		
Total equity securities		21,168,743	22,189,968		
Ownership interests in pass-through entities:					
Private equity partnerships	(g)	11,793,707	8,046,026		
Real estate partnerships	(h)	391,418	638,231		
Opportunistic partnerships	(i)	636,608	328,008		
Hedge partnerships	(j)	1,512,242	1,493,916		
Risk management partnership	(k)	3,998,000	0		
Total pass-through entities		18,331,975	10,506,181		
TOTAL		$ 39,500,718	$ 32,696,149		

Notes – Equity Securities:

(a) **Global Multi-Strategy Hedge Funds:** As of December 31, 2017, this category included investments in five hedge funds. During 2018, the Foundation redeemed its holdings in three of these funds at fair value. Two of the redeemed funds focused global opportunities in both public and private markets using a multi-strategy approach based on a combination of fundamental and technical analyses. These two funds comprised approximately 58% of the category fair value at December 31, 2017. The other redeemed fund, which represented approximately 38% of the category value at December 31, 2017, is a global macro hedge fund that focuses on liquid markets in the Asian foreign exchange.

With respect to the two hedge funds held as of December 31, 2018, the Foundation requested redemption of its holdings several years ago and has received distributions representing its portion of the liquid investments held by the funds. Additional distributions are contingent upon disposal of the underlying illiquid investments, which is presently unknown. The Foundation's investments in these two funds had combined residual balances of $88,087 and $156,020 at December 31, 2018 and 2017, respectively.

(b) **Mortgage-backed Security Fund:** This category includes an ownership interest in one fund that focuses on real estate credit investments in North America and Europe. The credit investments include mortgages, B-notes, and mezzanine loans related to real estate assets. Owners are prohibited from withdrawing from this fund and redemption distributions are generally deferred until after disposal of the underlying fund assets. This fund is scheduled to terminate in 2024, subject to a one-year extension.

(c) **Opportunistic Funds:** As of December 31, 2018 and 2017, this category included an ownership interest in three funds. The first fund, which began calling capital in 2018, had a fair value of $261,839 at December 31, 2018. This fund invests opportunistically in debt, equity, and other financial instruments with a focus on companies and instruments that are stressed, overleveraged, being restructured, in bankruptcy, or experiencing other complex situations.

The remaining two funds had fair values as follows: 2018 -- $68,724 and $38,267; and 2017 - $118,296 and $604,792. The first of these funds invests via pooled investment vehicles to achieve attractive risk-adjusted returns primarily through opportunistic investments in illiquid credit and asset markets, focusing on companies that are currently experiencing financial or operational distress. Owners are prohibited from withdrawing from the fund and redemption distributions are generally deferred until after disposal of the underlying fund assets. The fund is nearing maturity and is scheduled to terminate one year after the fund's investments have been liquidated.

The second fund seeks to achieve attractive returns primarily through opportunistic investments in fixed income securities issued by energy-related issuers. This fund may be redeemed on a quarterly basis with 60 days advance notice. The investment manager has commenced dissolution of the Company and all remaining capital is expected to be distributed in 2019.

(d) **Private Equity Funds:** As of December 31, 2018 and 2017, this category includes ownership interests in eleven and eight private equity funds, respectively, which invest with the objective of achieving capital appreciation. The underlying investments of these funds include debt and equity in publicly-traded and privately-held domestic and non-U.S. companies across a variety of market sectors.

Owners are prohibited from withdrawing from each fund and redemption distributions are generally deferred until after disposal of the underlying assets of the respective investment. The funds have scheduled termination dates ranging from 2019 to 2033, however, the investment manager may extend the term to allow for the orderly liquidation of the underlying assets.

(e) **Risk Management Fund:** This category includes one fund that invests in the common shares of an insurance company that seeks to underwrite a core book of insurance and reinsurance business in the property, energy, marine, and aviation risk classes. Owners are prohibited from withdrawing from the fund, which has a scheduled termination date in 2030.

(f) **Technology Fund:** During 2018, the Foundation committed to invest up to $2,500,000 in a technology fund that will utilize a master-feeder structure to invest in equity securities of internet, software, digital media, and other similar technology companies in North America and Europe. Management anticipates that the initial capital call for this fund will occur in 2019. Owners are prohibited from withdrawing from the fund and redemption distributions are generally deferred until after disposal of the underlying fund assets. The investment intends to dissolve by the tenth anniversary if its initial capital call.

Notes – Ownership Interests in Pass-through Entities:

(g) **Private Equity Partnerships:** As of December 31, 2018 and 2017, this category includes ownership interests in 15 and 14 private equity limited partnerships, respectively, which invest with the objective of achieving capital appreciation. The underlying investments of the partnerships include equity in publicly-traded and privately-held domestic and non-U.S. companies.

Partners are prohibited from withdrawing from the partnerships and redemption distributions are generally deferred until after disposal of the underlying partnership assets. The partnerships have scheduled termination dates ranging from 2019 to 2027, however, the term of each partnership may generally be extended for up to 3 one-year periods to allow for the orderly liquidation of partnership assets.

(h) **Real Estate Partnerships:** As of December 31, 2017, this category included ownership interests in two limited partnerships that invest in real estate investment trusts comprised of diversified portfolios of domestic real estate properties. The Foundation has estimated the fair values of these investments at each reporting date based on the partnership capital account value reported by the respective general partner. Partners are prohibited from withdrawing from the partnerships and redemption distributions are generally deferred until after disposal of the underlying partnership assets. One of these partnerships terminated in 2018, while the other partnership plans to make final distributions in 2019.

(i) **Opportunistic Partnerships:** As of December 31, 2017, this category included ownership interests in two limited partnerships that invest via master-feeder structures to achieve attractive risk-adjusted returns primarily through opportunistic investments in the global illiquid credit and asset markets. Partners are prohibited from withdrawing from the partnerships and redemption distributions are generally deferred until after disposal of the underlying partnership assets. Each partnership will terminate as of the date on which all underlying partnership investments have been disposed, but no later than fifteen years after formation (2025 for both partnerships). However, one of the partnerships, which represented 2% of the category value as of December 31, 2017, completed final distributions in 2018.

(j) **Hedge Partnerships:** This category includes ownership interests in two partnerships. The first is a hedge partnership that was materially affected by criminal fraud and theft of the investment assets under management in 2008, which resulted in a substantial realized loss being recognized at that time. During 2018 and 2017, the Foundation received distributions totaling $1,842,208 and $296,460 from a litigation settlement fund and a special fund established to recover money on behalf of investors. Due to the unknown timing and indeterminate amount of any future recoveries, the Foundation has reported this investment using a fair value of zero at both December 31, 2018 and 2017.

The second hedge partnership acquires general partner interests in established hedge funds. The partnership focuses on generating a high cash yield during its holding period with an opportunity for capital appreciation upon exit. Partners are prohibited from withdrawing from this partnership and redemption distributions are generally deferred until after disposal of the underlying partnership assets. This partnership is scheduled to terminate no later than fifteen years after formation (approximately October 2028).

(k) **Risk Management Partnership:** This category includes an ownership interest in one partnership that operates through U.S.-focused life and annuity reinsurance, and global property and casualty segments. The life and annuity segment seeks to grow through acquisition, reinsurance, and issuance of life insurance and annuity contracts. The property and casualty segment seeks to source diversified, property-focused insurance risk, primarily through a syndicate. Withdrawals from the partnership are generally restricted, and subject to review and approval by a transfer committee.

NOTE F -- PROPERTY AND EQUIPMENT

The components of property and equipment are as follows:

	December 31 2018	December 31 2017
Furniture	$ 60,145	$ 59,009
Computer equipment	29,648	30,073
Leasehold improvements	96,487	96,487
	186,280	185,569
Less: Accumulated depreciation and amortization	(169,538)	(165,593)
PROPERTY AND EQUIPMENT, net	$ 16,742	$ 19,976

Depreciation and amortization expense totaled $8,069 and $5,738 during the years ended December 31, 2018 and 2017, respectively.

During 2018 and 2017, the Foundation disposed of fully-depreciated furniture and computer equipment that had an original cost basis of $4,124 and $26,701, respectively. These disposals consisted principally of assets that were replaced or no longer used in the Foundation's operations.

NOTE G -- UNCONDITIONAL PROMISES TO GIVE TO NOT-FOR-PROFIT ORGANIZATIONS

At December 31, 2017, the current portion of the Foundation's unconditional promises to give totaled $3,159,000, which represented the net settlement value payable. The underlying amounts comprising this balance were paid as scheduled by the Foundation during 2018. The net non-current portion of unconditional promises to give as of this date was $4,858,166, which represented the total non-current portion of $5,000,000 reduced by $141,834 of unamortized discount to present value, using a discount rate of 1.92%.

At December 31, 2018, unconditional promises to give financial support to not-for-profit organizations are scheduled to be paid as follows:

Year Ending December 31:	
2019	$ 425,000
2022	5,000,000
Total Unconditional Promises to Give	5,425,000
Less: Current portion -- Payable in 2019	(425,000)
Total Non-current portion	5,000,000
Less: Unamortized discount to present value	(383,146)
NET NON-CURRENT PORTION	$ 4,616,854

Amounts payable in 2019 are recorded at their net settlement value. Amounts payable after 2019 are recorded at the estimated present value of the future cash flows, using a discount rate of 2.28%.

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NOTE H -- FEDERAL EXCISE TAXES

Components of Federal Excise Tax Expense: The provision for federal excise taxes, which is reported as a component of "Net Investment Income" in the accompanying Statements of Activities, is comprised of the following:

	Year Ended December 31	
	2018	2017
Federal Excise Tax Expense:		
Current	$ 121,997	$ 133,775
Prior year adjustment	14,087	11,126
Total Current Expense	136,084	144,901
Deferred	770,543	665,469
TOTAL FEDERAL EXCISE TAX EXPENSE	$ 906,627	$ 810,370

The "prior year adjustment" represents the tax effect of differences between the preliminary estimates of taxable income and deductions reported by pass-through entities for financial reporting purposes and the finalized amounts reflected in the corresponding tax reporting received subsequent to issuance of the prior year financial statements. Accordingly, the effect of the change in the excise tax estimate is recognized in the subsequent year.

Reconciliation of Net Investment Income to Net Taxable Income: Reconciliations of net investment income for financial reporting purposes to net taxable income for excise tax purposes, are summarized as follows:

	Year Ended December 31	
	2018	2017
NET INVESTMENT INCOME – Financial reporting purposes	$ 50,286,996	$ 46,829,290
Reconciling Items:		
Exclude change in net unrealized capital (gains) losses	(38,527,179)	(33,273,422)
Exclude nontaxable investment (income) loss	971,474	129,025
Prior year taxable income adjustment	(1,408,696)	(1,112,599)
Current and deferred federal excise tax expense	906,627	810,370
Other reconciling items	(29,500)	(5,182)
Total Reconciling Items	(38,087,274)	(33,451,808)
NET TAXABLE INCOME – Excise tax purposes	$ 12,199,722	$ 13,377,482
Federal Excise Tax Rate (reduced rate based on qualifying charitable distributions threshold)	1%	1%
CURRENT FEDERAL EXCISE TAX EXPENSE	$ 121,997	$ 133,775

Deferred Federal Excise Tax Liability: Components of the Foundation's deferred federal excise tax liability are summarized as follows:

	December 31	
	2018	2017
Net unrealized capital gains (losses) on investments for financial reporting purposes (Note D)	$ 201,162,169	$ 162,634,990
Federal Excise Tax Rate (maximum annual rate)	2%	2%
DEFERRED FEDERAL EXCISE TAX LIABILITY AT END OF YEAR	$ 4,023,243	$ 3,252,700
Deferred Federal Excise Tax Liability at Beginning of Year	3,252,700	2,587,231
DEFERRED FEDERAL EXCISE TAX EXPENSE	$ 770,543	$ 665,469

NOTE I -- ANNUAL MINIMUM DISTRIBUTION REQUIREMENT

Private foundations are required to annually disburse a minimum amount of qualifying distributions (i.e., grants and related expenses) to avoid a 15% penalty imposed by the Internal Revenue Code on any undistributed portion. The distributable amount is generally equal to 5% of the average fair value of investments and other assets that are not designated and utilized for specific charitable purposes, as defined in the Internal Revenue Code. Substantially all of the Foundation's assets are included in this calculation base. For purposes of avoiding the 15% penalty, a private foundation is deemed to have satisfied its annual requirement for a given year if the minimum amount is fully distributed by the end of the following year.

Based on the amount of qualifying distributions made by the Foundation during the year ended December 31, 2017, management determined that approximately $12,389,000 of additional qualifying distributions would be necessary in 2018 to satisfy its residual minimum distribution requirement for 2017. Sufficient additional qualifying distributions were made in 2018 to satisfy this requirement.

With respect to the year ended December 31, 2018, management estimates that the Foundation will be required to distribute approximately $13,672,000 on or before December 31, 2019, to satisfy its minimum distribution requirement for 2018.

NOTE J -- COMMITMENTS

Office Lease: Effective December 1, 2010, the Foundation extended its commercial office space lease for a ten-year term expiring November 30, 2020. In conjunction with this amendment, the lessor agreed to pay for tenant renovations up to $19,850, with any unused amount to be paid directly to the Foundation. The unused portion of $17,219 was paid to the Foundation in 2011, and this renovation allowance is being amortized ratably as a reduction in rent expense over the extended lease term.

The amended lease requires minimum annual base rental payments as follows:

Year ending December 31:	
2019	$ 66,509
2020	62,084
Total	$ 128,593

During the years ended December 31, 2018 and 2017, the Foundation incurred net rent expense of $66,659 and $64,334, respectively. Net rent expense in each year includes the base rental payments offset by amortization of the applicable construction and renovation allowances, plus parking fees and allocated common area maintenance charges.

Employee Benefits: The Foundation has adopted personnel guidelines that describe its obligations for compensated absences, including vacation and personal days, and salary continuation in the event of illness or injury. These benefits are accrued as earned by recording a liability and the corresponding expense. The Foundation's personnel guidelines also describe its policy regarding severance pay to employees who are involuntarily terminated. These amounts, if any, are expensed as incurred.

NOTE K -- CONCENTRATIONS, RISKS, AND UNCERTAINTIES

Concentrations: The Foundation regularly maintains cash deposits in bank accounts and investment-related custodial accounts for which the respective balances fluctuate on a daily basis. As generally described in Note A, these balances may be fully unsecured or they may be eligible for varying amounts of insurance coverage provided by the FDIC or SIPC, based on the nature or amount of the specific financial instrument.

As described in Note D, a significant concentration of market risk is deemed to exist with respect to the Foundation's investment in the common stock of HCA Healthcare, Inc. This investment represents approximately 49% and 38% of the Foundation's total investments at December 31, 2018 and 2017, respectively.

Risks and Uncertainties: The Foundation's cash equivalents and investments are inherently exposed to a variety of market risks, credit risks, and uncertainties due to factors such as deteriorating economic conditions, interest rate volatility, adverse industry developments, and market dislocation. The Foundation is also subject to risks and uncertainties resulting from inflated fair value representations by investment managers, investee principals and third parties; the illiquid nature of certain investments, including the potential for delays in the payment of funds after request for redemption; and the actual loss of investment funds due to criminal fraud, theft, and other illegal acts perpetrated by investment custodians and managers.

As a result of the Foundation's exposure to inherent risks and uncertainties, it is at least reasonably possible that changes in the reported fair value of its cash equivalents and investments will occur in the near term and that such changes could materially affect the amounts presented in the accompanying 2018 Statement of Financial Position. Exposure to inherent risks and uncertainties could also result in a partial or total loss of principal and accrued earnings. Management continually monitors the Foundation's cash positions and investment portfolio, and the performance of its professional advisors, with the objective of minimizing the exposure to risks and uncertainties to the extent possible.

NOTE L -- RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which requires lessees to recognize leases in the Statement of Financial Position and disclose key information about leasing arrangements. The new standard establishes a right-of-use model ("ROU") that requires a lessee to recognize a ROU asset and lease liability in the Statement of Financial Position for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the Statement of Activities. With respect to nonpublic entities, ASU 2016-02 is effective for years beginning after December 15, 2019, with early application permitted. A modified retrospective transition approach is required with application of the new standard to all leases existing at the date of initial application. The Foundation expects to adopt the new standard on January 1, 2020, and use the effective date as the date of initial application. The Foundation has not yet determined the impact that adoption of ASU 2016-02 will have on its financial statements.