



Hospital Sisters
HEALTH SYSTEM

**Revised Quarterly Unaudited
Financial Statements
December 31, 2015**





Hospital Sisters
HEALTH SYSTEM

Belleville, IL
St. Elizabeth's Hospital

February 12, 2016

Breese, IL
St. Joseph's Hospital

Decatur, IL
St. Mary's Hospital

Effingham, IL
*St. Anthony's
Memorial Hospital*

**Hospital Sisters Health System Revised Quarterly Unaudited Financial Statements
as of December 31, 2015.**

Highland, IL
St. Joseph's Hospital

Litchfield, IL
St. Francis Hospital

Please be advised that due to a clerical error related to non-operating income on the reports referenced above, HSHS has submitted revised reports for December 31, 2015 unaudited financials.

Springfield, IL
St. John's Hospital

Streator, IL
St. Mary's Hospital

Chippewa Falls, WI
St. Joseph's Hospital

Eau Claire, WI
Sacred Heart Hospital

Green Bay, WI
*St. Mary's Hospital
Medical Center
St. Vincent Hospital*

Sheboygan, WI
St. Nicholas Hospital

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*Sponsored by the
Hospital Sisters
of St. Francis*

Hospital Sisters Health System and Subsidiaries
Springfield, Illinois
Consolidated Balance Sheets
UNAUDITED

	As of	
	December 31, 2015	June 30, 2015
(Dollars in 000s)		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 121,564	140,061
Receivables:		
Patients' account, net	394,281	356,123
Due from third party reimbursement programs	19,218	3,104
Other	29,685	34,064
Total receivables	443,184	393,291
Current portion of assets whose use is limited/rest	233,097	250,636
Inventories	44,896	43,869
Prepaid expenses	23,453	22,866
Total current assets	866,194	850,723
Assets whose use is limited or restricted	1,690,203	1,785,891
Property, plant and equipment ,net	1,290,343	1,274,214
Assets held for sale	40,569	40,569
Other assets	75,438	69,808
TOTAL ASSETS	\$ 3,962,747	4,021,205
LIABILITIES and NET ASSET		
CURRENT LIABILITIES		
Current installments of long-term debt	\$ 27,317	26,565
Long-term debt subject to short-term remarketing agreements	155,345	155,345
Current portion of estimated self-insurance liabilities	50,435	45,658
Accounts payable	105,791	115,005
Accrued liabilities	174,723	148,321
Estimated payables under third-party programs	72,702	62,476
Total current liabilities	586,313	553,370
Long-term debt, excluding current installments	\$ 484,043	505,791
Estimated self-insurance liabilities	56,760	61,717
Derivative Instruments	54,174	48,734
Other non-current liabilities	327,478	365,180
TOTAL LIABILITIES	1,508,768	1,534,792
Net assets:		
Unrestricted	2,398,567	2,434,840
Temporarily restricted	29,505	25,754
Permanently restricted	25,907	25,819
Total net assets	2,453,979	2,486,413
	\$ 3,962,747	4,021,205

Hospital Sisters Health System and Subsidiaries
Consolidated Statements of Operation
For the Six Months ended December 31, 2015
(Dollars in 000s)
UNAUDITED

	FY 2016	FY 2015
Net patient service revenue	1,123,363	1,093,331
Provision for uncollectible accounts	(18,563)	(41,763)
Net patient service revenue less provision	1,104,800	1,051,568
Other revenues:		
Investment income	(94)	83
Other operating revenue	64,437	60,353
Total revenues	1,169,143	1,112,004
Expenses:		
Salaries and wages	411,087	394,847
Employee benefits	118,931	128,156
Professional fees	48,240	46,873
Supplies	163,159	149,984
Depreciation	78,454	77,609
Interest	6,457	6,135
Other	321,156	288,541
Total expenses	1,147,484	1,092,145
Income from operations	21,659	19,859
Nonoperating gains:		
Investment income	(52,492)	(1,220)
Change in fair value of interest rate swaps	(5,440)	(9,697)
Loss on early conversion of debt		(908)
Revenues and gains in excess of expenses	\$ (36,273)	8,034

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES

Springfield, Illinois

Consolidated Statements of Cash Flow

For the Six Months ended December 31, 2015

(Dollars in thousands)

UNAUDITED

Cash flows from operating activities:

Change in net assets	\$	(36,273)
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Adjustments to reconcile change in net assets to net cash from operating activities:		
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Depreciation and amortization		78,454
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Provision for uncollectible accounts		18,563
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Change in net unrealized gain and losses on investments		79,285
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Net realized gains on sale of investments		12,383
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Change in the fair value of derivative instruments		5,440
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Changes in assets and liabilities:		
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Patients' accounts receivable		(56,721)
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Other receivables		4,379
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Inventories		(1,027)
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Prepaid expenses		(587)
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Net amounts due to third-party reimbursement programs		(5,888)
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Accounts payable and accrued liabilities		17,188
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Estimated self-insurance liabilities and other noncurrent liabilities		(37,882)
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Net cash (used in) provided by operating activities		<u>77,314</u>
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Cash flows from investing activities:

Acquisition of property, plant, and equipment		(89,670)
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Net change in investments		16,646
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Change in other assets		(5,630)
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Net cash used in investing activities		<u>(78,654)</u>
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Cash flows from financing activities:

Restricted Contributions and investment return		3,839
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Net change of long-term debt		(20,996)
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Net cash provided by (used in) financing activities		<u>(17,157)</u>
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Change in cash and cash equivalents		<u>(18,497)</u>
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Cash and cash equivalents at beginning of year		140,061
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Cash and cash equivalents at end of year	\$	<u>121,564</u>
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HOSPITAL SISTERS SERVICES, INC. -
OBLIGATED GROUP
Springfield, Illinois

Consolidating Balance Sheet Information
December 31, 2015
(Dollars in thousands)

Assets	St. Elizabeth's Belleville, Illinois	St. Joseph's Brevard, Illinois	St. Mary's O'Fallon, Illinois	St. Anthony's Effingham, Illinois	St. Joseph's Highland, Illinois	St. Francis Litchfield, Illinois	St. John's Springfield, Illinois	St. Mary's Streator, Illinois	St. Joseph's Chippewa Falls, Wisconsin	Sacred Heart Sau Claire, Wisconsin	St. Mary's Green Bay, Wisconsin	St. Vincent Green Bay, Wisconsin	St. Nicholas Sheboygan, Wisconsin	Hospital Sisters Services, Inc.	Eliminations	Total
Current assets																
Cash and cash equivalents	\$ (1,209)	1,183	1,716	15,810	1,008	2,778	5,055	2,428	1,558	3,638	(77)	22,538	8,728	4,088	—	87,858
Receivables																
Patients' accounts, less allowance for uncollectible accou	32,885	18,149	29,285	32,942	7,370	8,804	109,328	5,878	9,400	29,285	18,719	87,586	15,802	—	—	372,701
Due from third-party reimbursement programs	2,321	—	159	893	215	(700)	13,843	256	—	—	658	800	330	—	—	19,217
Other	3,588	217	3,553	3,058	(738)	88	4,088	239	800	808	892	14,568	797	—	(1,048)	31,230
Total receivables	38,774	18,366	33,007	36,893	7,349	8,192	127,259	6,373	10,200	30,893	19,269	102,954	16,930	321	(1,048)	423,148
Current portion of assets whose use is limited or restricted	712	2,465	1,526	8,052	—	1,273	70,108	3,821	4,517	17,075	9,484	22,168	4,885	—	—	145,714
Investments	3,271	835	3,342	4,818	587	365	11,434	282	341	5,174	2,823	8,323	1,883	—	—	48,845
Prepaid expenses	1,021	235	1,120	291	1,022	297	3,890	342	297	1,098	466	2,292	291	—	—	12,298
Total current assets	42,790	14,889	40,711	85,433	10,586	11,341	218,343	12,218	18,971	56,872	38,582	158,213	38,506	4,419	(1,048)	689,803
Assets whose use is limited or restricted, net of current portion	8,878	108,870	7,134	298,148	8,648	35,364	184,383	23,233	98,849	445,352	78,891	353,556	49,497	581	—	1,678,351
Property, plant, and equipment, net	104,750	21,345	92,129	80,120	44,783	24,319	303,747	—	31,253	104,471	81,188	147,389	45,897	—	—	1,121,130
Assets held for sale	4,708	—	—	—	181	39	8,485	154	93	2,132	—	49,482	811	8,110	—	31,753
Other assets	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	75,470
	\$ 150,111	145,225	140,168	421,885	65,098	71,082	754,818	87,358	147,188	608,827	186,521	677,820	128,511	13,099	(1,048)	3,584,587
Liabilities and Net Assets																
Current liabilities																
Current installments of long-term debt	\$ 10,524	2,485	8,977	7,794	14,818	1,273	70,108	3,821	4,517	17,075	9,484	22,482	4,885	—	—	177,901
Accounts payable	4,402	582	2,817	4,580	1,593	1,180	15,428	443	2,815	12,268	8,859	22,702	4,506	—	(1,948)	78,099
Accrued liabilities	8,085	2,020	5,223	5,768	953	9,858	19,801	1,570	4,054	8,988	4,121	42,244	3,782	4,064	—	118,729
Estimated payables under third-party reimbursement programs	4,408	4,813	10,877	13,189	8,345	4,527	22,090	1,704	883	5,497	89	128	75	—	—	73,401
Total current liabilities	29,217	10,500	27,394	31,311	22,419	12,827	127,428	7,338	12,771	43,807	28,303	87,648	13,728	4,084	(1,048)	448,126
Long-term debt, excluding current installments	23,153	5,489	23,936	16,352	29,884	8,487	208,875	7,980	13,810	37,580	20,839	83,537	14,255	—	—	461,735
Other noncurrent liabilities	173,355	8,088	78,095	16,210	13,804	8,865	84,458	12,230	18,371	28,214	17,852	51,570	8,494	1,090	—	448,564
Total liabilities	225,725	24,077	78,325	61,873	66,107	29,959	398,862	27,548	42,981	109,599	50,024	159,753	36,477	5,174	(1,048)	1,358,365
Net assets																
Unrestricted	(73,497)	118,487	54,709	358,738	(4,000)	37,780	328,022	38,854	94,745	490,548	132,887	478,983	81,890	7,823	—	2,141,852
Temporarily restricted	8,744	1,803	5,933	1,078	2,989	2,075	25,875	2,871	3,731	2,665	4,511	5,022	8,378	—	—	71,475
Permanently restricted	134	—	1,291	178	—	1,248	2,850	83	8,429	8,078	2,290	2,852	1,898	—	—	24,805
Total net assets	(64,619)	120,290	61,933	359,994	(1,011)	41,103	356,350	39,808	106,905	499,237	139,687	486,867	90,034	7,823	—	2,238,232
	\$ 158,111	145,225	140,168	421,885	65,098	71,082	754,818	87,358	147,188	608,827	186,521	677,820	128,511	13,099	(1,048)	3,584,587

Unaudited

HOSPITAL SISTERS SERVICES, INC. –
OBLIGATED GROUP
Springfield, Illinois
Consolidating Statement of Operations Information
Six months ended December 31, 2015
Unaudited
(Dollars in thousands)

	St. Elizabeth's Belleville, Illinois	St. Joseph's Bessemer, Illinois	St. Mary's Decatur, Illinois	St. Anthony's Effingham, Illinois	St. Joseph's Highland, Illinois	St. Francis Litchfield, Illinois	St. John's Springfield, Illinois	St. Mary's Suzar, Illinois	St. Joseph's Chippewa Falls, Wisconsin	Sacred Heart Eau Claire, Wisconsin	St. Mary's Green Bay, Wisconsin	St. Vincent Green Bay, Wisconsin	St. Nicholas Sheboygan, Wisconsin	Hospital Sisters Services, Inc.	Total
Net patient service revenues	\$ 60,969	28,679	71,715	69,967	20,084	21,728	239,070	—	34,083	117,440	83,578	281,828	42,621	—	1,051,756
Provision for uncollectible accounts	(3,144)	(979)	(632)	(189)	(173)	(90)	(6,320)	—	(149)	(237)	(983)	(2,134)	(603)	—	(16,521)
Net patient service revenue less provision for uncollectible accounts	77,825	27,800	71,083	69,778	19,711	20,817	232,741	—	33,935	117,201	82,694	259,892	41,958	—	1,035,235
Other	1,933	475	1,247	1,359	189	1,205	9,828	—	409	751	2,368	2,160	676	180	22,778
Total revenues	79,758	28,275	72,330	71,137	19,900	22,022	242,569	—	34,344	117,952	85,062	261,852	42,634	180	1,058,013
Expenses:															
Salaries and wages	28,062	9,100	21,029	19,677	5,881	6,310	69,737	—	13,823	37,087	18,351	44,739	11,413	—	283,989
Employee benefits	8,748	3,735	8,021	7,078	2,102	1,984	21,763	—	4,497	12,053	6,302	13,288	3,380	—	81,729
Professional fees	3,085	813	3,540	3,630	992	1,522	15,320	—	2,039	2,987	1,825	7,413	817	—	43,183
Supplies	11,581	2,215	9,919	9,393	1,872	1,742	45,233	—	2,304	17,058	10,897	40,380	6,513	—	158,697
Depreciation and amortization	4,006	1,522	4,413	3,065	1,803	1,220	15,787	—	1,672	5,950	3,302	8,432	2,189	—	54,361
Interest	1,138	61	326	278	1,132	180	2,685	—	110	418	248	544	115	—	7,245
Other	34,843	8,005	23,415	15,212	5,843	5,957	71,683	2,604	7,539	23,927	21,008	130,334	14,179	2	384,491
Total expenses	91,243	26,451	69,463	68,731	19,265	17,825	242,208	2,604	31,984	88,210	61,715	246,110	38,405	2	1,033,685
Income (loss) from operations	(11,485)	2,824	2,867	12,406	635	4,097	361	(2,604)	2,360	19,742	3,327	15,742	4,228	178	64,318
Nonoperating income (loss):															
Investment income	74	(1,787)	51	(4,946)	(256)	(529)	(3,614)	(550)	(1,512)	(7,353)	(1,373)	(5,005)	(817)	(7)	(28,528)
Revenues in excess (deficient) of expenses and losses	\$ (11,411)	1,037	2,918	7,466	379	3,568	(3,333)	(1,154)	848	11,999	1,754	10,137	3,411	171	25,790

Hospital Sisters Services, Inc.
Obligated Group
Summary of Certain Operating Statistics
For the the Six Months Ended December 31, 2015
Unaudited

	<u>Dec-15</u>	<u>Dec-14</u>
Number of Licensed Beds	2,796	2,807
Number of Staffed Beds	1,952	1,944
Admissions	38,175	38,985
Average Length of Stay	4.49	4.50
Average Daily Census	931.15	954.49
Patient Days	171,331	175,626
Outpatient Registrations	<u>809,947</u>	<u>766,673</u>
Total Patients	981,278	942,299
Inpatient Surgical Cases	9,144	9,198
Outpatient Surgical Cases	<u>25,831</u>	<u>25,104</u>
Total Surgeries	34,975	34,302
Emergency Room Visits	161,222	161,261

HSSI Liquidity Covenant Calculation

as of December 31, 2015

(Dollars in thousands)

	12/31/15	
Cash and cash equivalents	67,888	
Add:		
By the board for capital improvements		
Current portion of assets whose use is limited/rest	145,714	
Assets whose use is limited or restricted	1,553,091	
Less:		
(A) Total Unrestricted cash and Investments	1,766,693	
Total operating expenses	1,003,695	
Less:		
Depreciation	(54,361)	
(B) Operating expenses for period	949,334	
Number of Days for period from		
(C) July 1 thru December 31	184	
(D) Daily operating expenses	5,159	(B)/(C)
Days of Operating expenses on hand	342	(A)/(D)

HOSPITAL SISTERS SERVICES, INC.
COMPUTATION OF DEBT SERVICE COVERAGE RATIO
QUARTER ENDED December 31, 2015
UNAUDITED

2016

Income available for debt service

Revenue and Gains in excess of expenses and losses	\$	25,790
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ADD

Unrealized Losses/(Gains) includes SWAPS		106,208
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Depreciation and Gains/Losses on Asset Dispositions		54,361
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Interest Expense		7,245
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Income available for debt service		<u>193,604</u>
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(Annualized x 2)		<u><u>\$387,208</u></u>
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Principal Paid		22,556
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Interest Expense		7,245
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Annual Debt Service Requirement		<u><u>29,801</u></u>
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Debt Service Coverage Ratio		13.0
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Maximum Annual Debt Service Requirement	\$	39,067
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Historical Pro Forma Debt Service Coverage Ratio based on maximum annual debt service (Annualized)		9.9
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