CoxHealth

Independent Auditor's Report and Consolidated Financial Statements

September 30, 2016 and 2015

BKD LLP
CPAs & Advisors

CoxHealth
September 30, 2016 and 2015

Contents

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Independent Auditor's Report

Board of Directors
CoxHealth
Springfield, Missouri

We have audited the accompanying consolidated financial statements of CoxHealth (the "Health System"), which comprise the consolidated balance sheets as of September 30, 2016 and 2015, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Health System as of September 30, 2016 and 2015, and the results of its operations, 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.

Supplementary Information

Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Springfield, Missouri
February 7, 2017

CoxHealth
Consolidated Balance Sheets
September 30, 2016 and 2015

Assets

	2016	2015
Current Assets		
Cash and cash equivalents	$ 183,049,585	$ 186,247,333
Short-term investments	57,594,293	47,442,605
Assets limited as to use – current	11,362,345	23,575,283
Patient accounts receivable, net of allowance;		
2016 – $162,722,000, 2015 – $168,501,000	162,519,962	146,790,772
Estimated amounts due from third-party payers	731,029	3,582,293
Other receivables	6,527,590	13,323,951
Contributions receivable – current	412,500	412,500
Supplies	17,443,365	17,289,289
Prepaid expenses	8,510,164	8,510,699
Total current assets	448,150,833	447,174,725
Assets Limited As To Use		
Investments		
Internally designated		
Building fund investments and other	257,405,820	241,070,533
Donated investments	183,339,617	168,861,477
Externally restricted		
Donor restricted	38,018,469	33,826,374
Under deferred compensation agreement	12,614,739	11,231,818
Required statutory reserves	10,801,097	10,800,871
Held by trustees		
Self-insurance trust investments	34,300,891	32,338,617
Under bond indenture agreements	5,822,130	18,084,000
	542,302,763	516,213,690
Less amount required to meet current obligations	11,362,345	23,575,283
	530,940,418	492,638,407
Contributions receivable	2,063,445	2,418,820
	533,003,863	495,057,227
Long-Term Receivables	1,582,219	1,579,722
Property and Equipment, At Cost	1,253,226,870	1,215,149,764
Less accumulated depreciation	700,855,794	666,257,571
	552,371,076	548,892,193
Goodwill and Intangible Assets	25,949,305	26,237,681
Other Assets	12,759,672	13,704,709
Total assets	$ 1,573,816,968	$ 1,532,646,257

See Notes to Consolidated Financial Statements

Liabilities and Net Assets

	2016	2015
Current Liabilities		
Current maturities of long-term debt	$ 12,076,813	$ 15,677,292
Current amortization of premium/discount on long-term debt	1,335,003	1,336,157
Accounts payable	48,177,851	59,554,119
Accrued payroll and vacation pay	46,830,471	43,359,001
Accrued interest	6,800,878	7,198,525
Other accrued expenses	30,706,524	31,236,169
Estimated amounts due to third-party payers	9,664,901	6,140,147
Estimated insurance costs – current	18,947,896	22,786,006
Deferred revenue – current	9,262,341	7,028,131
Total current liabilities	183,802,678	194,315,547
Estimated Insurance Costs	19,275,528	22,102,751
Interest Rate Basis Swap	-	3,278,528
Deferred Compensation	12,716,719	11,334,024
Accrued Pension Liability	108,381,475	87,660,064
Other Long-Term Liabilities	349,563	4,066,584
Long-Term Debt		
Long-term debt	512,118,655	519,670,218
Premium/discount on long-term debt	24,967,635	26,302,638
	537,086,290	545,972,856
Total liabilities	861,612,253	868,730,354
Net Assets		
Unrestricted	673,862,182	627,308,470
Temporarily restricted	19,562,781	18,338,781
Permanently restricted	18,779,752	18,268,652
Total net assets	712,204,715	663,915,903
Total liabilities and net assets	$ 1,573,816,968	$ 1,532,646,257

CoxHealth

Consolidated Statements of Operations and Changes in Net Assets

Years Ended September 30, 2016 and 2015

	2016	2015
Unrestricted Revenues, Gains and Other Support		
Patient service revenue (net of contractual discounts and allowances)	$ 1,280,462,989	$ 1,228,354,593
Provision for uncollectible accounts	(131,247,270)	(126,722,832)
Net patient service revenue less provision for uncollectible accounts	1,149,215,719	1,101,631,761
Premium revenue	125,118,732	116,532,532
Other revenue	51,137,673	49,627,851
Net assets released from restrictions used for operations	4,011,102	3,735,046
Total unrestricted revenues, gains and other support	1,329,483,226	1,271,527,190
Expenses		
Salaries and wages	540,739,357	492,399,150
Employee benefits	114,420,771	103,643,079
Purchased services and professional fees	180,139,630	190,717,078
Supplies and other	344,068,886	327,941,709
State provider tax program	50,703,505	52,633,156
Depreciation	49,252,096	47,257,642
Interest	21,417,225	18,083,896
Total expenses	1,300,741,470	1,232,675,710
Operating Income	28,741,756	38,851,480
Other Income (Expense)		
Contributions	629,451	742,401
Investment return	25,219,134	17,097,726
Change in unrealized gains and losses on trading securities, fair value of interest rate basis swap and fair value option of Topic 825	18,153,239	(26,351,631)
Loss on extinguishment of debt	-	(23,943,671)
Other	(73,738)	5,127
Total other income (expense)	43,928,086	(32,450,048)
Excess of Revenues Over Expenses	72,669,842	6,401,432

CoxHealth
Consolidated Statements of Operations and Changes in Net Assets
Years Ended September 30, 2016 and 2015

	2016	2015
Unrestricted Net Assets		
Excess of revenues over expenses	$ 72,669,842	$ 6,401,432
Investment return – change in unrealized gains and losses on other than trading securities	97,581	1,156,060
Net assets released from restriction used for purchase of property and equipment	1,088,612	5,401,868
Change in defined benefit pension plan gains and losses	(27,302,323)	(20,159,031)
Increase (decrease) in unrestricted net assets	46,553,712	(7,199,671)
Temporarily Restricted Net Assets		
Contributions	5,442,591	5,808,921
Investment return	675,593	790,482
Change in interest in net assets of Skaggs Foundation	205,530	(144,821)
Net assets released from restrictions	(5,099,714)	(9,136,914)
Increase (decrease) in temporarily restricted net assets	1,224,000	(2,682,332)
Permanently Restricted Net Assets		
Contributions	220,102	17,560
Investment return	290,998	(681,048)
Increase (decrease) in permanently restricted net assets	511,100	(663,488)
Change in Net Assets	48,288,812	(10,545,491)
Net Assets, Beginning of Year	663,915,903	674,461,394
Net Assets, End of Year	$ 712,204,715	$ 663,915,903

CoxHealth

Consolidated Statements of Cash Flows

Years Ended September 30, 2016 and 2015

	2016	2015
Operating Activities		
Change in net assets	$ 48,288,812	$ (10,545,491)
Items not requiring (providing) operating cash flow		
Depreciation and amortization	48,375,369	47,102,674
Provision for uncollectible accounts	131,247,270	126,722,832
Loss (gain) on sale of property and equipment, net	679,882	(90,837)
Loss on investment in equity investees	64,751	135,570
Appreciation of Series H Capital Appreciation Bonds	2,395,478	2,280,652
Net (gain) loss on investments	(27,974,424)	19,721,548
Change in defined benefit pension plan gains and losses	27,302,323	20,159,031
Restricted contributions and investment income received	(6,834,814)	(5,791,094)
Change in fair value of interest rate basis swap	(3,278,528)	(391,073)
Changes in		
Receivables	(139,824,724)	(114,522,752)
Estimated third-party settlements	6,376,018	2,005,636
Accrued self-insurance costs	(6,665,333)	4,717,179
Other assets and liabilities	4,071,307	(17,311,056)
Net cash provided by operating activities	84,223,387	74,192,819
Investing Activities		
Purchases of short-term investments, net	(10,151,688)	(547,457)
Purchase of investments	(182,672,917)	(153,905,805)
Proceeds from sale of investments	185,553,885	234,478,281
Purchase of property and equipment	(69,425,240)	(101,083,538)
Proceeds from sale of property and equipment	233,834	200,860
Advances and repayments of long-term notes receivable, net	238,852	1,413,492
Other	(173,831)	(275,552)
Net cash used in investing activities	(76,397,105)	(19,719,719)

CoxHealth

Consolidated Statements of Cash Flows

Years Ended September 30, 2016 and 2015

	2016	2015
Financing Activities		
Proceeds from restricted contributions and investment income received	$ 6,834,814	$ 5,791,094
Proceeds from issuance of long-term debt	-	140,824,492
Principal payments on long-term debt	(17,858,844)	(141,065,604)
Net cash provided by (used in) financing activities	(11,024,030)	5,549,982
Change in Cash and Cash Equivalents	(3,197,748)	60,023,082
Cash and Cash Equivalents, Beginning of Year	186,247,333	126,224,251
Cash and Cash Equivalents, End of Year	$ 183,049,585	$ 186,247,333
Supplemental Cash Flows Information		
Purchase of property and equipment in accounts payable	$ 3,602,977	$ 22,052,171
Interest paid (net of capitalized interest)	$ 21,818,553	$ 18,148,693
Capital lease obligation incurred for property and equipment	$ 2,668,649	$ 4,095,070

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

CoxHealth is the parent of Lester E. Cox Medical Centers and its wholly owned subsidiaries plus certain affiliated not-for-profit entities and is collectively referred to as CoxHealth. CoxHealth (the "Health System") operates as an integrated delivery system including four hospitals, a surgical center, an inpatient rehabilitation facility, home care companies, physician services, mental health services, insurance companies and a foundation. The Health System primarily earns revenues by providing inpatient, outpatient, emergency care, inpatient rehabilitation, home care, physician services and health insurance products to patients and employers in Springfield, Missouri, and the surrounding southwest Missouri area.

Principles of Consolidation

The consolidated financial statements include the consolidated financial statements of CoxHealth and its wholly owned subsidiaries:

Lester E. Cox Medical Centers

> Cox Health Systems HMO, Inc. is the sole owner of Cox Health Systems Insurance Company and Cox Health Plans, LLC
>
> Medical Developments, Inc.
>
> Insurance Company of Springfield, Inc.
>
> Cox College

Cox Medical Group

> Cox Taxable Close Corporation
>
> Ferrell-Duncan Clinic, Inc.

The consolidated financial statements also include the following not-for-profit entities for which the Boards are appointed by the Lester E. Cox Medical Centers:

> The Skaggs Community Hospital Association d/b/a Cox Medical Center Branson
>
> Cox-Monett Hospital
>
> CoxHealth Foundation
>
> Cox HPS of the Ozarks, Inc.
>
> Cox Alternative Care of the Ozarks, Inc., Healthcare Services of the Ozarks, Inc. and Cox Healthcare Services of the Midwest, Inc. collectively referred to as Oxford Home Health Care
>
> Primrose Place, Inc.

Cox Health Systems Insurance Company

Cox Health Systems HMO, Inc.

Medical Developments, Inc., Cox HPS of the Ozarks, Inc., Oxford Home Health Care, Insurance Company of Springfield, Inc., Primrose Place, Inc. and Cox College are collectively referred to as Other CoxHealth Entities.

All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

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

Cash Equivalents

The Health System considers all liquid investments, other than those limited as to use, with original maturities of three months or less to be cash equivalents. At September 30, 2016 and 2015, cash equivalents consisted primarily of money market accounts with brokers, repurchase agreement accounts and certificates of deposit.

At September 30, 2016, the Health System’s cash accounts exceeded federally insured limits by approximately $28,740,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and investments in all debt securities are carried at fair value. Investments in equity investees are reported on the equity method of accounting and are included with long-term receivables on the consolidated balance sheets. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investments also include investments in alternative assets, such as hedge funds structured as limited liability corporations or partnerships. These funds are carried at net asset value. The estimated fair value of these alternative investments is based on the most recent valuations provided by external investment managers.

Management has reviewed and evaluated the values provided by the managers and agrees with the valuation methods and assumptions used to determine those fair values, and believes the carrying amount of these investments is a reasonable estimate of fair value. The amount at which the Health System may be able to sell the investments may be different than the estimated carrying value.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the consolidated statements of operations and changes in net assets as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Health Claims Incurred and Reserved

Cox Health Systems Insurance Company and Cox Health Systems HMO, Inc. contract with various health care providers for the provision of hospitalization and other medical services to their members. These companies compensate the providers based upon negotiated discounts from established rates or at predetermined rates based upon diagnosis.

Accrued medical claims and related expenses (hospitalization and other medical services) include amounts billed and not paid, an estimate of costs incurred for unbilled services and an estimate of costs to be incurred for hospitalizations in progress at period end. Management believes such estimates to be adequate; however, the actual amount paid may be more or less than the amounts provided. Adjustments to these estimates are included in current operations.

All claims paid to CoxHealth from its consolidated insurance companies have been eliminated in consolidation.

Assets Limited As To Use

Assets limited as to use include assets set aside by the Board of Directors and management for future capital improvements, major contingencies and debt service over which the Board and management retains control and may at its discretion subsequently use the assets for other purposes; assets externally restricted by donors, deferred compensation agreements and required statutory reserves for Cox Health Systems Insurance Company and Cox Health Systems HMO, Inc.; assets held by trustees under indenture agreements; self-insurance trust arrangements and certain contributions receivable. Amounts required to meet current liabilities of the Health System are included in current assets. Donated investments are limited to the purpose of paying bonded or lienable indebtedness under the Health System’s Articles of Association.

Patient Accounts Receivable

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the Health System analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for uncollectible accounts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party coverage, the Health System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Health System records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Health System's allowance for doubtful accounts for self-pay patients was 94% and 93% of self-pay accounts receivable at September 30, 2016 and 2015, respectively. In addition, the Health System's write-offs increased approximately $7,300,000 from approximately $138,900,000 for the year ended September 30, 2015, to approximately $146,200,000 for the year ended September 30, 2016. The change was the result of trends experienced in the collection of amounts from self-pay patients in fiscal year 2016.

Supplies

The Health System states supply inventories at the lower of cost, determined using the first-in, first-out method, or market.

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated on a straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service.

The Health System capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized and incurred was:

	2016	2015
Total interest expense incurred on borrowings for project	$ -	$ 6,083,805
Interest income from investment of proceeds of borrowings for project	$ -	(625,150)
Net interest cost capitalized	$ -	$ 5,458,655
Interest capitalized	$ -	$ 6,083,805
Interest charged to expense	21,417,225	18,083,896
Total interest incurred	$ 21,417,225	$ 24,167,701

Long-Lived Assets Impairment

The Health System evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No impairment was recorded in 2016 or 2015.

Interest in Net Assets of Skaggs Foundation

Skaggs Foundation holds certain restricted net assets on behalf of the Health System. The Health System accounts for its interest in the net assets of Skaggs Foundation (Interest) in a manner similar to the equity method. Changes in the Interest are included in change in net assets. Transfers of assets between the Skaggs Foundation and the Health System are recognized as increases or decreases in the Interest.

Goodwill

Goodwill is evaluated annually for impairment or more frequently if impairment indicators are present. A qualitative assessment is performed to determine whether the existence of events or circumstances leads to a determination that it is more likely than not the fair value is less than the carrying amount, including goodwill. If, based on the evaluation, it is determined to be more likely than not that the fair value is less than the carrying value, then goodwill is tested further for impairment. If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the financial statements. No impairment was recorded in 2016 and 2015.

Other Assets

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the interest method of amortization. Other loan costs are being amortized on a straight-line basis over the term of the loan.

The Health System funds life insurance policies for certain key executives. Upon termination of the policies all premiums advanced to the policy holder will be returned to the Health System.

Deposits of various amounts are on account with certain vendors which provides for additional discounts on purchases made.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Health System has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Health System in perpetuity.

The governing Board of the Health System treats any appreciation in endowment funds as permanently restricted unless specified otherwise by the donor. Interest and dividends from permanently restricted investments are recorded as unrestricted net assets unless donor stipulations restrict such earnings.

Net Patient Service Revenue

The Health System has agreements with third-party payers that provide for payments to the Health System at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Premium Revenue

The Health System receives premium revenue through Cox Health Systems Insurance Company and Cox Health Systems HMO, Inc., resulting from the sale of health insurance policies. Premiums are reported as earned in the period in which members are entitled to receive health care services. Premiums received prior to such period are recorded as deferred revenue and reflected as a liability in the accompanying balance sheets.

Charity Care

The Health System provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Health System does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Contributions Receivable

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Gifts received with donor stipulations are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions. Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

Estimated Insurance Costs and Professional Liability Claims

An annual estimated provision is accrued for professional liability claims, comprehensive general liabilities, employee health care and worker's compensation claims and includes an estimate of the ultimate costs, including estimated costs to defend the claims, for both reported claims and claims incurred but not reported. The estimated liability for claims not expected to be settled within the next year is included in long-term liabilities.

The Health System recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in *Note 8*.

Income Taxes

The following organizations are exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the organizations are subject to federal income tax on any unrelated business taxable income.

CoxHealth
Lester E. Cox Medical Centers
Cox Alternative Care of the Ozarks, Inc.
Healthcare Services of the Ozarks, Inc.
Cox Healthcare Services of the Midwest, Inc.
Cox HPS of the Ozarks, Inc.
Cox-Monett Hospital
Cox Medical Center Branson
Cox Health Systems Insurance Company
CoxHealth System HMO, Inc.
Primrose Place, Inc.
CoxHealth Foundation
Cox Medical Group
Cox College

Medical Developments, Inc., Insurance Company of Springfield, Inc., Cox Taxable Close Corporation and Ferrell-Duncan Clinic, Inc. are for-profit entities and subject to federal and state income tax.

The Health System files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Health System is no longer subject to U.S. federal examinations by tax authorities for years before 2013.

Deferred Revenue

The Health System receives payment in advance of services being provided for home care services, nursing education tuition and insurance policy premiums. These advance payments are recorded as deferred revenue and recognized as revenue as services are provided.

The Health System has entered into certain shared savings payment arrangements with insurance providers to improve outcomes and reduce costs. The Health System receives payments from insurance providers in advance of final outcomes and cost measurements. Therefore, the Health System has deferred revenue recognition of shared savings payments until final outcomes and costs have been determined by the insurance providers.

Excess of Revenues Over Expenses

The consolidated statements of operations and changes in net assets include excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, accrued pension liability adjustments and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period-end date.

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the Health System continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Health System recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

The Health System recognized revenue of approximately $1,600,000 and $3,800,000 during 2016 and 2015, respectively, which is included in other revenue within operating revenues in the statements of operations and changes in net assets.

Reclassifications

Certain reclassifications have been made to the 2015 consolidated financial statements to conform to the 2016 consolidated financial statements presentation. These reclassifications had no effect on the change in net assets.

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the consolidated financial statements were issued.

Note 2: Net Patient Service Revenue

The Health System recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Health System recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Health System's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Health System records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided. This provision for uncollectible accounts is presented on the statement of operations as a component of net patient service revenue.

The Health System has agreements with third-party payers that provide for payments to the Health System at amounts different from its established rates. These payment arrangements include:

Medicare. Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain outpatient services and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. Cox-Monett Hospital is a critical access hospital. As such, it is paid on a cost basis for most inpatient and outpatient services. The Health System is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Health System and audits thereof by the Medicare administrative contractor.

Medicaid. Inpatient services rendered to Medicaid program beneficiaries are reimbursed based on a prospectively established per diem rate. Medicaid outpatient reimbursement is based on a prospective percentage rate determined from prior cost reports regressed forward.

The Health System participates in the states provider tax program which provides for additional reimbursement from the Medicaid program in relation to the percentage of Medicaid and indigent population the Health System serves. The Health System paid assessments of approximately $50,704,000 and $52,633,000 in state provider tax during 2016 and 2015, respectively, which is presented in operating expenses within the accompanying consolidated financial statements.

Funding received in excess of costs to provide services to the Medicaid and indigent population may be refunded to the state for reallocation to other healthcare systems. The Health System received approximately $62,942,000 and $59,514,000 in 2016 and 2015, respectively, which is recorded in net patient service revenue in the accompanying consolidated financial statements. Currently, no funds are expected to be repaid to the state, however, it is reasonably possible that circumstances could change materially in the near term.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Health System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and/or preferred provider organizations. The basis for payment to the Health System under these agreements includes prospectively determined rates per discharge, discounts from established charges and/or prospectively determined daily rates.

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the years ended September 30, 2016 and 2015, respectively, is approximately:

	2016	2015
Medicare	$ 447,785,491	$ 437,586,904
Medicaid	146,156,492	147,468,678
Commercial insurance	600,754,013	556,805,144
Patients	85,766,993	86,493,867
	$ 1,280,462,989	$ 1,228,354,593

Note 3: Concentrations of Credit Risk

The Health System grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of net receivables from patients and third-party payers at September 30, 2016 and 2015, is:

	2016	2015
Medicare	17.4%	17.7%
Medicaid	6.3%	8.9%
Commercial insurance	63.8%	56.5%
Patients	12.5%	16.9%
	100.0%	100.0%

Note 4: Investments and Investment Return

Investments, at September 30, include:

	2016	2015
Cash	$ 903,321	$ 1,073,865
Money market funds	14,188,414	20,268,758
Guaranteed investment contract	36,027,558	34,529,941
Certificates of deposit	17,131,293	9,497,933
Governmental obligations	94,772,399	81,517,015
Corporate obligations	95,438,018	112,949,448
Equity securities	53,989,582	53,182,183
Mutual funds – equity securities	130,214,867	116,697,967
Mutual funds – debt securities	971,254	933,347
Alternative investments	138,316,178	118,479,892
Assets under perpetual trusts	10,152,575	9,861,577
Other	7,791,597	4,664,369
Total investments	$599,897,056	$563,656,295

The guaranteed investment contract is primarily concentrated with one company in the financial guaranty insurance business. The insurance company is not required to maintain certain ratings by nationally recognized rating agencies. However, at September 30, 2016 and 2015, this insurance company was rated AA- and A1 by Standard & Poor’s and Moody’s, respectively.

Investments are included on the balance sheets as follows:

	2016	2015
Short-term investments	$ 57,594,293	$ 47,442,605
Assets limited as to use		
Internally designated	440,745,437	409,932,010
Externally restricted	61,434,305	55,859,063
Held by trustees	40,123,021	50,422,617
	$599,897,056	$563,656,295

Investment Return

Total investment return is comprised of the following:

	2016	2015
Interest and dividend income	$ 15,161,393	$ 12,407,890
Realized gains and losses on securities and investments accounted for under the fair value option of Topic 825	5,621,134	6,546,144
Realized gain on settlement of interest rate basis swap	7,090,000	-
Unrealized gains (losses) on trading securities	14,991,099	(15,138,821)
Unrealized gains (losses) on other than trading securities	97,581	1,156,060
Change in beneficial interest in perpetual trust	290,998	(681,048)
Change in fair value of interest rate basis swap	3,278,528	391,073
Change in fair value of investments accounted for under the fair value option of Topic 825	(116,388)	(11,603,883)
	$ 46,414,345	$ (6,922,585)

Total investment return is reflected in the statements of operations and changes in net assets as follows:

	2016	2015
Unrestricted net assets		
Unrestricted revenues, gains and other support	$ 1,977,800	$ 1,065,826
Other income		
Investment return	25,219,134	17,097,726
Change in unrealized gains and losses on trading securities, fair value of interest basis swap and fair value option of Topic 825	18,153,239	(26,351,631)
Change in unrealized gains and losses on other than trading securities	97,581	1,156,060
Temporarily restricted net assets	675,593	790,482
Permanently restricted net assets	290,998	(681,048)
	$ 46,414,345	$ (6,922,585)

Investment return of $1,977,800 and $1,065,826 on unexpended debt proceeds limited as to use under bond indenture agreements, self-insurance trust earnings and short-term investments have been included in unrestricted revenues, gains and other support for the years ended September 30, 2016 and 2015, respectively.

Alternative Investments

Except as described below, the alternative investments have been estimated using the net asset value per share of the investments. Alternative investments held at September 30 consist of the following:

	September 30, 2016			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity (A)	$ 7,236,798	$ 12,615,772	None	None
Emerging markets all cap (B)	14,833,857	-	Monthly	30 days
Risk parity (C)	19,846,130	-	Monthly	15 days
Real assets (D)	14,093,601	-	Monthly	30 days
International small cap (E)	6,937,313	-	Daily	10 days
Emerging markets local currency debt (F)	8,481,503	-	Monthly	5 days
Real estate (G)	16,100,518	-	Quarterly	45 days
Real return (H)	9,944,794	-	Monthly	30 days
Hedge fund of funds (I)	40,841,664	-	**	**

	September 30, 2015			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity (A)	$ 3,256,420	$ 16,565,842	None	None
Emerging markets all cap (B)	12,951,143	-	Monthly	30 days
Risk parity (C)	17,966,787	-	Monthly	15 days
Real assets (D)	9,270,600	-	Monthly	30 days
International small cap (E)	5,728,879	-	Daily	10 days
Emerging markets local currency debt (F)	7,377,526	-	Monthly	5 days
Real estate (G)	14,866,169	-	Quarterly	45 days
Real return (H)	5,849,814	-	Monthly	30 days
Hedge fund of funds (I)	41,212,554	-	**	**

** Subject to underlying funds redemption policy ranging from 15 to 90 days and underlying manager liquidity.

(A) The objectives of the fund are to deliver superior risk-adjusted returns proactively sourcing attractive investments from across a broad spectrum of global private equity funds (primaries and secondaries) and co-investment opportunities and to achieve, over the life of the fund, long-term compounded net returns of at least 6% in excess of public equities as measured by the MSCI World Index. The fund has a lock-up period of 13 years as of the initial closing in December 2013, with up to two one-year extensions and the interest in the fund is nonredeemable.

(B) The objectives of the fund are to achieve attractive benchmark-relative returns through investment in an emerging markets portfolio of primarily publicly traded equity securities and over-the-counter equity swaps. The fund also seeks to benefit from a broad universe of investment candidates including large-, mid- and small-cap stocks from which to make its selections and from exposure to markets which tend to be less efficient, both which offer potential for enhanced returns.

(C) The objectives of the fund are to efficiently deliver exposure to a broadly diversified set of global risk premia covering equities, government bonds, commodities and credit. These include exposure to global developed and emerging stocks, developed government bonds, emerging market fixed income and emerging currencies, global inflation protected bonds, high-yield and investment grade credit spreads, mortgage spreads and commodities, among other exposures.

(D) The objectives of the fund are to seek absolute total return by investing in income-generating publicly traded master limited partnerships, either directly or via equity swaps, with a particular focus on energy sector master limited partnerships and other C-Corporation energy infrastructure companies.

(E) The objectives of the fund are to achieve long-term growth primarily from a diversified portfolio of small and mid-capitalization equity securities of companies located in any country other than the United States and Canada. The fund has defined small and mid-capitalization equity securities to be equity securities of companies with a market capitalization less than $15 billion at time of their initial purchase.

(F) The objectives of the fund are to seek current revenue and capital appreciation by investing in a diversified portfolio of emerging country debt, other securities linked to emerging country debt and money market instruments denominated in emerging country currencies. Emerging countries are defined as those designated, at the time the fund invests, as industrially developing countries by the International Monetary Fund, the World Bank, the International Finance Corporation or one of the leading investment banks or countries identified by the adviser that have similar characteristics to these countries.

(G) The objectives of the fund are to generate attractive investment returns from a portfolio of equity investments in income producing real property. The fund offers a commingled fund vehicle with an established portfolio of high quality real estate investments, including active management of stable, well-located properties among the four primary real estate sectors – apartment, industrial, office and retail – in major metropolitan markets throughout the continental United States.

(H) The objectives of the fund are to seek to generate a total return in the long term through investments in commodity-related instruments globally. The fund may be exposed to a range of commodity sectors from time to time but anticipates that under current market conditions the fund will be primarily invested in the energy, agriculture and metals sectors. The fund may invest in a range of commodity-related investments including, for example, futures contracts, swaps, options, forward contracts and structured notes and, to a lesser extent, equities, debt securities, convertible securities and warrants of issuers in commodity-related industries.

(I) The objectives of the fund are to provide consistent, superior capital appreciation through the use of a multi-manager investment strategy. To achieve this objective, the fund will allocate its assets primarily among private investment vehicles and/or separate investment accounts (Portfolio Funds) which, in turn, are expected to invest primarily in publicly traded equity securities of United States and foreign issuers. Portfolio Funds may also invest in other securities, including debt securities, options and other derivative instruments. Portfolio Funds will be managed by U.S. and foreign-based professional investment managers selected for their specialized expertise and significant investment histories and/or prospects.

Note 5: Contributions Receivable

Contributions receivable, temporarily restricted by donors for the purposes of construction projects, consist of the following unconditional promises to give:

	2016	2015
Due within one year	$ 412,500	$ 412,500
Due in one to five years	1,745,000	2,081,487
Due in five to ten years	800,000	920,000
	2,957,500	3,413,987
Less		
Unamortized discount	481,555	582,667
	$ 2,475,945	$ 2,831,320

Discount rates ranged from 2% to 6% for 2016 and 2015.

Note 6: Property and Equipment

Property and equipment are stated at cost. A summary of cost by category and the related total accumulated depreciation follows:

	2016	2015
Land	$ 33,178,052	$ 32,630,391
Land improvements	27,294,839	26,720,284
Buildings	468,267,619	463,977,782
Fixed equipment	292,208,610	272,318,492
Major movable equipment	421,323,342	398,779,796
Construction in progress	10,954,408	20,723,019
	1,253,226,870	1,215,149,764
Less accumulated depreciation	700,855,794	666,257,571
	$ 552,371,076	$ 548,892,193

At September 30, 2016, construction in progress represents costs incurred in connection with the Cox South construction, Cox Branson expansion and construction on various clinics. The total cost of the projects in progress at September 30, 2016, is estimated to be approximately $30,400,000 representing an additional commitment to complete the projects of approximately $21,800,000, which will be funded by operations.

Note 7: Beneficial Interest in Perpetual Trusts

The Health System is an income beneficiary of perpetual trusts controlled by unrelated third-party trustees. The beneficial interest in the assets of these trusts are included in the Health System's consolidated financial statements as an asset externally restricted by a donor and part of permanently restricted net assets. Income is distributed in accordance with the individual trust documents and is included in contributions. The estimated value of the expected future cash flows is $10,152,575 and $9,861,577, which represents the fair value of the trust assets at September 30, 2016 and 2015, respectively.

Note 8: Professional Liability Claims

The Health System is primarily insured for professional liability claims, comprehensive general liabilities, employee health care and worker's compensation. The Health System purchases a claims-made policy for malpractice claims in excess of self-insured limits that covers individual claims in excess of $4 million or $40 million total policy limits. Losses from asserted and unasserted claims identified under the Health System's incident reporting system are accrued based on estimates that incorporate the Health System's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors.

Based upon the Health System's claims experience, an accrual has been made for the Health System's estimated malpractice costs, including costs associated with litigating or settling claims, under its malpractice insurance policy, amounting to approximately $25,100,000 and $28,400,000 as of September 30, 2016 and 2015, respectively. Management is vigorously contesting the current claims and believes the accrued liability for self-insured claims is sufficient to cover probable losses. However, given the nature of the claims and the uncertainties involved, it is possible that management's estimate of ultimate losses for self-insured claims may change materially in the near term.

Activity in the Health System's accrued self-insurance liabilities during 2016 and 2015 is summarized as follows:

	2016	2015
Balance, beginning of year	$ 44,888,757	$ 40,171,578
Current year claims incurred and change in estimates for claims incurred in prior years	50,277,984	60,664,719
Claims and expenses paid	(56,943,317)	(55,947,540)
Balance, end of year	$ 38,223,424	$ 44,888,757

Note 9: Long-Term Debt

Long-term debt consists of the following:

	2016	2015
Medical Centers -		
Health Facilities Revenue Bonds Series H 1992 (A)	$ 31,576,703	$ 35,731,226
Health Facilities Revenue Bonds Series 2008A (B)	32,500,000	32,500,000
Health Facilities Revenue Bonds Series 2008B (C)	70,000,000	70,000,000
Health Facilities Revenue Bonds Series 2008C (D)	34,245,000	34,375,000
Health Facilities Revenue Bonds Series 2013A (E)	201,475,000	201,475,000
Health Facilities Revenue Bonds Series 2015A (F)	126,485,000	126,485,000
Health Facilities Revenue Note (G)	503,890	1,085,122
Capital leases (H)	8,634,833	9,576,682
Purchase Agreement (I)	2,236,599	5,158,829
Note payable (J)	5,462,500	5,520,000
Cox-Branson Hospital -		
Capital leases (K)	6,779,018	8,570,503
Notes payable (L)	4,237,717	4,694,519
Cox-Monett Hospital -		
Capital leases (M)	59,208	175,629
	524,195,468	535,347,510
Unamortized bond premium (discount)	26,302,638	27,638,795
	550,498,106	562,986,305
Less current amortization of premium (discount)	1,335,003	1,336,157
Less current maturities	12,076,813	15,677,292
	$ 537,086,290	$ 545,972,856

(A) Series H bonds issued in 1992 in the original amount of $20,347,292, which are capital appreciation bonds bearing interest at 4.25% to 6.7%. The bonds were to accrete to a peak amount of $61,128,095, but a portion of the proceeds from the Series 2002 Variable Rate Demand Bonds was used to extinguish the Current Interest Serial Bonds and the Current Interest Term Bonds associated with the Series H Bonds. The total amount extinguished with proceeds from the Series 2002 Variable Rate Demand Bonds was $5,755,000. During 2008, the Health System defeased 37.9% or $13,685,080 of the Series H bonds maturing in years 2016 through 2022 using existing cash and investments. The defeasance will result in a reduction in annual debt service of approximately $4 million in each of the years in which such Series H bonds mature. With the 2008 defeasance, the bonds will now accrete to a peak amount of $45,849,773 in 2022.

(B) Series 2008A bonds, issued on September 10, 2008, in the original amount of $162,500,000, with an original issue discount of $5,421,241. These bonds bear interest rates at 5.0% to 5.5% and mature between November 15, 2022, and November 15, 2039. The proceeds of the 2008A bonds were used to redeem the 1997, 2002 Variable Rate Demand Bonds, a portion of the 1992 Series H bonds and fund certain construction and remodeling projects. A portion of these bonds were refunded in advance with the issuance of the Series 2015A bonds in the amount of $130,000,000.

(C) Variable Rate Demand Revenue Bonds, Series 2008B, issued on October 15, 2008, in the original amount of $70,000,000. The interest rate was 0.9556% and 0.7351% at September 30, 2016 and 2015, respectively. The bonds are due in graduated installments from November 15, 2023, through November 15, 2044. The proceeds of the 2008B bonds were used to fund certain construction and remodeling projects.

The Series 2008B Bonds are directly placed with a financial institution, bearing interest at 68% of the 30-day LIBOR rate plus 60 basis points through the initial indexed put period ending December 3, 2018. At such time, the Health System may enter into a new indexed put-rate period with the current or a replacement financial institution or seek other mode conversion options.

(D) Variable Rate Demand Revenue Bonds, Series 2008C, issued on October 15, 2008, in the original amount of $35,000,000. The interest rate was 0.9458% and 0.8125% at September 30, 2016 and 2015, respectively. The bonds are due in graduated installments from November 15, 2012, through November 15, 2043. The proceeds of the 2008C bonds were used to fund certain construction and remodeling projects.

The Series 2008C Bonds are directly placed with a financial institution, bearing interest at 70% of the 30-day LIBOR rate plus 65 basis points through the indexed put period ending September 1, 2021. At such time, the Health System may enter into a new indexed put-rate period with the current or a replacement financial institution or seek other mode conversion options.

(E) Series 2013A bonds, issued on April 17, 2013, in the original amount of $201,475,000, with an original issue premium of $14,289,775. These bonds bear interest rates at 5.0% to 5.5% and mature between November 15, 2016, and November 15, 2048. The proceeds of the 2013A bonds were used to redeem The Skaggs Community Hospital Association d/b/a Skaggs Regional Medical Center Series 1998 and 2005 Hospital Revenue Bonds and fund certain construction and remodeling projects.

(F) Series 2015A bonds, issued on April 22, 2015, in the original amount of $126,485,000, with an original issue premium of $15,724,927. These bonds bear interest rates at 4.0% to 5.0% and mature between November 15, 2022, and November 15, 2039. The proceeds of the 2015A bonds were used to refund in advance a portion of the 2008A bonds.

The Medical Center's Health Facilities Revenue Bonds, Series H 1992 are insured by a municipal bond guaranty policy which insures payment of interest and principal at stated maturity or pursuant to scheduled mandatory redemption provisions subject to certain restrictions.

The Medical Center's bonds are secured by all tangible personal property of the institution, including all fixtures, furnishings, machinery and equipment constituting part of the south facility and certain equipment located at the north facility. The bonds are also secured by all revenue and proceeds of the operations of the facilities excluding only gifts, grants, bequests, donations and contributions to the Medical Centers and the income and gains derived therefrom which are specifically restricted by the donor or grantor to a particular purpose other than payment of the bonds.

The Obligated Group member for all of the outstanding bonds at September 30, 2016 and 2015, is Lester E. Cox Medical Centers and Cox Medical Center Branson. The indenture agreements require that certain funds be established with the trustees. Accordingly, these funds are included as assets limited as to use held by trustee in the financial statements. The bond indenture agreements require the Obligated Group to comply with certain restrictive covenants including minimum insurance coverage, maintaining financial ratios above specified levels and restrictions on incurrence of additional indebtedness. The maximum annual debt service for the Obligated Group, as of September 30, 2016, was approximately $32,938,000.

(G) Revenue note issued in 2007 in the original amount of $5,000,000, bearing interest at 4.32%. The note is payable in monthly installments of $51,393 beginning August 2007 through July 2017 and secured by the equipment purchased.

(H) Capital leases for various equipment, payable in monthly installments through 2022. The capital leases bear imputed interest rates between 1% to 4% and are secured by the equipment.

(I) Purchase agreement notes payable dated September 1, 1997, payable in annual installments ranging from $52,262 to $2,963,725 through September 2035. The notes bear interest at 8% annually.

(J) Promissory note in connection with the purchase of a specialty clinic in the original amount of $5,750,000, dated January 5, 2011, bearing interest at 2.5%. The note is payable in annual installments ranging from $57,500 to $2,012,500 through December 2030.

(K) Capital leases for various equipment, payable in monthly installments through 2024. The capital leases bear imputed interest rates between 1% to 8% and are secured by the equipment.

(L) Notes payable in monthly installments through 2024. The notes payable bear interest rates between 0% to 3% and are secured by the equipment.

(M) Capital leases for equipment payable through 2017 and secured by the equipment.

Aggregate annual maturities of long-term debt, excluding amortization of bond discounts and premiums, at September 30, 2016, are:

Year Ending September 30,	Total to be Paid	Principal	Interest
2017	$ 32,011,230	$ 12,076,813	$ 19,934,417
2018	30,693,414	10,517,450	20,175,964
2019	32,938,256	12,560,752	20,377,504
2020	28,912,774	8,366,179	20,546,595
2021	29,699,001	8,946,486	20,752,515
Thereafter	796,468,695	471,727,788	324,740,907
	$ 950,723,370	$ 524,195,468	$ 426,527,902

Advanced Refunding

The proceeds from certain bond offerings were used to advance refund portions of bonds previously issued. Proceeds sufficient to cover repayment of the bond offerings were placed in escrow with a bond trustee and upon making the advance refunding deposits with the bond trustee, the Health System has no further obligation under the financing documents and has been released from the liability. Accordingly, the outstanding obligations related to this bond offering and the related escrow deposit are not reflected in the accompanying consolidated financial statements.

The proceeds from the 2008A bond offering by the Health System were used to advance refund a portion of the 1992 Series H bonds. The outstanding obligations and escrow deposit related to this bond offering is $19,174,827 and $22,980,486, respectively, at September 30, 2016.

The proceeds from the 2015A bond offering by the Health System were used to advance refund a portion of the 2008A Series bonds. The outstanding obligations and escrow deposit related to this bond offering is $130,000,000 and $145,389,410, respectively, at September 30, 2016.

Note 10: Interest Rate Basis Swap

The Medical Centers entered into an interest rate basis swap agreement which was not designated as a hedging instrument. The swap agreement provides for the Medical Centers to receive variable rates of interest from and to pay variable rates of interest to the counterparty on the notional amount of $200,000,000. The pay rate on the notional amount is SIFMA (Securities Industry and Financial Markets Association Municipal Swap Index), and the Medical Centers receives 67% of three-month USD-LIBOR-BBA plus 0.445%. Under the agreement, the Medical Centers pays or receives the net interest amount monthly with the monthly settlements included in investment return.

The interest rate basis swap agreement was carried at fair value based on quoted market prices and changes in fair value are included in excess of revenues over expenses. As of August 2016, the swap was terminated, realizing a gain of $7,090,000, included in investment return on the consolidated statement of operations.

Note 11: Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2016	2015
Health care services		
Health education	$ 3,581,663	$ 2,283,984
Indigent care	7,809,807	7,953,246
Health services	4,398,794	2,592,998
Construction projects	2,635,748	3,704,662
Research and other	1,136,769	1,803,891
	$ 19,562,781	$ 18,338,781

During 2016 and 2015, net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes in the amounts of $4,011,102 and $3,735,046, respectively. During 2016 and 2015, net assets of $1,088,612 and $5,401,868, respectively, were released to purchase property and equipment.

Permanently restricted net assets are restricted to:

	2016	2015
Investments to be held in perpetuity, the income is restricted to be spent only for the donor's intended purpose	$ 18,779,752	$ 18,268,652

Note 12: Charity Care

The estimated cost of charity care provided under the Health System's charity care policy was approximately $43,116,000 and $41,177,000 for 2016 and 2015, respectively. The cost of charity care is estimated by applying the ratio of cost to charges to the gross uncompensated care charges.

Note 13: Functional Expenses

The Health System provides health care services to residents within its service area. Expenses related to providing these services are as follows:

	2016	2015
Health care services	$ 979,512,889	$ 921,584,699
General and administrative	248,924,316	240,597,133
Cox Health Systems Insurance Company and HMO health claims expense	72,304,265	70,493,878
	$ 1,300,741,470	$ 1,232,675,710

Note 14: Operating Leases

Rental expense under operating lease agreements for various physician clinic buildings and equipment totaled approximately $17,500,000 and $17,300,000 for the years ended September 30, 2016 and 2015, respectively.

Future minimum payments required under noncancellable operating leases for various physician clinic buildings and equipment at September 30, 2016, are summarized as follows:

2017	$ 7,665,902
2018	6,668,300
2019	6,476,632
2020	2,831,341
2021	1,074,731
Thereafter	625,310
	$ 25,342,216

Note 15: Significant Commitments

During the year ended September 30, 2012, the Health System and Cerner formed a strategic alignment, Si3 – The Star Initiative for Information and Innovation, dedicated to transforming health information in the region, enhancing clinical processes and healthcare delivery capabilities and positioning the Health System for future growth and advancement. With this alignment, Cerner will assume operational and administrative responsibilities for the Health System's information technology environment and services, including remote hosting, monitoring and system performance capabilities. The agreement is effective as of October 2012 for an initial term of 10 years. At the end of the initial term, the agreement will automatically renew in one-year increments. The payments on these agreements are recognized as expense when incurred.

Future minimum payments required under these agreements at September 30, 2016, are summarized as follows:

2017	$ 22,890,976
2018	23,650,631
2019	24,395,032
2020	25,094,972
2021	25,456,263
Thereafter	25,066,784
	$ 146,554,658

Note 16: Pension Plans

Defined Benefit Pension Plan

The Health System has a noncontributory defined benefit pension plan covering all employees who meet the eligibility requirements. Effective April 25, 2009, an amendment was enacted to freeze the plan, whereby no further benefits will be accrued under the plan. The Health System makes contributions to the plan in conformity with the required level of funding determined by the plan's actuary. The Health System expects to contribute approximately $6,000,000 to the plan in 2017.

The Health System uses a September 30 measurement date for the plan. Information about the plan's funded status follows:

	2016	2015
Change in benefit obligation		
Beginning of year	$ 316,886,941	$ 319,598,988
Interest cost	13,317,137	13,391,772
Actuarial (gain) loss	29,168,107	(7,009,773)
Benefits paid	(10,263,925)	(9,094,046)
End of year	349,108,260	316,886,941
Change in fair value of plan assets		
Beginning of year	229,226,877	243,723,418
Actual return on plan assets	15,763,833	(11,402,495)
Employer contribution	6,000,000	6,000,000
Benefits paid	(10,263,925)	(9,094,046)
End of year	240,726,785	229,226,877
Funded status at end of year	$ (108,381,475)	$ (87,660,064)
Amounts recognized in the balance sheets		
Noncurrent accrued pension liability	$ (108,381,475)	$ (87,660,064)

Amounts recognized in unrestricted net assets not yet recognized as components of net periodic benefit cost consist of:

	2016	2015
Net loss	$ (156,639,251)	$ (129,336,928)

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	2016	2015
Projected benefit obligation	$ 349,108,260	$ 316,886,941
Accumulated benefit obligation	$ 349,108,260	$ 316,886,941
Fair value of plan assets	$ 240,726,785	$ 229,226,877
Components of net periodic benefit cost		
Interest cost	$ 13,317,137	$ 13,391,772
Expected return on plan assets	(16,979,407)	(18,105,539)
Amortization of net loss	3,081,358	2,339,230
Net periodic benefit cost	$ (580,912)	$ (2,374,537)

Other changes in plan assets and benefit obligations recognized in change in unrestricted net assets:

	2016	2015
Net loss	$ 30,383,681	$ 22,498,261
Amortization of net loss	(3,081,358)	(2,339,230)
Total recognized in change in unrestricted net assets	$ 27,302,323	$ 20,159,031

The estimated net loss for the defined benefit pension plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year is $3,927,000.

Significant assumptions include:

	2016	2015
Weighted average assumptions used to determine benefit obligations		
Discount rate	3.58%	4.28%
Rate of compensation increase	0.00%	0.00%
Weighted average assumptions used to determine benefit costs		
Discount rate	4.28%	4.26%
Expected return on plan assets	7.50%	7.50%
Rate of compensation increase	N/A	N/A

The Health System has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

Asset allocation is primarily based on a strategy to provide stable earnings while still permitting the plan to recognize potentially higher returns through a limited investment in equity securities. The target asset allocation percentages for 2016 and 2015 are as follows:

Growth	50-70%
Income	20-40%
Diversification	0-20%

Growth assets include: Domestic equity, international equity, emerging market debt, high-yield bonds, energy-related master limited partnerships, private equity/debt, hedge fund-growth and risk parity investments.

Income assets include: Core fixed income, senior loans, core real estate and hedge funds-income investments.

Diversification assets include: Inflation-linked bonds (TIPS), long-term Treasury bonds, commodities, hedge funds-diversification and cash investments.

Pension Plan Assets

Following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

CoxHealth

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2016				
Money market	$ 1,839,623	$ 1,839,623	$ -	$ -
Governmental obligations	20,797,671	-	20,797,671	-
Corporate bonds	14,414,469	-	14,414,469	-
Alternative investments (A)	117,896,137	-	-	-
Equity securities				
Materials and industrial	3,523,204	3,523,204	-	-
Consumer discretionary	3,693,438	3,693,438	-	-
Financial industry	6,231,048	6,231,048	-	-
Health care	2,969,862	2,969,862	-	-
Information technology	5,423,143	5,423,143	-	-
Other industries	3,129,844	3,129,844	-	-
Mutual funds - equity				
Domestic equity	33,373,510	33,373,510	-	-
International funds	27,434,836	27,434,836	-	-
Total fair value of recurring measurements for pension investments	$ 240,726,785			

	Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2015				
Money market	$ 2,340,114	$ 2,340,114	$ -	$ -
Governmental obligations	21,700,805	-	21,700,805	-
Corporate bonds	15,731,452	-	15,731,452	-
Alternative investments (A)	104,920,905	-	-	-
Equity securities				
Materials and industrial	3,103,349	3,103,349	-	-
Consumer discretionary	5,109,782	5,109,782	-	-
Financial industry	6,986,695	6,986,695	-	-
Health care	3,758,661	3,758,661	-	-
Information technology	4,685,965	4,685,965	-	-
Other industries	4,219,115	4,219,115	-	-
Mutual funds - equity				
Domestic equity	30,220,227	30,220,227	-	-
International funds	26,449,807	26,449,807	-	-
Total fair value of recurring measurements for pension investments	$ 229,226,877			

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

Plan assets are held by a bank-administered trust fund, which invests the plan assets in accordance with the provisions of the plan agreement. The plan agreement permits investment in common stocks, corporate bonds and debentures, U.S. government obligations, alternative investments and other specified investments, based on certain target allocation percentages.

The following benefit payments expected to be paid as of September 30, 2016:

2017	$ 12,350,422
2018	13,290,138
2019	14,480,123
2020	15,455,797
2021	16,241,303
2022 - 2026	91,678,112

Defined Contribution Plans

The Health System has a 403(b) retirement plan which covers eligible employees. Contributions to the plan are made by the Health System and participants. The Health System matches up to 5% of the participant's qualifying compensation and discretionary contributions, as approved by the Health System's Board of Directors. The Health System's contributions to the plan were $16,922,453 and $14,075,072 for the years ended September 30, 2016 and 2015, respectively. The Health System accrued an additional discretionary contribution of $1,000,000 in 2016 and 2015.

The Health System provides certain employees of Ferrell-Duncan Clinic a defined contribution retirement plan. The Health System contributes a percentage of wages for each eligible employee. The Health System's contributions to the plan were $766,335 and $618,497 for the years ended September 30, 2016 and 2015, respectively.

The Health System also provides 457(b) and 457(f) deferred compensation plans. The plans are eligible to full-time physicians and management of the Health System. The plans consist of salary reduction only and there are no contributions by the Health System. Under the terms of the plans, the deferred compensation liability and related assets limited as to use are recorded by the Health System and are subject to the general creditors of the Health System. At September 30, 2016 and 2015, the investment balance in these plans is $12,614,739 and $11,231,818, respectively.

Note 17: Related Party Transactions

The Health System has two lease agreements with an employed physician group under a contractual arrangement for approximately 200,000 square feet of building clinical space. The lease payments are adjusted annually based on the increase in the Consumer Price Index and expire on January 2020. CoxHealth has rental expense with this group of $4,932,342 and $4,711,704 in 2016 and 2015, respectively.

Note 18: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2016 and 2015:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2016				
Cash (B)	$ 903,321	$ 903,321	$ -	$ -
Money market funds	14,188,414	14,188,414	-	-
Governmental obligations	94,772,399	-	94,772,399	-
Corporate obligations	95,438,018	-	95,438,018	-
Equity securities				
Materials and industrial	7,716,492	7,716,492	-	-
Consumer discretionary	8,017,730	8,017,730	-	-
Financial industry	14,008,994	14,008,994	-	-
Health care	6,131,238	6,131,238	-	-
Information technology	12,112,032	12,112,032	-	-
Other industries	6,003,096	6,003,096	-	-
Mutual funds - equity				
Domestic equity	66,315,369	66,315,369	-	-
International funds	63,899,498	63,899,498	-	-
Mutual funds - fixed income	971,254	971,254	-	-
Beneficial interest in perpetual trusts	10,152,575	-	10,152,575	-
Alternative investments (A)	138,316,178	-	-	-
Guaranteed investment contract (B)	36,027,558	-	-	-
Certificates of deposit (B)	17,131,293	-	-	-
Other (B)	7,791,597	-	-	-
Total investments	599,897,056			-
Total fair value of recurring measurements	$599,897,056			

CoxHealth

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2015				
Cash (B)	$ 1,073,865	$ 1,073,865	$ -	$ -
Money market funds	20,268,758	20,268,758	-	-
Governmental obligations	81,517,015	-	81,517,015	-
Corporate obligations	112,949,448	-	112,949,448	-
Equity securities				
Materials and industrial	6,121,920	6,121,920	-	-
Consumer discretionary	9,619,364	9,619,364	-	-
Financial industry	13,104,414	13,104,414	-	-
Health care	7,133,336	7,133,336	-	-
Information technology	8,887,999	8,887,999	-	-
Other industries	8,315,150	8,315,150	-	-
Mutual funds - equity				
Domestic equity	59,305,807	59,305,807	-	-
International funds	57,392,160	57,392,160	-	-
Mutual funds - fixed income	933,347	933,347	-	-
Beneficial interest in perpetual trusts	9,861,577	-	9,861,577	-
Alternative investments (A)	118,479,892	-	-	-
Guaranteed investment contract (B)	34,529,941	-	-	-
Certificates of deposit (B)	9,497,933	-	-	-
Other (B)	4,664,369	-	-	-
Total investments	563,656,295			
Interest rate basis swap agreement	(3,278,528)	-	(3,278,528)	-
Total fair value of recurring measurements	$560,377,767			

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

(B) Certain assets limited as to use that are recorded at other than fair value (as fair value is described in ASC 820), are included above to permit reconciliation of the fair value hierarchy to the total investments presented in the consolidated balance sheets. As these assets are carried at other than fair value, they have not been classified in the fair value hierarchy.

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Beneficial Interest in Perpetual Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy.

Note 19: The Fair Value Option

As permitted by Topic 825, the Health System has elected to measure alternative investments at fair value. Management has elected the fair value option for these items because it more accurately reflects the portfolio returns and financial position of the Health System.

See *Note 18* for additional disclosures regarding fair value of each of the consolidated balance sheet line items listed in the preceding paragraph.

Changes in Fair Value

Changes in fair value for items for which the fair value option has been elected are reported as changes in unrealized gains and losses on fair value option of Topic 825 in the financial statements. The change for 2016 and 2015 was $(116,388) and $(11,603,883), respectively, which reflects the unrealized gains and losses of the alternative investments for which the fair value option has been elected. Realized gains and losses of alternative investments are recognized as component of investment return.

Note 20: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerability due to certain concentrations. Those matters include the following:

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in *Notes 1* and *2*.

Self-Insurance Claims

Estimates related to the accrual for self-insurance claims are described in *Notes 1* and *8*.

Legal Contingencies

In the normal course of business, the Health System is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Health System's self-insurance program or by commercial insurance; for example, allegations regarding employment practices, billing arrangements or performance of contracts. The Health System evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of the ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Pension Benefit Obligation

The Health System has a noncontributory defined benefit pension plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the projected unit credit cost method. It is reasonably possible that events could occur that would change the estimate of this liability materially in the near term.

Investments

The Health System invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated balance sheets.

Note 21: 340B Outpatient Drug Discount Program

The Health System participates in the 340B outpatient drug discount program administered by the Office of Pharmacy Affairs of the Health Resources and Services Administration (HRSA). Under this program, the Health System received approximately $13,700,000 and $11,300,000 in benefits generated from purchases of outpatient pharmaceuticals in 2016 and 2015, respectively. The benefit is presented as a reduction of supplies and other expenses within the consolidated statement of operations.

The Health System also contracts with certain local pharmacies to assist them in providing outpatient drugs to the Health System's patients. The Health System purchases outpatient drugs at 340B outpatient drug discount prices to replenish those dispensed to outpatients on the Health System's behalf. The Health System recognized revenue from these contracts of $6,758,881 and $6,514,290, with associated costs of goods sold of $3,171,943 and $3,792,737, in 2016 and 2015, respectively.

Regulations associated with this program are complex and eligibility for the program is determined annually. Changes in 340B outpatient drug discount program regulations could have a significant impact on the operations of the Health System.

Note 22: Acquisition of CMH Healthcare

Subsequent to September 30, 2016, CoxHealth signed a letter of intent with Citizens Memorial Hospital District, Citizens Memorial Health Care Foundation, and CMH Properties (collectively referred to as "CMH"). Final agreements are expected to be signed in mid-2017. Upon closing, Citizens Memorial Hospital District assets will be leased by a new CoxHealth-controlled corporation for a period of time becoming a functioning part of the Health System. After the lease, the assets of Citizens Memorial Hospital District will be transferred to the new CoxHealth-controlled corporation. Upon closing, Citizens Memorial Health Care Foundation and CMH Properties will be a direct subsidiary of the Health System, with CoxHealth becoming the sole corporation member.

Supplementary Information

CoxHealth

Consolidating Schedule – Balance Sheet Information

September 30, 2016

Assets

	CoxHealth	Medical Centers	Cox-Branson	Cox-Monett Hospital	Health Systems HMO, Inc.	CoxHealth Foundation	Cox Medical Group	Other CoxHealth Entities	Eliminations	Total
Current Assets										
Cash and cash equivalents	$ -	$ 108,651,630	$ 22,909,486	$ 383,063	$ 22,243,624	$ 1,411,972	$ 10,230,567	$ 17,219,243	$ -	$ 183,049,585
Short-term investments	-	51,094,293	-	-	6,500,000	-	-	-	-	57,594,293
Assets limited as to use – current	-	11,362,345	-	-	-	-	-	-	-	11,362,345
Patient accounts receivable, net of allowance	-	133,044,837	25,168,743	5,127,940	-	-	-	5,138,095	(5,959,653)	162,519,962
Estimated amounts due from third-party payers	-	154,324	576,705	-	-	-	-	-	-	731,029
Due from affiliates	-	4,032,626	8,122,232	887,202	620,597	22,304	-	507,946	(14,192,907)	-
Other receivables	-	494,891	126,173	(2,742)	3,557,478	2,331	10,000	2,617,183	(277,724)	6,527,590
Contributions receivable – current	-	-	-	-	-	412,500	-	-	-	412,500
Supplies	-	12,336,468	2,894,423	440,794	-	81,850	-	1,689,830	-	17,443,365
Prepaid expenses	-	7,812,094	231,151	15,803	556,922	-	-	592,319	(698,125)	8,510,164
Total current assets	-	328,983,508	60,028,913	6,852,060	33,478,621	1,930,957	10,240,567	27,764,616	(21,128,409)	448,150,833
Assets Limited As To Use										
Investments										
Internally designated										
Building fund investments and other	-	212,513,047	18,688,017	-	10,614,672	-	-	15,590,084	-	257,405,820
Donated investments	-	181,315,495	-	-	-	2,024,122	-	-	-	183,339,617
Externally restricted										
Donor restricted	-	4,409,009	14,712,158	-	-	17,760,967	-	1,136,335	-	38,018,469
Under deferred compensation agreement	-	12,614,739	-	-	-	-	-	-	-	12,614,739
Required statutory reserves	-	-	-	-	10,801,097	-	-	-	-	10,801,097
Held by trustees										
Self-insurance trust investments	-	34,300,891	-	-	-	-	-	-	-	34,300,891
Under bond indenture agreements	-	5,822,130	-	-	-	-	-	-	-	5,822,130
	-	450,975,311	33,400,175	-	21,415,769	19,785,089	-	16,726,419	-	542,302,763
Less amount required to meet current obligations	-	11,362,345	-	-	-	-	-	-	-	11,362,345
	-	439,612,966	33,400,175	-	21,415,769	19,785,089	-	16,726,419	-	530,940,418
Contributions receivable	-	-	-	-	-	2,063,445	-	-	-	2,063,445
	-	439,612,966	33,400,175	-	21,415,769	21,848,534	-	16,726,419	-	533,003,863
Long-Term Receivables	-	5,965,653	-	-	-	-	-	-	(4,383,434)	1,582,219
Interest in Net Assets of Subsidiaries	712,614,000	217,503,565	-	-	-	-	-	4,890,367	(935,007,932)	-
Property and Equipment, At Cost	-	1,067,418,662	130,291,785	28,420,233	7,508,913	-	97,635	19,489,642	-	1,253,226,870
Less accumulated depreciation	-	632,572,219	29,201,297	19,323,339	7,058,240	-	97,635	12,603,064	-	700,855,794
	-	434,846,443	101,090,488	9,096,894	450,673	-	-	6,886,578	-	552,371,076
Goodwill and Intangible Assets	-	25,283,894	551,500	-	-	-	13,911	100,000	-	25,949,305
Other Assets	-	10,953,194	1,128,573	59,391	-	-	-	618,514	-	12,759,672
Total assets	$ 712,614,000	$ 1,463,149,223	$ 196,199,649	$ 16,008,345	$ 55,345,063	$ 23,779,491	$ 10,254,478	$ 56,986,494	$ (960,519,775)	$ 1,573,816,968

CoxHealth

Consolidating Schedule – Balance Sheet Information

September 30, 2016

Liabilities and Net Assets

	CoxHealth	Medical Centers	Cox-Branson	Cox-Monett Hospital	Health Systems HMO, Inc.	CoxHealth Foundation	Cox Medical Group	Other CoxHealth Entities	Eliminations	Total
Current Liabilities										
Current maturities of long-term debt	$ -	$ 10,203,912	$ 1,813,692	$ 59,209	$ -	$ -	$ -	$ -	$ -	$ 12,076,813
Current amortization of premium/discount on long-term debt	-	1,203,874	131,129	-	-	-	-	-	-	1,335,003
Accounts payable	-	38,209,122	3,131,478	556,145	4,486,949	4,585	-	2,067,296	(277,724)	48,177,851
Accrued payroll and vacation pay	-	37,953,552	5,521,912	1,545,536	-	-	212,262	1,597,209	-	46,830,471
Accrued interest	-	5,788,552	1,012,326	-	-	-	-	-	-	6,800,878
Other accrued expenses	-	19,979,277	888,848	171,172	15,082,668	210	140,512	403,490	(5,959,653)	30,706,524
Estimated amounts due to third-party payers	-	6,326,646	1,381,263	1,956,992	-	-	-	-	-	9,664,901
Due to affiliates	409,285	-	-	-	-	-	10,046,513	3,737,109	(14,192,907)	-
Estimated insurance costs – current	-	17,857,853	905,848	220,232	-	-	-	280,809	(316,846)	18,947,896
Deferred revenue – current	-	2,716,075	-	-	3,666,400	-	-	3,261,145	(381,279)	9,262,341
Total current liabilities	409,285	140,238,863	14,786,496	4,509,286	23,236,017	4,795	10,399,287	11,347,058	(21,128,409)	183,802,678
Estimated Insurance Costs	-	19,266,528	9,000	-	-	-	-	-	-	19,275,528
Deferred Compensation	-	12,716,719	-	-	-	-	-	-	-	12,716,719
								-		
Accrued Pension Liability	-	108,381,475	-	-	-	-	-	-	-	108,381,475
								-		
Other Long-Term Liabilities	-	7,220	-	-	-	342,343	-	-	-	349,563
								-		
Long-Term Debt										
Long-term debt	-	448,114,412	64,004,243	-	2,909,763	-	-	1,473,671	(4,383,434)	512,118,655
Premium/discount on long-term debt	-	21,665,197	3,302,438	-	-	-	-	-	-	24,967,635
	-	469,779,609	67,306,681	-	2,909,763	-	-	1,473,671	(4,383,434)	537,086,290
Total liabilities	409,285	750,390,414	82,102,177	4,509,286	26,145,780	347,138	10,399,287	12,820,729	(25,511,843)	861,612,253
Net Assets										
Unrestricted	673,862,182	674,416,276	104,321,828	11,499,059	29,199,283	510,418	(144,809)	38,025,266	(857,827,321)	673,862,182
Temporarily restricted	19,562,781	19,562,781	1,456,825	-	-	14,802,413	-	1,410,006	(37,232,025)	19,562,781
Permanently restricted	18,779,752	18,779,752	8,318,819	-	-	8,119,522	-	4,730,493	(39,948,586)	18,779,752
Total net assets	712,204,715	712,758,809	114,097,472	11,499,059	29,199,283	23,432,353	(144,809)	44,165,765	(935,007,932)	712,204,715
Total liabilities and net assets	$ 712,614,000	$ 1,463,149,223	$ 196,199,649	$ 16,008,345	$ 55,345,063	$ 23,779,491	$ 10,254,478	$ 56,986,494	$ (960,519,775)	$ 1,573,816,968

CoxHealth

Consolidating Schedule – Statement of Operations Information

Year Ended September 30, 2016

	CoxHealth	Medical Centers	Cox-Branson	Cox-Monett Hospital	Health Systems HMO, Inc.	CoxHealth Foundation	Cox Medical Group	Other CoxHealth Entities	Eliminations	Total
Unrestricted Revenues, Gains and Other Support										
Patient service revenue (net of contractual discounts and allowances)	$ (5,071)	$ 1,060,387,233	$ 186,349,565	$ 39,896,279	$ -	$ -	$ -	$ 46,224,832	$ (52,389,849)	$ 1,280,462,989
Provision for uncollectible accounts	1,670	(106,038,271)	(19,655,988)	(4,617,045)	-	-	-	(937,636)	-	(131,247,270)
Net patient service revenue less provision for uncollectible accounts	(3,401)	954,348,962	166,693,577	35,279,234	-	-	-	45,287,196	(52,389,849)	1,149,215,719
Premium revenue	-	-	-	-	125,118,732	-	-	1,163,347	(1,163,347)	125,118,732
Other revenue	2,232,056	26,036,238	3,026,441	465,894	3,090,495	61,333	51,370	21,175,546	(5,001,700)	51,137,673
Net assets released from restrictions							-	-		
used for operations	-	1,063,064	-	-	-	2,948,038	-	-	-	4,011,102
	2,228,655	981,448,264	169,720,018	35,745,128	128,209,227	3,009,371	51,370	67,626,089	(58,554,896)	1,329,483,226
Expenses										
Salaries and wages	42,078,339	317,884,092	58,854,464	15,992,448	3,895,843	-	72,725,560	29,308,611	-	540,739,357
Employee benefits	9,449,252	86,162,414	12,226,200	3,636,668	1,333,922	-	607	5,448,265	(3,836,557)	114,420,771
Purchased services and professional fees	(62,513,500)	269,013,548	40,061,483	5,318,975	908,307	1,600	(73,702,848)	2,390,931	(1,338,866)	180,139,630
Supplies and other	9,679,848	192,936,675	37,122,435	5,769,639	119,134,403	3,183,839	1,014,874	28,580,411	(53,353,238)	344,068,886
State provider tax program	-	42,194,068	6,942,065	1,567,372	-	-	-	-	-	50,703,505
Depreciation	4,013,840	34,681,583	8,001,487	1,269,497	385,028	-	-	900,661	-	49,252,096
Interest	2,184	18,404,703	3,009,373	4,361	26,235	-	-	(3,396)	(26,235)	21,417,225
	2,709,963	961,277,083	166,217,507	33,558,960	125,683,738	3,185,439	38,193	66,625,483	(58,554,896)	1,300,741,470
Operating Income (Loss)	(481,308)	20,171,181	3,502,511	2,186,168	2,525,489	(176,068)	13,177	1,000,606	-	28,741,756
Other Income (Expense)										
Contributions	-	21,167	294,443	3,300	-	264,251	-	46,290	-	629,451
Investment return	-	21,844,198	2,497,017	-	409,434	-	-	468,485		25,219,134
Change in unrealized gains and losses on trading securities, fair value of interest rate basis swap and fair value option of Topic 825	-	18,307,606	(331,467)	-	30,077	88,136	-	58,887	-	18,153,239
Other	-	(73,738)	-	-	-	-	-	-	-	(73,738)
Change in interest in net assets of subsidiaries	47,035,020	15,019,870	-	-	-	-	-	-	(62,054,890)	-
	47,035,020	55,119,103	2,459,993	3,300	439,511	352,387	-	573,662	(62,054,890)	43,928,086
Excess (Deficiency) of Revenues Over Expenses	46,553,712	75,290,284	5,962,504	2,189,468	2,965,000	176,319	13,177	1,574,268	(62,054,890)	72,669,842
Contributed (return of) capital	-	(52,311)	-	-	52,311	-	-	-	-	-
Investment return – change in unrealized gains and losses on other than trading securities	-	97,581	-	-	-	-	-	-	-	97,581
Net assets released from restriction used for purchase of property and equipment	-	223,283	-	-	-	865,329	-	-	-	1,088,612
Change in defined benefit pension plan gains and losses and prior service costs	-	(27,302,323)	-	-	-	-	-	-	-	(27,302,323)
Change in interest in net assets of subsidiary	-	(2,100,000)	2,100,000	-	-	-	-	-	-	-
Transfer from (to) affiliates	-	865,329	-	-	-	(865,329)	-	-	-	-
Increase (Decrease) in Unrestricted Net Assets	$ 46,553,712	$ 47,021,843	$ 8,062,504	$ 2,189,468	$ 3,017,311	$ 176,319	$ 13,177	$ 1,574,268	$ (62,054,890)	$ 46,553,712

CoxHealth

Consolidating Schedule – Statement of Cash Flows Information

Year Ended September 30, 2016

	CoxHealth	Medical Centers	Cox-Branson	Cox-Monett Hospital	Health Systems HMO, Inc.	CoxHealth Foundation	Cox Medical Group	Other CoxHealth Entities	Eliminations	Total
Operating Activities										
Change in net assets	$ 48,288,812	$ 48,756,943	$ 8,619,874	$ 2,189,468	$ 3,017,311	$ 1,096,557	$ 13,177	$ 6,487,621	$ (70,180,951)	$ 48,288,812
Items not requiring (providing) operating cash flow								-		
Depreciation and amortization	4,013,840	33,915,403	7,890,940	1,269,497	385,028	-	-	900,661	-	48,375,369
Provision for uncollectible accounts	(1,670)	106,038,271	19,655,988	4,617,045	-	-	-	937,636	-	131,247,270
(Gain) loss on sale of property and equipment	-	(137,841)	822,329	(4,606)	-	-	-	-	-	679,882
Loss on investment in equity investees	-	64,751	-	-	-	-	-	-	-	64,751
Appreciation of Series H Capital Appreciation Bonds	-	2,395,478	-	-	-	-	-	-	-	2,395,478
Net (gain) loss on investments	-	(27,836,522)	(20,373)	-	(30,787)	(4,122)	-	(82,620)	-	(27,974,424)
Change in defined benefit pension plan gains and losses	-	27,302,323	-	-	-	-	-	-	-	27,302,323
Change in interest in net assets of subsidiaries	(48,770,120)	(16,520,464)	-	-	-	-	-	(4,890,367)	70,180,951	-
Restricted contributions and investment income received	-	(1,520,853)	(557,370)	-	-	(4,733,605)	-	(22,986)	-	(6,834,814)
Change in fair value of interest rate basis swap	-	(3,278,528)	-	-	-	-	-	-	-	(3,278,528)
Changes in										
Receivables	482,978	(103,424,932)	(44,724,000)	(5,585,388)	610,170	249,091	8,638,435	4,709,696	(780,774)	(139,824,724)
Estimated third-party settlements	-	4,299,460	1,962,386	114,172	-	-	-	-	-	6,376,018
Accrued self-insurance costs	-	(3,220,318)	(78,785)	8,246	-	-	-	(3,262,188)	(112,288)	(6,665,333)
Other assets and liabilities	-	2,286,856	1,224,943	382,658	(1,669,268)	48,672	(1,495,433)	711,731	2,581,148	4,071,307
Net cash provided by (used in) operating activities	4,013,840	69,120,027	(5,204,068)	2,991,092	2,312,454	(3,343,407)	7,156,179	5,489,184	1,688,086	84,223,387

CoxHealth

Consolidating Schedule – Statement of Cash Flows Information

Year Ended September 30, 2016

	CoxHealth	Medical Centers	Cox-Branson	Cox-Monett Hospital	Health Systems HMO, Inc.	CoxHealth Foundation	Cox Medical Group	Other CoxHealth Entities	Eliminations	Total
Investing Activities										
Proceeds from sales (purchases of) short-term investments, net	$ -	$ (6,651,688)	$ -	$ -	$ (3,500,000)	$ -	$ -	$ -	$ -	$ (10,151,688)
Purchase of investments	-	(148,878,463)	(10,374,455)	-	(20,524,851)	(704,453)	-	(2,190,695)	-	(182,672,917)
Proceeds from sale of investments	-	156,389,534	5,695,148	-	21,699,651	34,448	-	1,735,104	-	185,553,885
Purchase of property and equipment	(4,013,840)	(56,480,436)	(7,599,132)	(989,050)	(174,661)	-	-	(168,121)	-	(69,425,240)
Proceeds from sale of property and equipment	-	227,843	5,991	-	-	-	-	-	-	233,834
Advances and repayments of long-term notes receivable, net	-	1,891,696	-	-	-	-	-	204,558	(1,857,402)	238,852
Other	-	(334,873)					161,042	-	-	(173,831)
Net cash provided by (used in) investing activities	(4,013,840)	(53,836,387)	(12,272,448)	(989,050)	(2,499,861)	(670,005)	161,042	(419,154)	(1,857,402)	(76,397,105)
Financing Activities										
Proceeds from restricted contributions and investment income received	-	1,520,853	557,370	-	-	4,733,605	-	22,986	-	6,834,814
Principal payments on long-term debt	-	(13,792,253)	(2,248,287)	(1,854,708)	-	-	-	(132,912)	169,316	(17,858,844)
Net cash provided by (used in) financing activities	-	(12,271,400)	(1,690,917)	(1,854,708)	-	4,733,605	-	(109,926)	169,316	(11,024,030)
Change in Cash and Cash Equivalents	-	3,012,240	(19,167,433)	147,334	(187,407)	720,193	7,317,221	4,960,104	-	(3,197,748)
Cash and Cash Equivalents, Beginning of Year	-	105,639,390	42,076,919	235,729	22,431,031	691,779	2,913,346	12,259,139	-	186,247,333
Cash and Cash Equivalents, End of Year	$ -	$ 108,651,630	$ 22,909,486	$ 383,063	$ 22,243,624	$ 1,411,972	$ 10,230,567	$ 17,219,243	$ -	$ 183,049,585

CoxHealth

Consolidating Schedule – Balance Sheet Information – Other Entities

September 30, 2016

Assets

	Oxford Home Health Care	HPS of the Ozarks, Inc.	Medical Developments, Inc.	Insurance Company of Springfield	Primrose Place, Inc.	Cox College	Total
Current Assets							
Cash and cash equivalents	$ 7,213,929	$ 3,347,262	$ 1,082,292	$ 176,358	$ 506,675	$ 4,892,727	$ 17,219,243
Patient accounts receivable, net of allowance	2,482,197	2,655,898	-	-	-	-	5,138,095
Due from affiliates	-	-	-	-	507,946	-	507,946
Other receivables	280,148	30,000	1,249,260	-	47,000	1,010,775	2,617,183
Supplies	-	342,691	1,347,139	-	-	-	1,689,830
Prepaid expenses	185,226	-	-	374,067	-	33,026	592,319
Total current assets	10,161,500	6,375,851	3,678,691	550,425	1,061,621	5,936,528	27,764,616
Assets Limited As To Use							
Investments							
Internally designated							
Building fund investments and other	4,555,312	11,034,772	-	-	-	-	15,590,084
Externally restricted							
Donor restricted	-	-	-	-	1,136,335	-	1,136,335
	4,555,312	11,034,772	-	-	1,136,335	-	16,726,419
Interest in Net Assets of Subsidiaries	-	-	-	-	-	4,890,367	4,890,367
Property and Equipment, At Cost	6,602,477	6,435,775	1,278,041	-	3,560,508	1,612,841	19,489,642
Less accumulated depreciation	5,784,902	1,561,972	909,858	-	3,046,974	1,299,358	12,603,064
	817,575	4,873,803	368,183	-	513,534	313,483	6,886,578
Goodwill and Intangible Assets	100,000	-	-	-	-	-	100,000
Other Assets	15,375	350,000	253,139	-	-	-	618,514
Total assets	$ 15,649,762	$ 22,634,426	$ 4,300,013	$ 550,425	$ 2,711,490	$ 11,140,378	$ 56,986,494

CoxHealth

Consolidating Schedule – Balance Sheet Information – Other Entities

September 30, 2016

Liabilities and Net Assets

	Oxford Home Health Care	HPS of the Ozarks, Inc.	Medical Developments, Inc.	Insurance Company of Springfield	Primrose Place, Inc.	Cox College	Total
Current Liabilities							
Accounts payable	$ 392,964	$ 633,618	$ 349,505	$ -	$ -	$ 691,209	$ 2,067,296
Accrued payroll and vacation pay	825,304	433,717	8,476	-	-	329,712	1,597,209
Other accrued expenses	429,308	39,186	(77,504)	12,500	-	-	403,490
Due to affiliates	176,608	515,840	1,500,427	-	-	1,544,234	3,737,109
Estimated insurance costs – current	136,499	53,899	-	-	-	90,411	280,809
Deferred revenue – current	-	-	-	381,279	-	2,879,866	3,261,145
Total current liabilities	1,960,683	1,676,260	1,780,904	393,779	-	5,535,432	11,347,058
Long-Term Debt							
Long-term debt	728,652	745,019	-	-	-	-	1,473,671
Total liabilities	2,689,335	2,421,279	1,780,904	393,779	-	5,535,432	12,820,729
Net Assets							
Unrestricted	12,846,630	20,213,147	2,519,109	156,646	1,575,155	714,579	38,025,266
Temporarily restricted	113,797	-	-	-	-	1,296,209	1,410,006
Permanently restricted	-	-	-	-	1,136,335	3,594,158	4,730,493
Total net assets	12,960,427	20,213,147	2,519,109	156,646	2,711,490	5,604,946	44,165,765
Total liabilities and net assets	$ 15,649,762	$ 22,634,426	$ 4,300,013	$ 550,425	$ 2,711,490	$ 11,140,378	$ 56,986,494

CoxHealth

Consolidating Schedule – Statement of Operations Information – Other Entities

Year Ended September 30, 2016

	Oxford Home Health Care	HPS of the Ozarks, Inc.	Medical Developments, Inc.	Ins. Co of SPF	Primrose Place, Inc.	Cox College	Total
Unrestricted Revenues, Gains and Other Support							
Patient service revenue (net of contractual discounts and allowances)	$ 21,702,617	$ 24,522,215	$ -	$ -	$ -	$ -	$ 46,224,832
Provision for uncollectible accounts	(23,400)	(912,837)	(1,399)	-	-	-	(937,636)
Net patient service revenue less provision for uncollectible accounts	21,679,217	23,609,378	(1,399)	-	-	-	45,287,196
Premium revenue	-	-	-	1,163,347	-	-	1,163,347
Other revenue	4,502	1,350	11,717,614	195	19,521	9,432,364	21,175,546
	21,683,719	23,610,728	11,716,215	1,163,542	19,521	9,432,364	67,626,089
Expenses							
Salaries and wages	17,119,570	4,745,782	2,066,556	-	-	5,376,703	29,308,611
Employee benefits	2,857,469	1,016,992	415,164	-	-	1,158,640	5,448,265
Purchased services and professional fees	1,016,006	240,401	58,241	22,790	3,417	1,050,076	2,390,931
Supplies and other	53,381	16,066,666	10,226,289	1,139,297	73,516	1,021,262	28,580,411
Depreciation	397,325	246,347	79,103	-	66,753	111,133	900,661
Interest	(3,396)	-	-	-	-	-	(3,396)
	21,440,355	22,316,188	12,845,353	1,162,087	143,686	8,717,814	66,625,483
Operating Income (Loss)	243,364	1,294,540	(1,129,138)	1,455	(124,165)	714,550	1,000,606
Other Income (Expense)							
Contributions	-	(768)	-	-	47,029	29	46,290
Investment return	139,556	328,871	-	-	58	-	468,485
Change in unrealized gains and losses on trading securities, fair value of interest rate basis swap and fair value option of Topic 825	-	58,887	-	-	-	-	58,887
	139,556	386,990	-	-	47,087	29	573,662
Excess (Deficiency) of Revenues Over Expenses	382,920	1,681,530	(1,129,138)	1,455	(77,078)	714,579	1,574,268
Increase (Decrease) in Unrestricted Net Assets	$ 382,920	$ 1,681,530	$ (1,129,138)	$ 1,455	$ (77,078)	$ 714,579	$ 1,574,268

CoxHealth

Consolidating Schedule – Statement of Cash Flows Information – Other Entities

Year Ended September 30, 2016

	Oxford Home Health Care	HPS of the Ozarks, Inc.	Medical Developments, Inc.	Ins. Co of SPF	Primrose Place, Inc.	Cox College	Total
Operating Activities							
Change in net assets	$ 382,173	$ 1,681,530	$ (1,129,138)	$ 1,455	$ (53,345)	$ 5,604,946	$ 6,487,621
Items not requiring (providing) operating cash flow							
Depreciation and amortization	397,325	246,347	79,103	-	66,753	111,133	900,661
Provision for uncollectible accounts	23,400	912,837	1,399	-	-	-	937,636
Net (gain) loss on investments	-	(58,887)	-	-	(23,733)	-	(82,620)
Change in interest in net assets of subsidiaries	-	-	-	-	-	(4,890,367)	(4,890,367)
Restricted contributions and investment income received	747	-	-	-	(23,733)	-	(22,986)
Changes in							
Receivables	(15,703)	(1,678,780)	689,736	2,881,874	(507,648)	3,340,217	4,709,696
Accrued self-insurance costs	(251,569)	(14,598)	-	(3,086,432)	-	90,411	(3,262,188)
Other assets and liabilities	215,893	(48,992)	(110,325)	(108)	-	655,263	711,731
Net cash provided by (used in) operating activities	752,266	1,039,457	(469,225)	(203,211)	(541,706)	4,911,603	5,489,184

CoxHealth

Consolidating Schedule – Statement of Cash Flows Information – Other Entities

Year Ended September 30, 2016

	Oxford Home Health Care	HPS of the Ozarks, Inc.	Medical Developments, Inc.	Ins. Co of SPF	Primrose Place, Inc.	Cox College	Total
Investing Activities							
Purchase of investments	$ (126,718)	$ (2,063,977)	$ -	$ -	$ -	$ -	$ (2,190,695)
Proceeds from sale of investments	-	1,735,104	-	-	-	-	1,735,104
Purchase of property and equipment	(142,682)	(230,888)	(6,838)	-	231,163	(18,876)	(168,121)
Advances and repayments of long-term notes receivable, net	-	-	-	204,558	-	-	204,558
Net cash provided by (used in) investing activities	(269,400)	(559,761)	(6,838)	204,558	231,163	(18,876)	(419,154)
Financing Activities							
Proceeds from restricted contributions and investment income received	(747)	-	-	-	23,733	-	22,986
Principal payments on long-term debt	(132,912)	-	-	-	-	-	(132,912)
Net cash provided by (used in) financing activities	(133,659)	-	-	-	23,733	-	(109,926)
Change in Cash and Cash Equivalents	349,207	479,696	(476,063)	1,347	(286,810)	4,892,727	4,960,104
Cash and Cash Equivalents, Beginning of Year	6,864,722	2,867,566	1,558,355	175,011	793,485	-	12,259,139
Cash and Cash Equivalents, End of Year	$ 7,213,929	$ 3,347,262	$ 1,082,292	$ 176,358	$ 506,675	$ 4,892,727	$ 17,219,243

CoxHealth

Obligated Group Schedule – Balance Sheet Information

September 30, 2016

Assets

	Medical Centers	Cox-Branson	Eliminations	Total
Current Assets				
Cash and cash equivalents	$ 108,651,630	$ 22,909,486	$ -	$ 131,561,116
Short-term investments	51,094,293	-	-	51,094,293
Assets limited as to use – current	11,362,345	-	-	11,362,345
Patient accounts receivable, net of allowance	133,044,837	25,168,743	-	158,213,580
Estimated amounts due from third-party payers	154,324	576,705	-	731,029
Due from affiliates	4,032,626	8,122,232	-	12,154,858
Other receivables	494,891	126,173	-	621,064
Supplies	12,336,468	2,894,423	-	15,230,891
Prepaid expenses	7,812,094	231,151	-	8,043,245
Total current assets	328,983,508	60,028,913	-	389,012,421
Assets Limited As To Use				
Investments				
Internally designated				
Building fund investments and other	212,513,047	18,688,017	-	231,201,064
Donated investments	181,315,495	-	-	181,315,495
Externally restricted				
Donor restricted	4,409,009	14,712,158	-	19,121,167
Under deferred compensation agreement	12,614,739	-	-	12,614,739
Held by trustees				
Self-insurance trust investments	34,300,891	-	-	34,300,891
Under bond indenture agreements	5,822,130	-	-	5,822,130
	450,975,311	33,400,175	-	484,375,486
Less amount required to meet current obligations	11,362,345	-	-	11,362,345
	439,612,966	33,400,175	-	473,013,141
Long-Term Receivables	5,965,653	-	-	5,965,653
Interest in Net Assets of Subsidiaries	217,503,565	-	(114,097,472)	103,406,093
Property and Equipment, At Cost	1,067,418,662	130,291,785	-	1,197,710,447
Less accumulated depreciation	632,572,219	29,201,297	-	661,773,516
	434,846,443	101,090,488	-	535,936,931
Goodwill and Intangible Assets	25,283,894	551,500	-	25,835,394
Other Assets	10,953,194	1,128,573	-	12,081,767
Total assets	$ 1,463,149,223	$ 196,199,649	$ (114,097,472)	$ 1,545,251,400

CoxHealth

Obligated Group Schedule – Balance Sheet Information

September 30, 2016

Liabilities and Net Assets

	Medical Centers	Cox-Branson	Eliminations	Total
Current Liabilities				
Current maturities of long-term debt	$ 10,203,912	$ 1,813,692	$ -	$ 12,017,604
Current amortization of premium/discount on long-term debt	1,203,874	131,129	-	1,335,003
Accounts payable	38,209,122	3,131,478	-	41,340,600
Accrued payroll and vacation pay	37,953,552	5,521,912	-	43,475,464
Accrued interest	5,788,552	1,012,326	-	6,800,878
Other accrued expenses	19,979,277	888,848	-	20,868,125
Estimated amounts due to third-party payers	6,326,646	1,381,263	-	7,707,909
Estimated self-insurance costs – current	17,857,853	905,848	-	18,763,701
Deferred revenue – current	2,716,075	-	-	2,716,075
Total current liabilities	140,238,863	14,786,496	-	155,025,359
Estimated Self-Insurance Costs	19,266,528	9,000	-	19,275,528
Deferred Compensation	12,716,719	-	-	12,716,719
Accrued Pension Liability	108,381,475	-	-	108,381,475
Other Long-Term Liabilities	7,220	-	-	7,220
Long-Term Debt				
Long-term debt	448,114,412	64,004,243	-	512,118,655
Premium/discount on long-term debt	21,665,197	3,302,438	-	24,967,635
	469,779,609	67,306,681	-	537,086,290
Total liabilities	750,390,414	82,102,177	-	832,492,591
Net Assets				
Unrestricted	674,416,276	104,321,828	(104,321,828)	674,416,276
Temporarily restricted	19,562,781	1,456,825	(1,456,825)	19,562,781
Permanently restricted	18,779,752	8,318,819	(8,318,819)	18,779,752
Total net assets	712,758,809	114,097,472	(114,097,472)	712,758,809
Total liabilities and net assets	$ 1,463,149,223	$ 196,199,649	$ (114,097,472)	$ 1,545,251,400

CoxHealth

Obligated Group Schedule – Statement of Operations Information

Year Ended September 30, 2016

	Medical Centers	Cox-Branson	Eliminations	Total
Unrestricted Revenues, Gains and Other Support				
Patient service revenue (net of contractual discounts and allowances)	$ 1,060,387,233	$ 186,349,565	$ -	$ 1,246,736,798
Provision for uncollectible accounts	(106,038,271)	(19,655,988)	-	(125,694,259)
Net patient service revenue less provision for uncollectible accounts	954,348,962	166,693,577	-	1,121,042,539
Other revenue	26,036,238	3,026,441	-	29,062,679
Net assets released from restrictions used for operations	1,063,064	-	-	1,063,064
	981,448,264	169,720,018	-	1,151,168,282
Expenses				
Salaries and wages	317,884,092	58,854,464	-	376,738,556
Employee benefits	86,162,414	12,226,200	-	98,388,614
Purchased services and professional fees	269,013,548	40,061,483	-	309,075,031
Supplies and other	192,936,675	37,122,435	-	230,059,110
State provider tax program	42,194,068	6,942,065	-	49,136,133
Depreciation	34,681,583	8,001,487	-	42,683,070
Interest	18,404,703	3,009,373	-	21,414,076
	961,277,083	166,217,507	-	1,127,494,590
Operating Income (Loss)	20,171,181	3,502,511	-	23,673,692
Other Income (Expense)				
Contributions	21,167	294,443	-	315,610
Investment return	21,844,198	2,497,017	-	24,341,215
Change in unrealized gains and losses on trading securities, fair value of interest rate basis swap, and fair value option of Topic 825	18,307,606	(331,467)	-	17,976,139
Other	(73,738)	-	-	(73,738)
Change in interest in net assets of subsidiaries	15,019,870	-	(8,062,504)	6,957,366
	55,119,103	2,459,993	(8,062,504)	49,516,592
Excess (Deficiency) of Revenues Over Expenses	75,290,284	5,962,504	(8,062,504)	73,190,284
Contributed (return of) capital	(52,311)	-	-	(52,311)
Investment return – change in unrealized gains and losses on other than trading securities	97,581	-	-	97,581
Net assets released from restriction used for purchase of property and equipment	223,283	-	-	223,283
Change in defined benefit pension plan gains and losses	(27,302,323)	-	-	(27,302,323)
Change in interest in net assets of subsidiary	(2,100,000)	2,100,000	-	-
Transfer from (to) affiliates	865,329	-	-	865,329
Increase (Decrease) in Unrestricted Net Assets	$ 47,021,843	$ 8,062,504	$ (8,062,504)	$ 47,021,843