

**Methodist Health System**  
**Obligated Group Financial Statements**  
**September 30, 2016**

# **METHODIST HEALTH SYSTEM - Obligated Group**

## **BALANCE SHEETS**

	<u>September 30,</u>	
	<u>2016</u>	<u>2015</u>
ASSETS	(In Thousands)	
Current Assets:		
Cash and cash equivalents	\$ 47,221	\$ 30,108
Short-term investments	755,799	713,597
Patient accounts receivable net of allowance for uncollectible accounts of \$189,427 - 2016 and \$166,879 - 2015	167,840	162,663
Other accounts receivable	36,920	77,678
Other current assets	<u>35,320</u>	<u>32,773</u>
Total current assets	1,043,100	1,016,819
Long-term investments	109,666	53,063
Net property, plant, and equipment	717,462	685,457
Assets whose use is limited	21,191	25,216
Other assets	<u>43,787</u>	<u>35,530</u>
Total assets	<u>\$1,935,206</u>	<u>\$1,816,085</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 109,841	\$ 100,790
Accrued construction costs	2,415	8,450
Health Insurance Program reimbursement payable	3,105	3,541
Current installments of long-term debt	<u>6,464</u>	<u>6,253</u>
Total current liabilities	121,825	119,034
Long-term debt	357,197	364,159
Interest rate swaps liability	68,332	55,179
Other liabilities	<u>27,119</u>	<u>24,186</u>
Total liabilities	574,473	562,558
Net assets		
Unrestricted	<u>1,360,733</u>	<u>1,253,527</u>
Total net assets	<u>1,360,733</u>	<u>1,253,527</u>
Total liabilities and net assets	<u>\$1,935,206</u>	<u>\$1,816,085</u>

**METHODIST HEALTH SYSTEM - Obligated Group**  
**STATEMENTS OF REVENUES AND EXPENSES**

	For the Twelve Months Ended September 30,	
	<u>2016</u>	<u>2015</u>
	(In Thousands)	
Net patient service revenue before provision for bad debts	\$ 1,169,089	\$ 1,144,312
Provision for bad debts	<u>(101,687)</u>	<u>(108,896)</u>
Net patient service revenue after provision for bad debts	1,067,402	1,035,416
Other operating revenue	<u>90,733</u>	<u>48,276</u>
Total operating revenue	1,158,135	1,083,692
Operating expenses:		
Salaries, wages and benefit costs	565,718	520,094
Other operating expenses	409,057	351,354
Depreciation and amortization	<u>78,949</u>	<u>70,871</u>
Total operating expenses	<u>1,053,724</u>	<u>942,319</u>
Income from operations	104,411	141,373
Nonoperating gains, net	<u>(1,963)</u>	<u>(48,717)</u>
Excess of revenue over expenses	102,448	92,656
Excess of revenue over expenses attributable to noncontrolling interests	<u>1,126</u>	<u>-</u>
Excess of revenue over expenses attributable to Methodist Health System	<u>\$ 103,574</u>	<u>\$ 92,656</u>

# METHODIST HEALTH SYSTEM - Obligated Group

## STATEMENTS OF CASH FLOWS

For the Twelve Months Ended September 30,

2016 2015

(In Thousands)

### Cash flows from operating activities:

Increase in net assets	\$ 107,206	\$ 110,397
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Operating depreciation and amortization	78,949	70,871
Nonoperating depreciation and amortization	4,983	5,294
Provision for bad debts	101,687	108,896
Capitalized interest	(1,732)	(1,729)
Loss on retired assets	-	(2,312)
Unrealized losses on interest rate swaps	13,153	17,210
Unrealized and realized gains on investments	(28,026)	16,594
Changes in operating assets and liabilities:		
Increase in patient accounts receivable	(106,864)	(147,844)
(Decrease) increase in health insurance programs reimbursement payable	(436)	1,607
Decrease in other accounts receivable	49,458	6,813
Increase in other current assets	(2,547)	(626)
Increase (decrease) in other assets	1,616	(20,060)
Increase in accounts payable and accrued expenses	9,051	5,234
Increase (decrease) increase in other liabilities	2,933	(1,320)
Net cash provided by operating activities	<u>229,431</u>	<u>169,024</u>

### Cash flows from investing activities:

Purchases of investments	(523,337)	(500,830)
Maturities and sales of investments	452,558	431,794
Purchases of property, plant and equipment	(120,113)	(99,151)
Investment in hospital	(18,700)	-
Cash provided by assets whose use is limited	4,025	4,430
Net cash provided used in investing activities	<u>(205,567)</u>	<u>(163,756)</u>

### Cash flows from financing activities:

Principal payments on debt	<u>(6,751)</u>	<u>(6,489)</u>
Net cash used in financing activities	<u>(6,751)</u>	<u>(6,489)</u>

### Net (decrease) increase in cash and cash equivalents

	17,113	(1,221)
Cash and cash equivalents, beginning of year	<u>30,108</u>	<u>31,329</u>
Cash and cash equivalents, end of year	<u>\$ 47,221</u>	<u>\$ 30,108</u>

**METHODIST HEALTH SYSTEM - Obligated Group**  
**STATEMENTS OF CHANGES IN NET ASSETS**

For the Twelve Months Ended September 30,

2016 2015

(In Thousands)

Unrestricted net assets:

Balance at beginning of period	\$ 1,253,527	\$ 1,141,502
Excess of revenue over expenses	103,574	92,656
Unrecognized pension loss	-	8
Donations for specific additions to capital	3,632	19,361
Balance at end of period	1,360,733	1,253,527

Temporarily restricted net assets:

Balance at beginning of period	-	1,628
Net assets released from restrictions	-	(1,628)
Balance at end of period	-	-

**Net assets - beginning of period**

1,253,527 1,143,130

**Increase in net assets**

107,206 110,397

**Net assets - end of period**

\$ 1,360,733 \$ 1,253,527