



**Deaconess
Health System**
Evansville, IN

**Period Ended
March 31, 2017**

**Unaudited
Consolidated
Financial Statements**

2011A Bonds: 45471AES7;
45471AET5; 45471AEU2
45471AEV0; 45471AEW8
45471AEX6; 45471AEY4
45471AEZ1; 45471AFA5
45471AFB3; 45471AFC1
45471AFD9; 45471AFE7
45471AFF4

2013A Bonds: 45471AKH4;
45471AKJ0; 45471AKK7
45471AKL5; 45471AKM3
45471AKN1; 45471AKP6
45471AKQ4; 45471AKR2
45471AKS0; 45471AKT8
45471AKU5; 45471AKV3
45471AKW1; 45471AKX9
45471AKZ4; 45471AKY7

2015A Bonds: 45506DTR6;
45506DTS4; 45506DTT2
45506DTU9; 45506DTV7
45506DTW5; 45506DTX3
45506DTY1; 45506DTZ8
45506DUA1; 45506DUB9
45506DUC7; 45506DUD5
45506DUE3; 45506DUF0
45506DUG8; 45506DUH6
45506DUJ2; 45506DUK9
45506DUM5; 45506DUL7

2016A Bonds: 45506DWZ4;
45506DXA8; 45506DXB6
45506DXC4; 45506DXD2
45506DXE0; 45506DXF7
45506DXG5; 45506DXH3
45506DXJ9; 45506DXK6
45506DXL4; 45506DXM2
45506DXN0; 45506DXP5
45506DXQ3; 45506DXR1
45506DXS9; 45506DXT7
45506DXU4

Release Date: April 27, 2017

Deaconess Health System, Inc.

Consolidated Balance Sheets

	Period Ended March 31 2017	Fiscal Year Ended September 30 2016	Change
Assets			
Current assets:			
Cash	\$ 76,214,892	\$ 65,507,886	\$ 10,707,006
Investment assets limited to use, held by trustee	3,614,512	14,147	3,600,365
Net patient accounts receivable	132,335,926	123,522,748	8,813,178
Estimated third-party settlements	(39,453)	-	(39,453)
Inventories	9,321,024	9,442,131	(121,107)
Prepaid expenses	13,298,756	14,632,397	(1,333,641)
Other accounts receivable	28,276,046	24,526,320	3,749,726
Total current assets	<u>263,021,703</u>	<u>237,645,629</u>	<u>25,376,074</u>
Investments limited to use, less current portion:			
Funds held by trustee	133,634,464	51,325,762	82,308,702
Board designated funds	587,157,256	559,849,326	27,307,930
Foundation funds	15,911,802	14,127,460	1,784,342
	<u>736,703,522</u>	<u>625,302,548</u>	<u>111,400,974</u>
Property and Equipment:			
Land and improvements	27,955,613	25,416,295	2,539,318
Buildings and building improvements	547,673,445	546,469,799	1,203,646
Furniture, fixtures and equipment	263,761,348	252,685,624	11,075,724
	<u>839,390,406</u>	<u>824,571,718</u>	<u>14,818,688</u>
Less allowances for depreciation	526,628,495	501,383,080	25,245,415
	<u>312,761,911</u>	<u>323,188,638</u>	<u>(10,426,727)</u>
Construction in progress	74,096,150	34,940,422	39,155,728
	<u>386,858,061</u>	<u>358,129,060</u>	<u>28,729,001</u>
Other assets:			
Deferred financing costs	1,622,123	1,379,744	242,379
Investments	29,802,832	26,657,219	3,145,613
Other	42,837,550	42,966,100	(128,550)
	<u>74,262,505</u>	<u>71,003,063</u>	<u>3,259,442</u>
Total assets	<u><u>\$ 1,460,845,791</u></u>	<u><u>\$ 1,292,080,300</u></u>	<u><u>\$ 168,765,491</u></u>

Deaconess Health System, Inc.

Consolidated Balance Sheets (continued)

	Period Ended March 31 2017	Fiscal Year Ended September 30 2016	Change
Liabilities and net assets			
Current liabilities:			
Accounts payable and accrued expenses	\$ 53,217,939	\$ 43,487,769	\$ 9,730,170
Accrued salaries, wages, benefits and related liabilities	49,892,827	47,345,648	2,547,179
Estimated third-party settlements	5,004,377	7,183,588	(2,179,211)
Accrued interest	1,001,572	668,663	332,909
Current portion of long-term debt	6,591,570	6,405,109	186,461
Capital lease obligation - short-term	590,411	542,873	47,538
Other short-term liabilities	823,778	1,187,231	(363,453)
Total current liabilities	117,122,474	106,820,881	10,301,593
Long-term liabilities:			
Long-term debt	355,975,107	256,761,377	99,213,730
Bond premium/discount	9,108,107	4,651,996	4,456,111
Current portion of long-term debt	(5,940,000)	(5,775,000)	(165,000)
Long-term capital leases	708,070	1,124,459	(416,389)
Other long-term liabilities	118,423,326	117,840,012	583,314
	478,274,610	374,602,844	103,671,766
Total liabilities	595,397,084	481,423,725	113,973,359
Net assets:			
Minority interest in consolidated entities	14,012,874	12,695,090	1,317,784
Unrestricted controlling interest	835,524,031	783,834,025	51,690,006
Unrestricted - Foundation	7,548,008	6,996,633	551,375
Temporarily restricted - Foundation	6,585,888	5,297,883	1,288,005
Permanently restricted - Foundation	1,777,906	1,832,944	(55,038)
Total net assets	865,448,707	810,656,575	54,792,132
Total liabilities and net assets	\$ 1,460,845,791	\$ 1,292,080,300	\$ 168,765,491

Consolidated Statement of Revenue and Expense

Period Ending March 31, 2017

CURRENT MONTH			YEAR TO DATE		
ACTUAL	LAST YEAR	VARIANCE	ACTUAL	LAST YEAR	VARIANCE
Operating revenue:					
\$ 75,989,649	\$ 73,912,026	\$ 2,077,623	\$ 444,764,838	\$ 419,884,205	\$ 24,880,633
85,495	87,482	(1,987)	469,270	507,258	(37,988)
3,933,894	4,100,011	(166,117)	24,574,246	21,444,763	3,129,483
80,009,038	78,099,519	1,909,519	469,808,354	441,836,226	27,972,128
Operating expenses:					
31,224,864	27,550,062	3,674,802	180,365,106	160,211,602	20,153,504
8,953,173	4,195,682	4,757,491	47,918,594	40,835,327	7,083,267
13,928,519	12,389,690	1,538,829	75,838,015	68,453,643	7,384,372
1,043,109	915,911	127,198	5,402,470	4,921,750	480,720
8,122,972	9,279,964	(1,156,992)	51,082,209	48,919,641	2,162,568
1,032,006	929,333	102,673	6,162,946	5,983,263	179,683
2,448,197	2,071,381	376,816	14,079,743	11,862,706	2,217,037
4,206,041	3,622,311	583,730	23,178,827	22,153,725	1,025,102
572,054	591,252	(19,198)	3,468,838	3,585,169	(116,331)
677,052	623,170	53,882	4,020,509	3,743,885	276,624
3,946,625	4,429,778	(483,153)	26,466,662	23,078,019	3,388,643
76,154,612	66,598,534	9,556,078	437,983,919	393,748,730	44,235,189
3,854,426	11,500,985	(7,646,559)	31,824,435	48,087,496	(16,263,061)
INCOME FROM OPERATIONS					
0	0	0	0	0	0
847,888	945,432	(97,544)	18,251,754	7,436,809	10,814,945
\$ 4,702,314	\$ 12,446,417	\$ (7,744,103)	\$ 50,076,189	\$ 55,524,305	\$ (5,448,116)
2,483,924	16,303,801	(13,819,877)	10,113,348	10,477,652	(364,304)
0	0	0	0	0	0
0	0	0	0	0	0
(1)	0	(1)	(1)	0	(1)
(1,318,668)	(1,929,223)	610,555	(7,181,747)	(7,135,681)	(46,066)
\$ 5,867,569	\$ 26,820,995	\$ (20,953,426)	\$ 53,007,789	\$ 58,866,276	\$ (5,858,487)
Change in unrestricted net assets - Foundation					
66,145	9,470	56,675	237,042	203,646	33,396
(83,461)	(84,436)	975	(666,771)	(569,483)	(97,288)
33,063	39,697	(6,634)	169,352	293,605	(124,253)
102,392	142,416	(40,024)	540,477	58,201	482,276
24,966	38,735	(13,769)	275,393	293,258	(17,865)
\$ 143,105	\$ 145,882	\$ (2,777)	\$ 555,493	\$ 279,227	\$ 276,266
\$ 6,010,674	\$ 26,966,877	\$ (20,956,203)	\$ 53,563,282	\$ 59,145,503	\$ (5,582,221)
Change in temporarily restricted net assets - Foundation					
130,150	55,097	75,053	1,500,822	191,004	1,309,818
2,756	4,259	(1,503)	14,343	32,428	(18,085)
8,510	15,352	(6,842)	44,116	7,074	37,042
(24,966)	(38,735)	13,769	(275,393)	(293,258)	17,865
\$ 116,450	\$ 35,973	\$ 80,477	\$ 1,283,888	\$ (62,752)	\$ 1,346,640
Change in permanently restricted net assets - Foundation					
0	0	0	0	0	0
0	0	0	(55,038)	12,155	(67,193)
\$ -	\$ -	\$ -	\$ (55,038)	\$ 12,155	\$ (67,193)
\$ 6,127,124	\$ 27,002,850	\$ (20,875,726)	\$ 54,792,132	\$ 59,094,906	\$ (4,302,774)
261,444	(262,576)	524,020	1,317,778	1,568,132	(250,354)
Total change in net assets attributable to controlling interest					
\$ 5,865,680	\$ 27,265,426	\$ (21,399,746)	\$ 53,474,354	\$ 57,526,774	\$ (4,052,420)

Deaconess Health System, Inc.

Ratio Analysis

	Deaconess Obligated Group		Consolidated	
	6 Month(s) Ending	12 Months Ending	6 Month(s) Ending	12 Months Ending
	March 31	September 30	March 31	September 30
	2017	2016	2017	2016
Operating Margin	6.17%	9.12%	6.77%	9.22%
Net Margin	10.98%	11.13%	10.66%	10.84%
Non-Operating Revenue %	43.85%	18.06%	36.45%	14.99%
Current Ratio	2.42	2.41	2.25	2.22
Days Cash on Hand	354.43	364.69	291.06	297.44
Days in Accounts Receivable (net)	53.87	54.97	54.15	53.24
Average Payment Period	49.50	47.13	49.19	47.39
Return on Assets	6.59%	7.22%	7.70%	8.38%
Return on Equity	9.96%	10.36%	11.79%	12.22%
Growth Rate in Equity	11.91%	12.17%	12.94%	12.22%
Cash to Debt	1.82	2.44	1.84	2.44
Long Term Debt to Equity	0.44	0.33	0.43	0.33
Debt to Total Assets	0.25	0.20	0.25	0.20
EBITDA Debt Service Coverage	10.00	9.79	10.87	10.61
Cushion Ratio	30.86	36.64	31.44	37.03
Maximum Annual Debt Service as a % of Revenue	2.78%	2.32%	2.25%	1.88%
Funded Indebtedness to Total Capitalization	0.30	0.25	0.30	0.25
Average Age of Plant	11.87	11.59	11.36	11.10

Consolidated Statement of Cash Flows

	Period Ended March 31 2017	Fiscal Year Ended September 30 2016
Operating activities		
Increase (decrease) in net assets before distributions	\$ 61,973,880	\$ 103,047,747
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	23,178,827	45,181,500
Net unrealized (gain) loss on investments	(10,113,348)	(32,974,682)
(Gain) loss on early extinguishment of debt	-	-
(Gain) loss on sale of assets	-	185,069
Provision for bad debts	5,036,649	5,123,040
Amortization of deferred financing costs and original issue premium/discount	(199,680)	(221,500)
Change in pension liability	-	29,112,043
Changes in operating assets and liabilities:		
Patient accounts receivable	(13,849,827)	(9,413,228)
Other accounts receivable	(3,749,726)	(5,685,093)
Prepaid expenses	1,333,641	(6,880,841)
Inventories	121,107	(524,258)
Other current assets	128,550	(3,298,125)
Accounts payable and other current liabilities	9,366,717	(3,169,497)
Salaries, wages and related liabilities	2,547,179	1,613,340
Estimated third-party settlements	(2,139,758)	(5,041,154)
Accrued interest	332,909	(204,235)
Other long-term liabilities	583,314	(288,715)
Net cash provided by operating activities	74,550,434	116,561,411
Investing activities		
Purchases of property and equipment	(51,907,828)	(62,930,693)
Proceeds from sales of property and equipment	-	569,288
Payments from trustee assets for principal, interest and construction draws	(5,834,116)	(12,947,295)
Deposits (to) from funds held by trustee	(80,074,951)	(38,358,860)
Purchase of board designated funds	(346,701,250)	(238,282,867)
Sales of board designated funds	329,506,668	178,706,915
Net change in Foundation assets	(1,784,342)	(1,864,263)
Change in other investments	(3,145,613)	(2,916,147)
Other	-	-
Net cash used by investing activities	(159,941,432)	(178,023,922)
Financing activities		
Distributions	(6,350,894)	(13,277,180)
Capital contributions	(830,854)	(1,152,693)
Net borrowing on line of credit	104,504,585	53,461,672
Repayments on long-term debt	(5,290,855)	(5,455,000)
Proceeds from refinancing of long-term debt	-	-
Payments to refinance of long-term debt	-	-
Payments on capital leases	(347,390)	(1,148,805)
Cash (paid) received for premium/discount on refinancing of long-term debt	4,723,563	-
Cash (paid) received for deferred issuance cost on refinancing of long-term debt	(310,151)	(206,395)
Cash (paid) received for prepaid interest on refinancing of long-term debt	-	-
Net cash used by financing activities	96,098,004	32,221,599
Increase (decrease) in cash and cash equivalents	10,707,006	(29,240,912)
Cash and cash equivalents at beginning of period	65,507,886	94,748,798
Cash and cash equivalents at end of period	\$ 76,214,892	\$ 65,507,886

DEACONESS HEALTH SYSTEM, INC.

RATIO ANALYSIS

OPERATING MARGIN	=	$\frac{\text{Income From Operations}}{\text{Total Operating Revenue}}$
NET MARGIN	=	$\frac{\text{Net Income}}{\text{Total Operating Revenue}}$
NON-OPERATING REVENUE %	=	$\frac{\text{Non-Operating Income}}{\text{Net Income}}$
CURRENT RATIO	=	$\frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$
DAYS CASH ON HAND	=	$\frac{(\text{Cash} + \text{Current Investments} + \text{Board Designated Funds})}{((\text{Total Expenses} - \text{Depreciation}) / \text{Days in Period})}$
DAYS IN PATIENT ACCOUNTS RECEIVABLE	=	$\frac{\text{Net Patient AR}}{(\text{Net Patient Revenue} / \text{Days in Period})}$
AVERAGE PAYMENT PERIOD	=	$\frac{(\text{Total Current Liabilities} - \text{Estimated Third Party Settlements})}{((\text{Total Expenses} - \text{Depreciation}) / \text{Days in Period})}$
RETURN ON ASSETS	=	$\frac{(\text{Net Income} / \text{months in period} * 12)}{(((\text{Total Assets} - \text{Restricted Funds} - \text{Unrealized Gain/Loss}) + (\text{Beginning Total Assets} - \text{Beginning Restricted Funds} - \text{Beginning Unrealized Gain/Loss}))/2)}$
RETURN ON EQUITY	=	$\frac{(\text{Net Income} / \text{months in period} * 12)}{\text{Unrestricted Net Assets}}$
GROWTH RATE IN EQUITY	=	$\frac{((\text{Net Income} / \text{months in period} * 12) + \text{Other Changes in Net Assets Unrestricted})}{\text{Unrestricted Net Assets Beginning Balance}}$
CASH TO DEBT	=	$\frac{(\text{Cash} + \text{Current Investments} + \text{Board Designated Funds})}{(\text{LT Debt} + \text{Bond Discount} + \text{Current Portion LT Debt} + \text{LT Capital Leases})}$
LONG TERM DEBT TO EQUITY	=	$\frac{\text{LT Debt} + \text{Bond Discount} + \text{LT Capital Leases} + \text{Capital Lease Oblig ST}}{\text{Unrestricted Net Assets}}$
DEBT TO TOTAL ASSETS	=	$\frac{(\text{LT Debt} + \text{Bond Discount} + \text{Current Portion LT Debt} + \text{LT Capital Leases})}{\text{Total Assets}}$
EBITDA DEBT SERVICE COVERAGE	=	$\frac{(((\text{Net Income} + \text{Depreciation Expense} + \text{Interest Expense}) / \text{months in period}) * 12)}{(((\text{Interest Expense} / \text{months in period}) * 12) + \text{Current Portion LT Debt} + \text{Capital Lease Oblig ST})}$
CUSHION RATIO	=	$\frac{(\text{Cash} + \text{Current Investments} + \text{Board Designated Funds})}{\text{Maximum Annual Debt Service}}$
MAXIMUM ANNUAL DEBT SERVICE AS A % OF REVENUE	=	$\frac{\text{Maximum Annual Debt Service}}{(\text{Total Operating Revenue} / \text{months in period} * 12)}$
FUNDED INDEBTEDNESS TO TOTAL CAPITALIZATION	=	$\frac{\text{LT Debt} + \text{Bond Discount} + \text{LT Capital Leases} + \text{Capital Lease Oblig ST}}{(\text{LT Debt} + \text{Bond Discount} + \text{LT Capital Leases} + \text{Capital Lease Oblig ST} + \text{Unrestricted Net Assets})}$
AVERAGE AGE OF PLANT	=	$\frac{\text{Allowance for Depreciation}}{(\text{Depreciation Expense} / \text{months in period} * 12)}$
AVERAGE AGE OF PLANT	=	$\frac{\text{Accumulated Depreciation}}{\text{Depreciation Expense}}$

Deaconess Health System, Inc.

Details of Consolidated Balance Sheet

March 31, 2017

	Obligated Group						Non-Obligated Group
			Total Obligated Group	Eliminations	Deaconess Health System, Inc.	Deaconess Hospital, Inc.	Total Non-Obligated Group
	Consolidated	Eliminations					
Assets							
Current assets:							
Cash	\$ 76,214,892	\$ -	\$ 63,893,311	\$ -	\$ 4,015,937	\$ 59,877,374	\$ 12,321,581
Investment assets limited as to use, held by trustee	3,614,512	-	3,614,512	-	-	3,614,512	-
Net patient accounts receivable	132,335,926	-	107,379,053	-	-	107,379,053	24,956,873
Estimated third-party payor settlements	(39,453)	-	(39,453)	-	-	(39,453)	-
Inventories	9,321,024	-	6,992,438	-	-	6,992,438	2,328,586
Prepaid expenses	13,298,756	-	11,897,581	-	35,695	11,861,886	1,401,175
Other accounts receivable	28,276,046	(12,340,907)	34,794,591	(6,579,725)	2,243,441	39,130,875	5,822,362
Total current assets	263,021,703	(12,340,907)	228,532,033	(6,579,725)	6,295,073	228,816,685	46,830,577
Investments limited as to use, less current portion:							
Funds held by trustee	133,634,464	-	133,634,464	-	-	133,634,464	-
Board designated funds	587,157,256	-	587,157,256	-	-	587,157,256	-
Foundation funds	15,911,802	-	15,911,802	-	-	15,911,802	-
	736,703,522	-	736,703,522	-	-	736,703,522	-
Property and Equipment:							
Land and improvements	27,955,613	-	26,297,493	-	2,256,759	24,040,734	1,658,120
Buildings and building improvements	547,673,445	-	547,029,764	-	32,345,404	514,684,360	643,681
Furniture, fixtures and equipment	263,761,348	-	229,358,021	-	10,713	229,347,308	34,403,327
	839,390,406	-	802,685,278	-	34,612,876	768,072,402	36,705,128
Less allowances for depreciation	526,628,495	-	506,002,538	-	23,403,150	482,599,388	20,625,957
	312,761,911	-	296,682,740	-	11,209,726	285,473,014	16,079,171
Construction in progress	74,096,150	-	73,723,645	-	320,832	73,402,813	372,505
	386,858,061	-	370,406,385	-	11,530,558	358,875,827	16,451,676
Other assets:							
Deferred financing costs	1,622,123	-	1,622,123	-	-	1,622,123	-
Investments	29,802,832	(20,783,799)	50,106,313	-	2,161,284	47,945,029	480,318
Other	42,837,550	-	34,416,870	(73,229)	-	34,490,099	8,420,680
	74,262,505	(20,783,799)	86,145,306	(73,229)	2,161,284	84,057,251	8,900,998
Total assets	\$ 1,460,845,791	\$ (33,124,706)	\$ 1,421,787,246	\$ (6,652,954)	\$ 19,986,915	\$ 1,408,453,285	\$ 72,183,251

Deaconess Health System, Inc.

Details of Consolidated Balance Sheet (continued)

March 31, 2017

			Obligated Group			Non-Obligated Group	
			Total Obligated Group	Eliminations	Deaconess Health System, Inc.	Deaconess Hospital, Inc.	Total Non-Obligated Group
	Consolidated	Eliminations					
Liabilities and net assets							
Current liabilities:							
Accounts payable and accrued expenses	\$ 53,217,939	\$ (12,340,907)	\$ 47,379,799	\$(6,579,725)	\$ 6,902,123	\$ 47,057,401	\$ 18,179,047
Accrued salaries, wages and benefits	47,252,097	-	33,950,028	-	-	33,950,028	13,302,069
Accrued payroll taxes and withholdings	2,640,730	-	2,112,403	-	-	2,112,403	528,327
Estimated third-party settlements	5,004,377	-	3,672,495	-	-	3,672,495	1,331,882
Accrued interest	1,001,572	-	998,001	-	-	998,001	3,571
Current portion of long-term debt	6,591,570	-	5,940,000	-	-	5,940,000	651,570
Capital lease obligation - short-term	590,411	-	547,616	-	-	547,616	42,795
Other short-term liabilities	823,778	-	-	-	-	-	823,778
Total current liabilities	117,122,474	(12,340,907)	94,600,342	(6,579,725)	6,902,123	94,277,944	34,863,039
Long-term liabilities:							
Long-term debt	355,975,107	-	354,120,000	-	-	354,120,000	1,855,107
Bond premium/discount	9,108,107	-	9,108,107	-	-	9,108,107	-
Current portion of long-term debt	(5,940,000)	-	(5,940,000)	-	-	(5,940,000)	0
Long-term capital leases	708,070	-	9,361	-	-	9,361	698,709
Other long-term liabilities	118,423,326	-	118,423,326	-	-	118,423,326	0
	478,274,610	-	475,720,794	-	-	475,720,794	2,553,816
Total liabilities	595,397,084	(12,340,907)	570,321,136	(6,579,725)	6,902,123	569,998,738	37,416,855
Net assets:							
Minority interest in consolidated entities	14,012,874	14,012,874	-	-	-	-	-
Unrestricted controlling interest	835,524,031	(34,796,673)	835,554,308	(73,229)	13,084,792	822,542,745	34,766,396
Unrestricted - Foundation	7,548,008	-	7,548,008	-	-	7,548,008	-
Temporarily restricted - Foundation	6,585,888	-	6,585,888	-	-	6,585,888	-
Permanently restricted - Foundation	1,777,906	-	1,777,906	-	-	1,777,906	-
Total net assets	865,448,707	(20,783,799)	851,466,110	(73,229)	13,084,792	838,454,547	34,766,396
Total liabilities and net assets							
	\$ 1,460,845,791	\$ (33,124,706)	\$ 1,421,787,246	\$(6,652,954)	\$ 19,986,915	\$ 1,408,453,285	\$ 72,183,251

**Details of Consolidated Statement of Operations and
Changes in Net Assets**

As of March 31, 2017

	Obligated Group						Non-Obligated Group
	Consolidated	Eliminations	Total Obligated Group	Eliminations	Deaconess Health System, Inc.	Deaconess Hospital, Inc.	Total Non-Obligated Group
Unrestricted revenue and other support:							
Net patient service revenue	\$ 444,764,838	\$ -	\$ 362,764,833	\$ -	\$ -	\$ 362,764,833	\$ 82,000,005
Other revenue	25,043,516	(18,593,119)	16,232,515	(681,340)	(14,567,505)	31,481,359	27,404,120
Total unrestricted revenue and other support	469,808,354	(18,593,119)	378,997,348	(681,340)	(14,567,505)	394,246,192	109,404,125
Expenses:							
Salaries and wages	180,365,106	-	129,123,647	-	-	129,123,647	51,241,459
Employee benefits	47,918,594	-	38,088,244	-	-	38,088,244	9,830,350
Medical and surgical supplies	75,838,015	-	56,981,094	-	-	56,981,094	18,856,921
Other general supplies	5,402,470	-	4,729,814	-	2,002	4,727,812	672,656
Contract services	51,082,209	(24,200,361)	62,066,064	-	567,425	61,498,639	13,216,506
Utilities	6,162,946	-	5,273,333	-	165,503	5,107,830	889,613
Repairs and maintenance	14,079,743	-	13,430,063	-	158,754	13,271,309	649,680
Depreciation	23,178,827	-	21,309,581	-	438,822	20,870,759	1,869,246
Interest	3,468,838	-	3,385,630	-	-	3,385,630	83,208
Operating leases	4,020,509	(893,091)	3,161,247	-	-	3,161,247	1,752,353
Other	26,466,662	(209,715)	18,079,033	(681,340)	104,228	18,656,144	8,597,344
Total expenses	437,983,919	(25,303,167)	355,627,750	(681,340)	1,436,734	354,872,355	107,659,336
Income from operations	31,824,435	6,710,048	23,369,598	-	(16,004,239)	39,373,837	1,744,789
Loss on early extinguishment of debt	0	-	-	-	-	0	-
Realized investment income	18,251,754	-	18,252,498	-	9,773	18,242,725	(744)
Net income	50,076,189	6,710,048	41,622,096	-	(15,994,466)	57,616,562	1,744,045
Unrealized gain (loss) on investments	10,113,348	-	10,113,348	-	-	10,113,348	-
Accumulated other comprehensive income under pension plan	-	-	-	-	-	-	-
Accumulated other comprehensive income under post retirement medical plan	-	-	-	-	-	-	-
Contributions	(830,854)	(14,364,505)	-	(12,206,483)	12,206,483	-	13,533,651
Distributions	(6,350,894)	7,410,604	-	12,206,483	-	(12,206,483)	(13,761,498)
Total change in unrestricted net assets	53,007,789	(243,853)	51,735,444	-	(3,787,983)	55,523,427	1,516,198
Other change in unrestricted net assets - Foundation							
Contributions	237,042	-	237,042	-	-	237,042	-
Expenses	(666,771)	-	(666,771)	-	-	(666,771)	-
Realized investment income	169,352	-	169,352	-	-	169,352	-
Unrealized gain (loss) on investments	540,477	-	540,477	-	-	540,477	-
Release of restrictions	275,393	-	275,393	-	-	275,393	-
Total other change in unrestricted net assets - Foundation	555,493	-	555,493	-	-	555,493	-
Total change in unrestricted net assets	53,563,282	(243,853)	52,290,937	-	(3,787,983)	56,078,920	1,516,198
Change in temporarily restricted net assets - Foundation							
Contributions	1,500,822	-	1,500,822	-	-	1,500,822	-
Realized investment income	14,343	-	14,343	-	-	14,343	-
Unrealized gain (loss) on investments	44,116	-	44,116	-	-	44,116	-
Release of restrictions	(275,393)	-	(275,393)	-	-	(275,393)	-
Total change in temporarily restricted net assets - Foundation	1,283,888	-	1,283,888	-	-	1,283,888	-
Change in permanently restricted net assets - Foundation							
Contributions	-	-	-	-	-	-	-
Change in beneficial interest	(55,038)	-	(55,038)	-	-	(55,038)	-
Total change in permanently restricted net assets - Foundation	(55,038)	-	(55,038)	-	-	(55,038)	-
Total change in net assets	54,792,132	(243,853)	53,519,787	-	(3,787,983)	57,307,770	1,516,198
Less: amount attributable to minority interest	1,317,778	-	-	-	-	-	1,317,778
Total change in net assets attributable to controlling interest	\$ 53,474,354	\$ (243,853)	\$ 53,519,787	\$ -	\$ (3,787,983)	\$ 57,307,770	\$ 198,420

Details of Consolidated Statement of Cash Flows

As of March 31, 2017

	Obligated Group						Non-Obligated Group
	Consolidated	Eliminations	Total Obligated Group	Eliminations	Deaconess Health System, Inc.	Deaconess Hospital, Inc.	Total Non-Obligated Group
Operating activities							
Increase (decrease) in net assets	\$ 61,973,880	\$ 6,710,048	\$ 53,519,787	\$ -	\$ (15,994,466)	\$ 69,514,253	\$ 1,744,045
Adjustments to reconcile changes in net assets to net cash provided by operating activities:							
Depreciation	23,178,827	-	21,309,581	-	438,822	20,870,759	1,869,246
Net unrealized (gain) loss on investments	(10,113,348)	-	(10,113,348)	-	-	(10,113,348)	-
(Gain) loss on early extinguishment of debt	-	-	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-	-	-
Provision for bad debts	5,036,649	-	5,084,132	-	-	5,084,132	(47,483)
Amortization of deferred financing costs and original issue premium/discount	(199,680)	-	(199,680)	-	-	(199,680)	-
Change in pension liability	-	-	-	-	-	-	-
Changes in operating assets and liabilities							
Patient accounts receivable	(13,849,827)	-	(7,530,085)	-	-	(7,530,085)	(6,319,742)
Other accounts receivable	(3,749,726)	7,618,677	(12,956,347)	1,862,876	(242,918)	(14,576,305)	1,587,944
Prepaid expenses	1,333,641	-	1,756,869	-	(35,631)	1,792,500	(423,228)
Inventories	121,107	-	143,307	-	-	143,307	(22,200)
Other current assets	128,550	-	39,666	-	-	39,666	88,884
Accounts payable and other current liabilities	9,366,717	(7,618,677)	7,580,998	(1,862,876)	1,802,643	7,641,231	9,404,396
Salaries, wages and related liabilities	2,547,179	-	2,885,934	-	-	2,885,934	(338,755)
Estimated third-party settlements	(2,139,758)	-	(2,109,301)	-	-	(2,109,301)	(30,457)
Accrued interest	332,909	-	332,909	-	-	332,909	-
Other long-term liabilities	583,314	-	583,314	-	-	583,314	-
Net cash provided by operating activities	74,550,434	6,710,048	60,327,736	-	(14,031,550)	74,359,286	7,512,650
Investing activities							
Purchases of property and equipment	(51,907,828)	-	(50,319,782)	-	(266,729)	(50,053,053)	(1,588,046)
Proceeds from sales of property and equipment	-	-	-	-	-	-	-
Transfers from trustee assets for principal, interest and construction draws	(5,834,116)	-	(5,834,116)	-	-	(5,834,116)	-
Deposits (to) from funds held by trustee	(80,074,951)	-	(80,074,951)	-	-	(80,074,951)	-
Purchases of board designated funds	(346,701,250)	-	(346,701,250)	-	-	(346,701,250)	-
Sales of board designated funds	329,506,668	-	329,506,668	-	-	329,506,668	-
Net change in Foundation assets	(1,784,342)	-	(1,784,342)	-	-	(1,784,342)	-
Change in other investments	(3,145,613)	243,853	(3,440,466)	-	1,563,323	(5,003,789)	51,000
Other	-	-	-	-	-	-	-
Net cash used by investing activities	(159,941,432)	243,853	(158,648,239)	-	1,296,594	(159,944,833)	(1,537,046)
Financing activities							
Distributions	(6,350,894)	7,410,604	-	12,206,483	-	(12,206,483)	(13,761,498)
Capital contributions	(830,854)	(14,364,505)	-	(12,206,483)	12,206,483	-	13,533,651
Net borrowings on line of credit	104,504,585	-	104,830,000	-	-	104,830,000	(325,415)
Repayments on long-term debt	(5,290,855)	-	(5,775,000)	-	-	(5,775,000)	484,145
Proceeds from refinancing of long-term debt	-	-	-	-	-	-	-
Payments to refinance long-term debt	-	-	-	-	-	-	-
Payments on capital leases	(347,390)	-	(71,956)	-	-	(71,956)	(275,434)
Cash (paid) received for premium/discount on refinancing of long-term debt	4,723,563	-	4,723,563	-	-	4,723,563	-
Cash (paid) received for deferred issuance cost on refinancing of long-term debt	(310,151)	-	(310,151)	-	-	(310,151)	-
Cash (paid) received for prepaid interest on refinancing of long-term debt	-	-	-	-	-	-	-
Net cash used by financing activities	96,098,004	(6,953,901)	103,396,456	-	12,206,483	91,189,973	(344,551)
Increase (decrease) in cash and cash equivalents	10,707,006	-	5,075,953	-	(528,473)	5,604,426	5,631,053
Cash and cash equivalents at beginning of year	65,507,886	-	58,817,358	-	4,544,410	54,272,948	6,690,528
Cash and cash equivalents at end of year	\$ 76,214,892	\$ -	\$ 63,893,311	\$ -	\$ 4,015,937	\$ 59,877,374	\$ 12,321,581

**DEACONESS HOSPITAL, INC.
STATISTICAL INFORMATION
2013 THRU 2017**

	FISCAL YEAR ENDING SEPTEMBER 30,				2017 FISCAL YTD Period Ending Sep 30, 2017
BEDS IN OPERATION	2013 489	2014 484	2015 511	2016 509	521
DISCHARGES - EXC. SNF	22,765	24,284	27,656	27,185	13,825
DISCHARGES - SNF ONLY	0	0	0	0	0
ADJUSTED DISCHARGES - ALL	49,051	50,444	56,264	58,717	30,422
% OCCUPANCY: OPERATIONAL BEDS	62%	67%	72%	69%	67%
PATIENT DAYS - EXC. SNF	111,533	118,537	134,243	128,438	63,328
PATIENT DAYS - SNF ONLY	0	0	0	0	0
ADJUSTED PATIENT DAYS - ALL	240,316	246,229	273,109	277,415	139,356
AVERAGE DAILY CENSUS - ALL	306	325	368	351	348
AVERAGE LENGTH OF STAY - EXC. SNF	4.9	4.9	4.9	4.7	4.6
AVERAGE LENGTH OF STAY - SNF ONLY	N/A	N/A	N/A	N/A	N/A
PAID FTE's	3,698	3,660	3,824	3,998	4,115
CASE MIX INDEX (MEDICARE ONLY)	1.5404	1.5721	1.5264	1.5351	1.5912
OTHER OUTPATIENT VISITS	507,217	512,501	535,789	575,761	279,013
ER VISITS	93,982	95,540	100,708	101,068	49,303
OUTPATIENT SURGERIES	3,250	3,206	3,792	4,386	2,309
PAYOR MIX BY DISCHARGE					
MEDICARE	56.6%	58.1%	59.3%	59.1%	59.6%
MEDICAID	11.1%	11.4%	13.0%	14.2%	14.1%
MANAGED CARE	21.4%	20.9%	20.2%	20.1%	19.7%
OTHER COMMERCIAL, SELF PAY	11.0%	9.6%	7.5%	6.6%	6.6%
PAYOR MIX BY PATIENT DAY					
MEDICARE	59.9%	60.7%	61.1%	60.8%	61.3%
MEDICAID	12.6%	13.3%	14.4%	15.5%	15.3%
MANAGED CARE	18.2%	17.5%	17.6%	17.8%	17.3%
OTHER COMMERCIAL, SELF PAY	9.3%	8.6%	6.9%	5.9%	6.1%
PAYOR MIX BY REVENUE (I/P only)					
MEDICARE	59.7%	60.7%	60.4%	60.1%	61.1%
MEDICAID	10.3%	11.2%	12.6%	13.5%	13.0%
MANAGED CARE	19.9%	19.3%	19.6%	19.6%	18.7%
OTHER COMMERCIAL, SELF PAY	10.1%	8.8%	7.5%	6.8%	7.2%
CONTRACTUALS AS A % OF GROSS REVENUES					
MEDICARE	36.9%	37.0%	36.2%	35.8%	36.4%
MEDICAID	5.9%	6.5%	8.7%	9.7%	10.5%
MANAGED CARE AND OTHER	17.2%	18.4%	19.4%	18.7%	17.5%
CHARITY	4.6%	3.05%	2.11%	1.82%	2.20%
BAD DEBT	2.3%	1.39%	0.90%	0.25%	0.46%
AVERAGE % OF CHARGE INCREASES	5.5%	5.5%	4.0%	0.0%	4.0%
DAYS NET REVENUE IN ACCOUNTS RECEIVABLE	50.20	46.80	54.43	54.71	55.53
% OF ACCOUNTS RECEIVABLE OVER 90 DAYS	16.6%	23.83%	25.19%	26.88%	25.66%

**DEACONESS WOMEN'S HOSPITAL OF SOUTHERN INDIANA, LLC d/b/a
THE WOMEN'S HOSPITAL
STATISTICAL INFORMATION
2013 THRU 2017**

	FISCAL YEAR ENDING DECEMBER 31,				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
LICENSED BEDS	74	74	74	74	74
BEDS IN OPERATION	74	74	74	74	74
DISCHARGES - EXC. SNF	3,687	3,668	3,655	3,833	828
DISCHARGES - SNF ONLY	N/A	N/A	N/A	N/A	N/A
ADJUSTED DISCHARGES - ALL	6,595	6,999	7,448	7,727	1,794
% OCCUPANCY: OPERATIONAL BEDS	242%	62%	62%	74%	59%
% OCCUPANCY: LICENSED BEDS	242%	62%	62%	74%	59%
PATIENT DAYS - EXC. SNF	16,466	16,877	16,860	19,964	3,918
PATIENT DAYS - SNF ONLY	N/A	N/A	N/A	N/A	N/A
ADJUSTED PATIENT DAYS - ALL	29,453	32,202	34,357	40,244	8,487
AVERAGE DAILY CENSUS - ALL	45.1	46.2	46.2	54.5	43.5
AVERAGE LENGTH OF STAY - EXC. SNF	4.5	4.6	4.6	5.2	4.7
AVERAGE LENGTH OF STAY - SNF ONLY	N/A	N/A	N/A	N/A	N/A
PAID FTE's	407	431	464	495	507
CASE MIX INDEX (MEDICARE ONLY)	N/A	N/A	N/A	N/A	N/A
OTHER OUTPATIENT VISITS	655	647	488	556	138
ER VISITS	6,915	6,604	6,340	6,180	1,487
OUTPATIENT SURGERIES	1,637	1,847	2,031	2,310	562
LIVE BIRTHS	3,104	3,108	3,046	3,123	679
PAYOR MIX BY DISCHARGE					
MEDICARE	0.63%	0.53%	0.72%	0.83%	0.63%
MEDICAID	39.6%	38.32%	34.55%	32.53%	33.19%
MANAGED CARE	57.9%	59.59%	62.68%	63.97%	62.93%
OTHER COMMERCIAL, SELF PAY	1.9%	1.56%	2.05%	2.66%	3.24%
PAYOR MIX BY PATIENT DAY					
MEDICARE	0.63%	0.33%	0.54%	0.86%	0.64%
MEDICAID	39.6%	41.45%	37.55%	40.38%	32.59%
MANAGED CARE	57.9%	56.99%	51.13%	31.75%	38.34%
OTHER COMMERCIAL, SELF PAY	1.9%	1.23%	10.77%	27.01%	28.43%
PAYOR MIX BY REVENUE (I/P only)					
MEDICARE	1.0%	0.75%	1.52%	1.70%	1.40%
MEDICAID	41.5%	38.83%	36.41%	37.84%	33.58%
MANAGED CARE	53.4%	57.13%	47.20%	32.79%	37.40%
OTHER COMMERCIAL, SELF PAY	4.1%	3.29%	14.88%	27.67%	27.62%
CONTRACTUALS AS A % OF GROSS REVENUES					
MEDICARE	2.8%	1.6%	3.0%	3.6%	4.0%
MEDICAID	22.1%	16.2%	15.5%	17.7%	11.3%
MANAGED CARE	12.8%	14.0%	16.9%	15.0%	15.6%
OTHER	9.7%	9.9%	9.6%	9.2%	9.1%
CHARITY	0.8%	0.3%	0.2%	0.4%	0.3%
AVERAGE % OF CHARGE INCREASES	N/A	N/A	N/A	N/A	N/A
DAYS NET REVENUE IN ACCOUNTS RECEIVABLE	70.5	50.03	58.93	47.87	50.58
% OF ACCOUNTS RECEIVABLE OVER 90 DAYS	24.2%	20.00%	19.70%	18.20%	20.60%

HEALTHSOUTH DEACONESS REHABILITATION HOSPITAL, LLC
STATISTICAL INFORMATION
2013 THRU 2017

	FISCAL YEAR ENDING DECEMBER 31,				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
BEDS IN OPERATION	80	85	103	103	103
% OCCUPANCY	84%	80%	66%	76%	78%
DISCHARGES	1,739	1,794	1,849	2,203	551
ADJUSTED DISCHARGES	1,739	1,883	1,960	2,330	585
PATIENT DAYS	24,534	24,747	24,887	28,711	7,211
O/P VISITS	6,284	6,395	6,562	7,036	1,902

THE HEART HOSPITAL AT DEACONESS GATEWAY, LLC
STATISTICAL INFORMATION
2013 THRU 2017

	FISCAL YEAR ENDING SEPTEMBER 30,				2017 FISCAL YTD Period Ending Sept 30,
	<u>2013</u> 24	<u>2014</u> 24	<u>2015</u> 24	<u>2016</u> 24	<u>2017</u> 24
BEDS IN OPERATION					
DISCHARGES	1,576	1,501	1,720	1,590	768
% OCCUPANCY: OPERATIONAL BEDS	69%	66%	74%	72%	71%
PATIENT DAYS	6,078	5,808	6,463	6,286	3,092
AVERAGE DAILY CENSUS - ALL	17	16	18	17	17
AVERAGE LENGTH OF STAY	3.9	3.9	3.8	4.0	4.0
PAID FTE's	128	132	137	146	148
CASE MIX INDEX (MEDICARE ONLY)	2.3398	2.4942	2.6538	2.4617	2.7848
PAYOR MIX BY DISCHARGE					
MEDICARE	67.4%	66.8%	67.0%	66.3%	69.6%
MEDICAID	2.4%	3.0%	3.5%	4.9%	4.3%
MANAGED CARE	24.0%	25.9%	25.1%	24.7%	22.4%
OTHER COMMERCIAL, SELF PAY	6.3%	4.3%	4.4%	4.1%	3.7%
PAYOR MIX BY PATIENT DAY					
MEDICARE	69.2%	67.8%	71.4%	68.9%	74.1%
MEDICAID	3.3%	3.3%	2.8%	4.6%	4.3%
MANAGED CARE	22.1%	24.3%	21.8%	23.5%	19.1%
OTHER COMMERCIAL, SELF PAY	5.4%	4.6%	4.0%	3.0%	2.5%
PAYOR MIX BY REVENUE (I/P only)					
MEDICARE	66.0%	63.3%	67.4%	64.6%	70.5%
MEDICAID	3.1%	3.7%	2.8%	5.2%	4.7%
MANAGED CARE	25.2%	28.1%	25.6%	27.3%	20.8%
OTHER COMMERCIAL, SELF PAY	5.8%	5.0%	4.3%	3.0%	4.0%
CONTRACTUALS AS A % OF GROSS REVENUES					
MEDICARE	46.6%	43.3%	45.3%	46.1%	47.3%
MEDICAID	1.8%	3.7%	3.9%	4.3%	4.4%
MANAGED CARE AND OTHER	12.2%	14.4%	13.1%	13.1%	13.5%
CHARITY	2.8%	1.6%	1.0%	0.7%	0.5%
BAD DEBT	0.8%	0.6%	0.9%	-0.2%	0.5%
AVERAGE % OF CHARGE INCREASES	5.5%	5.5%	4.0%	0.0%	4.0%
DAYS NET REVENUE IN ACCOUNTS RECEIVABLE	47.93	44.11	45.98	55.00	59.79
% OF ACCOUNTS RECEIVABLE OVER 90 DAYS	10.9%	22.2%	27.0%	27.8%	21.8%