

St. Joseph's Healthcare System

Consolidated Financial Statements

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June 2017

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**St. Joseph's Healthcare System
Consolidating Balance Sheet**

As of June 2017
(In Thousands)

	SJRMCHospitals	PatersonFoundation	WayneFoundation	VHSManagement	200 HospPlaza Corp.	St. Joseph'sHealthcareInc.	SJHSInsuranceLTD	Eliminations	TotalJune2017	TotalDecember2016
Assets										
Current Assets:										
Cash and cash equivalents	\$63,051	\$4,874	\$1,644	\$813	\$218			-	\$70,600	\$139,429
Investments	200,463	-	1,946	2,121	-			-	204,530	178,441
Current portion of assets whose use is limited	11,957	-			1,835		6,916	-	20,708	15,894
Patient accounts receivable, net	82,835	-		1,048					83,883	91,097
Grants, notes, and other receivables	19,822	132	-		212		3,413	(4,550)	19,029	8,532
Unconditional promises to give, net		1,460	219						1,679	2,896
Supplies	10,668	-		17					10,685	10,469
Prepaid expenses and other current assets	4,234	565	2	0	-		799	(47)	5,553	3,663
Due from affiliates	578	-	-		-		-	(578)	-	-
Total current assets	393,608	7,031	3,811	3,999	2,265	0	11,128	(5,175)	416,667	450,421
Assets whose use is limited net of current portion	12,052	3,781	962		5,543		24,380	-	46,718	53,055
Unconditional promises to give, net		1,380	8						1,388	1,387
Due from affiliates					-		-	-	-	-
Beneficial interest in trust		4,916	795						5,711	5,711
Notes receivable - net of current		1,070							1,070	1,174
Property and equipment - net	299,859	435		0	24,934				325,228	324,327
Interest in net assets of foundations	23,252							(23,252)	-	-
Investment in Joint Ventures	29,876								29,876	24,644
Estimated insurance recoveries	10,404							(10,404)	-	-
Other assets	12,409	10		408	0	3,178	-	(3,178)	12,827	13,482
Total	\$781,460	\$18,623	\$5,576	\$4,407	\$32,742	\$3,178	\$35,508	(\$42,009)	\$839,485	\$874,201
Liabilities and net assets										
Current liabilities										
Current portion of long-term debt	\$6,458				\$655				\$7,113	\$7,077
Accounts payable	38,995	31	26	324	12		4,595	(4,550)	39,433	40,719
Accrued salaries and expenses	62,290			26	-		6,916	-	69,232	70,549
Accrued interest payable	5,461				199				5,660	4,052
Due to affiliates	-	443	33		149			(625)	-	-
Deferred revenue	590	262	0	276					1,128	756
Estimated third-party payer settlements	2,106								2,106	3,374
Total current liabilities	115,900	736	59	626	1,015	-	11,511	(5,175)	124,672	126,527
Long term debt -net of current	268,800				25,661				294,461	296,125
Estimated third-party payer settlements, net of current	3,677								3,677	8,184
Accrued pension liability	165,081			620					165,701	204,061
Estimated professional liability claims payable	16,136						18,841	(10,404)	24,573	23,381
Deferred revenue-net of current portion	-	-							-	-
Other noncurrent liabilities	10,186	70			104				10,360	10,537
Total liabilities	\$579,780	\$806	\$59	\$1,246	\$26,780	-	\$30,352	(\$15,579)	\$623,444	\$668,815
Net assets:										
Unrestricted										
St. Joseph's healthcare system and affiliates	174,647	5,807	3,719	3,161	5,962	3,178	5,156	(12,704)	188,926	178,821
Noncontrolling interests in joint ventures	4,981								4,981	3,820
Total unrestricted net assets	179,628	5,807	3,719	3,161	5,962	3,178	5,156	(12,704)	193,907	182,641
Temporarily restricted	14,403	7,094	876					(7,888)	14,485	15,096
Permanently restricted	7,649	4,916	922					(5,838)	7,649	7,649
Total net assets	\$201,680	\$17,817	\$5,517	\$3,161	\$5,962	\$3,178	\$5,156	(\$26,430)	\$216,041	\$205,386
Total net assets and liabilities	\$781,460	\$18,623	\$5,576	\$4,407	\$32,742	\$3,178	\$35,508	(\$42,009)	\$839,485	\$874,201

St. Joseph's Healthcare System
Consolidating Statement of Operations
YTD June 30, 2017
(In thousands)

	SJRMCHospitals	PatersonFoundation	WayneFoundation	VHSManagement	200 HospPlazaCorp.	St. Joseph'sHealthcareInc.	SJHSInsuranceLTD	Eliminations	Total
Revenues:									
Net patient service revenue	\$397,671			\$2,820					\$400,491
Provision for Bad Debts	(41,935)			(102)					(42,037)
Net patient service revenue (net of bad debt)	355,736			2,718					358,454
Other revenue	48,085	1,238	831	27	1,951		2,275	(3,104)	51,303
Net assets released from restrictions for operations	-	1,234	97						1,331
Total revenue	\$403,821	\$2,472	\$928	\$2,745	\$1,951	-	\$2,275	(\$3,104)	\$411,088
Expenses:									
Salaries and wages	\$190,300	\$314	\$167	\$1,919				(\$481)	\$192,219
Employee benefits	42,860	79	42	581				(121)	43,441
Physicians fees	10,709								10,709
Supplies and other	126,261	1,579	265	929	637		4,063	(2,502)	131,232
Bad Debt	-	794	1						795
Interest	6,087			21	597				6,705
Depreciation and amortization	17,418	2		4	827				18,251
Total expenses	\$393,635	\$2,768	\$475	\$3,454	\$2,061	-	\$4,063	(\$3,104)	\$403,352
Excess of revenues over expenses	\$10,186	(\$296)	\$453	(\$709)	(\$110)	-	(\$1,788)	-	\$7,736
Loss on early extinguishment of debt	-								-
Investment Income	2,344	35	33	(34)	4		676		3,058
Adjusted excess (deficiency) of rev over exp	\$12,530	(\$261)	\$486	(\$743)	(\$106)	-	(\$1,112)	-	\$10,794
Less: net gain attributable to non-controlling interests in joint ventures	2,546								2,546
Excess (deficiency) of revenues over expenses	\$ 9,984	\$ (261)	\$ 486	\$ (743)	\$ (106)	\$ -	\$ (1,112)	\$ -	\$ 8,248
Changes in net unrealized gains and losses on investments	381	141	93	48			441		1,104
Changes in interest in unrestricted net assets of:									
SJHMC foundation	(120)							120	-
St. Joseph's Wayne foundation	579							(579)	-
Net assets released from restrictions for capital acquisitions	754								754
Investment Income and Grants									
Increase (decrease) in unrestricted net assets	\$ 11,578	(\$120)	\$ 579	(\$695)	(\$106)	\$0	(\$671)	(\$459)	\$10,106

St. Joseph's Healthcare System
Consolidated Schedule of Net Assets

YTD June 30, 2017
(In thousands)

	SJRMCHospitals	PatersonFoundation	WayneFoundation	VHSMgmt	200 HospPlazaCorp.	St. Joseph'sHealthcareInc.	SJHSInsuranceLTD	Eliminations	Total
Unrestricted net assets:									
Increase in unrestricted net assets	\$11,578	(\$120)	\$579	(\$695)	(\$106)	\$0	(\$671)	(\$459)	\$10,106
Temporarily restricted net assets:									
Contributions, grants, investment income and other support	884	506	84						1,474
Change in interest in temporarily restricted net assets of St. Joseph's Hospital and Medical Center foundation	(727)							727	-
Change in interest in temporarily restricted net assets of St. Joseph's Wayne Hospital foundation	(12)							12	-
Foundation cap campaign contributions									-
Net assets released from restrictions - Operations		(1,234)	(97)						(1,331)
Net assets released from restrictions - Capital acquisitions	(754)	-							(754)
Increase in temporarily restricted net assets	(\$609)	(\$728)	(\$13)	-	-	-	-	\$739	(\$611)
Restricted Net Assets:									
Change in beneficial interest in trusts	-	-	-	-	-	-	-	-	-
Increase in temporarily restricted net assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-controlling interests in joint ventures:									
Net gain attributable to non-controlling interests in joint ventures	2,546								2,546
Distributions to non-controlling interests in joint ventures	(1,386)								(1,386)
Contributions from non-controlling interests in joint ventures									
Increase (decrease) in non-controlling interests	1,160	-	-	-	-	-	-	-	1,160
Increase (decrease) in net assets	12,129	(848)	566	(695)	(106)	0	(671)	280	10,655
Net assets—beginning of year	189,551	18,665	4,951	3,856	6,068	3,178	5,827	(26,710)	205,386
Net assets—end of year	\$201,680	\$17,817	\$5,517	\$3,161	\$5,962	\$3,178	\$5,156	(\$26,430)	\$216,041

St. Joseph's Healthcare System, Inc.
Consolidated Statements of Cash Flows
(In Thousands)

	6 Months Ended June 2017	12 Months Ended December 2016
Cash flows from operations		
(Decrease) increase in net assets	\$10,656	(\$12,620)
Adjustments to reconcile increase in net assets to net cash		
Depreciation and amortization	17,418	36,812
Amortization of deferred financing costs	-	2,275
Accounts receivables	7,214	(5,453)
Grants notes and other receivables	(7,007)	(395)
Estimated third-party payers settlements	(5,775)	(5,943)
Supplies	(216)	(1,960)
Prepaid expenses and other current assets	(4,107)	(524)
Assets held by related organization (Foundations)	1	(6)
Beneficial Interests in trusts	-	(1,960)
Other assets	674	(3,044)
Accounts payable	(1,245)	(1,884)
Accrued salaries and expenses	(1,317)	11,356
Accrued bond interest	1,608	(3,490)
Accrued Pension liability	(38,360)	12,359
Deferred Revenue	110	(118)
Due to 3 rd Parties/Deferred Revenue current	-	-
Other liabilities	855	2,175
Cash flows provided by operating activities	(\$19,491)	\$27,580
Cash flows from investing activities		
Acquisition of property, building and equipment	(18,319)	(28,700)
Proceeds from Sales of Investments	(31,322)	(24,724)
Net change in restricted cash	1,524	14,820
Cash flows from investing activities	(\$48,118)	(\$38,604)
Cash flows from financing activities		
Issuance of long-term debt	-	271,505
Repayment of long-term debt/notes receivable	(1,525)	(223,755)
Temporarily restricted contributions, investment income & other	141	4,715
Change in due from affiliates	164	-
Cash flows from by financing activities	(\$1,220)	\$52,465
Increase (decrease) in cash and cash equivalents	(68,829)	41,441
Beginning cash and cash equivalents	139,429	97,988
Ending cash and cash equivalents	\$70,600	\$139,429

St. Joseph's Healthcare System
Financial Covenant Compliance
(In Thousands)

	Loan Guarantor	as of June 2017	Bond Requirements	Variance
Series 2016 Bonds (Calculated on Obligated Group)	Yes			
a. Cushion ratio		16.35	1.25	13.08
b. Debt service coverage ratio		4.46	1.25	3.21
Trigger event only ratios*				
c. Days cash on hand		133.9	60.0	73.87

* Only required if both "required ratios" are not maintained for two consecutive quarters.

Series 2010 Bonds (200 Hospital Plaza)	Yes			
d. Debt service coverage ratio		1.44	1.00	0.44
e. Rate Coverage ratio		1.44	1.20	0.24

Blue Moon 51% JV -Term Loan - Fixed rate	Yes			
d. Debt service coverage ratio (tested annually)		3.53	1.25	2.28

Surgery Management 62% JV -Loan Agreement	No			
d. Debt service coverage ratio (Effective June, 2015, tested annually)		1.53	1.25	0.28

Definitions:

- a. Unrestricted cash and investments divided by maximum annual debt service
- b. Fiscal year end net income plus interest, deprec, amort, and all other non-cash expenses including asset impairment divided by maximum annual debt service
- c. Unrestricted cash divided by 12/31/2016 audited operating expenses (net of deprec, Interest, bad debt) divided by 366 days.
- d. Annualized net income plus interest, deprec, amort, and all other non-cash expenses divided by maximum annual debt service
- e. Annualized net income plus interest, deprec, amort, and all other non-cash expenses, plus Operating Reserve Fund, divided by maximum annual debt service

St. Joseph's Regional Medical Center
PATERSON AND WAYNE CAMPUSES
Consolidated Comparative Statistics

	Month to Date			Year to Date				
	Jun-17 Actual	Jun-17 Budget	Variance	Jun-17 Actual	Jun-17 Budget	Variance	Jun-16 Actual	CY/PY Variance
Inpatient								
Discharges	2,858	2,928	(70)	17,438	17,783	(345)	17,584	(146)
Observation Discharges	253	235	18	1,391	1,100	291	1,156	235
Total	3,111	3,163	(52)	18,829	18,883	(54)	18,740	89
Patient Days (a)	15,232	15,511	(279)	97,623	94,503	3,120	94,454	3,169
Average Daily Census	508	517	(9)	539	522	17	519	20
Length of Stay (b)	5.76	5.30	0.47	5.56	5.31	0.25	5.33	0.23
Medicare CMI - Paterson	1,7808	1,8805	(0.100)	1,8626	1,8805	(0.0179)	1,8805	(0.0179)
Medicare CMI - Wayne	1,4944	1,4552	0.0392	1,5464	1,4359	0.1105	1,4359	0.1105
CMI - Paterson	1,4310	1,4742	(0.043)	1,4889	1,4742	0.0147	1,4742	0.0147
CMI - Wayne	1,4668	1,3295	0.1373	1,4203	1,3391	0.0812	1,3391	0.0812
IP Gross ('000)	226,858	236,261	(9,403)	1,422,858	1,425,667	(2,809)	1,379,117	43,741
OP Gross ('000)	82,874	71,052	11,822	481,591	451,432	30,159	430,065	51,526
Total Gross	309,732	307,313	2,419	1,904,449	1,877,099	27,350	1,809,182	95,267
I/P Discharges (b)								
Medicare	705	811	(106)	4,540	4,908	(368)	4,869	(329)
Medicare Mgd Care	273	215	58	1,662	1,368	294	1,312	350
Medicaid	142	260	(118)	1,416	1,600	(184)	1,408	8
Medicaid Mgd Care	846	829	17	4,966	5,046	(80)	4,964	2
Other Mgd Care incl. BC	408	414	(6)	2,467	2,457	10	2,499	(32)
Commercial & Other	141	144	(3)	840	898	(58)	899	(59)
Charity Care	155	185	(30)	1,068	1,142	(74)	1,065	3
Self Pay	188	70	118	479	364	115	568	(89)
Total	2,858	2,928	(70)	17,438	17,783	(345)	17,584	(146)
I/P Patient Days (b)								
Medicare	5,831	5,331	500	31,975	32,130	(155)	32,003	(28)
Medicare Mgd Care	1,766	1,356	410	11,184	8,609	2,575	8,217	2,967
Medicaid	930	1,215	(285)	7,461	7,528	(67)	6,644	817
Medicaid Mgd Care	3,987	3,650	337	23,825	22,357	1,468	22,419	1,406
Other Mgd Care incl. BC	1,858	1,915	(57)	11,150	11,482	(332)	12,287	(1,137)
Commercial & Other	801	727	74	4,156	4,469	(313)	4,636	(480)
Charity Care	720	1,099	(379)	5,677	6,751	(1,074)	5,576	101
Self Pay	580	218	362	1,572	1,177	395	2,001	(429)
Total	16,473	15,511	962	97,000	94,503	2,497	93,783	3,217
I/P Length of Stay (b)								
Medicare	8.27	6.57	1.70	7.04	6.55	0.50	6.57	0.47
Medicare Mgd Care	6.47	6.32	0.15	6.73	6.29	0.44	6.26	0.47
Medicaid	6.55	4.67	1.88	5.27	4.70	0.56	4.72	0.55
Medicaid Mgd Care	4.71	4.40	0.31	4.80	4.43	0.37	4.52	0.28
Other Mgd Care incl. BC	4.55	4.63	(0.07)	4.52	4.67	(0.15)	4.92	(0.40)
Commercial & Other	5.68	5.04	0.64	4.95	4.98	(0.03)	5.16	(0.21)
Charity Care	4.65	5.95	(1.31)	5.32	5.91	(0.60)	5.24	0.08
Self Pay	3.09	3.11	(0.03)	3.28	3.23	0.05	3.52	(0.24)
Total (Average LOS)	5.76	5.30	0.47	5.56	5.31	0.25	5.33	0.23

Other Key Statistics

Emergency Room								
Admits	1,777	2,025	(248)	11,557	12,103	(546)	11,741	(184)
Treat & Release	13,646	14,136	(490)	83,049	86,048	(2,999)	84,569	(1,520)
	15,423	16,161	(738)	94,606	98,151	(3,545)	96,310	(1,704)
Surgeries								
OR Inpatient Cases	562	611	(49)	3,436	3,517	(81)	3,498	(62)
Same Day OR Outpatient Cases	777	614	163	4,256	3,688	568	4,238	18
O/P-Minor	9	12	(3)	45	59	(14)	58	(13)
	1,348	1,237	111	7,737	7,264	473	7,794	(57)
Cardiac Catheterizations								
Inpatient Cases	106	130	(24)	709	768	(59)	835	(126)
Outpatient Cases	95	126	(31)	630	716	(86)	749	(119)
	201	256	(55)	1,339	1,484	(145)	1,584	(245)
Total Deliveries	292	290	2	1,687	1,769	(82)	1,719	(32)

Notes:

- (a) Patient Days in this row are based on Census Days
(b) Inpatient statistics are calculated based on discharged days not census days.

The prior year payor mix reflects the current updated financial classification. i.e., many cases currently categorized as self pay will be subsequently qualified and reclassified as Medicaid or Charity Care.