

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Parkview Health System, Inc. and Subsidiaries

d/b/a Parkview Health

As of and for the six months ended June 30, 2017 and 2016

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Consolidated Balance Sheets
(In Thousands)

	June 2017	December 2016
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 123,385	\$ 100,032
Short-term investments	307	306
Patient accounts receivable, less allowances for bad debts of \$98,553 and \$79,034 in 2017 and 2016, respectively	211,409	183,477
Inventories	24,954	23,169
Prepaid expenses and other current assets	28,817	25,392
Estimated third-party payor settlements	3,606	3,960
Total current assets	<u>392,478</u>	<u>336,336</u>
Investments:		
Board-designated cash and investments	947,997	936,056
Funds held by trustees	44,410	49,969
Other investments	795	789
	<u>993,202</u>	<u>986,814</u>
Property and equipment:		
Cost	1,847,422	1,795,851
Less accumulated depreciation and amortization	812,338	770,713
	<u>1,035,084</u>	<u>1,025,138</u>
Other assets:		
Interest rate swaps	2,279	1,732
Investments in joint ventures	1,863	2,188
Goodwill and intangible assets, net	102,558	103,107
Other assets	30,027	36,346
	<u>136,727</u>	<u>143,373</u>
Total assets	<u><u>\$ 2,557,491</u></u>	<u><u>\$ 2,491,661</u></u>

	June 2017	December 2016
	(Unaudited)	
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 70,109	\$ 91,360
Salaries, wages, and related liabilities	88,439	101,669
Accrued interest	2,598	2,806
Estimated third-party payor settlements	8,766	5,214
Current portion of long-term debt	25,040	27,251
Total current liabilities	<u>194,952</u>	<u>228,300</u>
Noncurrent liabilities:		
Long-term debt, less current portion	598,552	595,663
Interest rate swaps	72,177	73,144
Accrued pension obligations	97,291	90,826
Other	23,669	24,180
	<u>791,689</u>	<u>783,813</u>
Net assets:		
Parkview Health System, Inc.	1,524,463	1,433,217
Noncontrolling interest in subsidiaries	31,442	31,367
Total unrestricted net assets	<u>1,555,905</u>	<u>1,464,584</u>
Temporarily restricted net assets	13,397	13,420
Permanently restricted net assets	1,548	1,544
Total net assets	<u>1,570,850</u>	<u>1,479,548</u>
 Total liabilities and net assets	 <u><u>\$ 2,557,491</u></u>	 <u><u>\$ 2,491,661</u></u>

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Consolidated Statements of Operations
and Changes in Net Assets
(In Thousands)

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues:				
Patient service revenue (net of contractual allowances and discounts)	\$ 413,418	\$ 389,405	\$ 823,986	\$ 766,716
Provision for bad debts	(35,284)	(32,163)	(63,119)	(66,623)
Net patient service revenue, less provision for bad debts	378,134	357,242	760,867	700,093
Capitation revenue	14,897	25,172	28,398	46,932
Other revenue	9,780	11,409	20,384	22,248
	402,811	393,823	809,649	769,273
Expenses:				
Salaries and benefits	211,692	192,734	420,990	378,324
Supplies	61,728	52,906	121,740	107,107
Purchased services	38,116	46,331	75,829	86,181
Utilities, repairs, and maintenance	14,072	13,888	28,559	28,509
Depreciation and amortization	22,307	23,753	46,229	47,040
Hospital assessment fee	9,737	9,944	20,459	19,497
Interest expense	6,225	6,734	12,640	12,874
Other	18,189	17,891	34,136	33,886
	382,066	364,181	760,582	713,418
Operating income	20,745	29,642	49,067	55,855
Nonoperating income (expense):				
Interest, dividends, and realized gains on sales of investments, net	6,627	9,268	12,734	9,934
Unrealized gains on investments, net	12,663	9,585	39,085	12,548
Realized and unrealized (losses) gains on interest rate swaps, net	(706)	(7,542)	1,468	(22,025)
Other	634	42	637	38
Excess of revenues over expenses	39,963	40,995	102,991	56,350
Excess of revenues over expenses attributable to noncontrolling interest in subsidiaries	5,378	7,093	11,909	14,094
Excess of revenues over expenses attributable to Parkview Health System, Inc.	\$ 34,585	\$ 33,902	\$ 91,082	\$ 42,256

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Consolidated Statements of Operations
and Changes in Net Assets (continued)
(In Thousands)

	Three Months Ended June 30 2017		
	(Unaudited)		
	Total	Controlling Interest	Noncontrolling Interest
Unrestricted net assets:			
Excess of revenues over expenses	\$ 39,963	\$ 34,585	\$ 5,378
Distributions to noncontrolling interests	(5,121)	—	(5,121)
Other	9	9	—
Increase in unrestricted net assets	34,851	34,594	257
Temporarily restricted net assets:			
Contributions	361	361	—
Investment income	21	21	—
Net assets released from restrictions	(175)	(175)	—
Increase in temporarily restricted net assets	207	207	—
Permanently restricted net assets:			
Contributions	—	—	—
Increase in permanently restricted net assets	—	—	—
Increase in net assets	35,058	34,801	257
Net assets at beginning of period	1,535,792	1,504,607	31,185
Net assets at end of period	<u>\$ 1,570,850</u>	<u>\$ 1,539,408</u>	<u>\$ 31,442</u>

	Six Months Ended June 30 2017		
	(Unaudited)		
	Total	Controlling Interest	Noncontrolling Interest
Unrestricted net assets:			
Excess of revenues over expenses	\$ 102,991	\$ 91,082	\$ 11,909
Distributions to noncontrolling interests	(11,834)	—	(11,834)
Other	164	164	—
Increase in unrestricted net assets	91,321	91,246	75
Temporarily restricted net assets:			
Contributions	449	449	—
Investment income	24	24	—
Net assets released from restrictions	(496)	(496)	—
Decrease in temporarily restricted net assets	(23)	(23)	—
Permanently restricted net assets:			
Contributions	4	4	—
Increase in permanently restricted net assets	4	4	—
Increase in net assets	91,302	91,227	75
Net assets at beginning of period	1,479,548	1,448,181	31,367
Net assets at end of period	<u>\$ 1,570,850</u>	<u>\$ 1,539,408</u>	<u>\$ 31,442</u>

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Consolidated Statements of Operations
and Changes in Net Assets (continued)
(In Thousands)

	Three Months Ended June 30 2016		
	(Unaudited)		
	Total	Controlling Interest	Noncontrolling Interest
Unrestricted net assets			
Excess of revenues over expenses	\$ 40,995	\$ 33,902	\$ 7,093
Distributions to noncontrolling interests	(6,040)	—	(6,040)
Other	(78)	(77)	(1)
Increase in unrestricted net assets	34,877	33,825	1,052
Temporarily restricted net assets			
Contributions	368	368	—
Investment income	35	35	—
Net assets released from restrictions	(321)	(321)	—
Increase in temporarily restricted net assets	82	82	—
Permanently restricted net assets			
Contributions	1	1	—
Net assets released from restrictions	(26)	(26)	—
Decrease in permanently restricted net assets	(25)	(25)	—
Increase in net assets	34,934	33,882	1,052
Net assets at beginning of period	1,319,822	1,291,960	27,862
Net assets at end of period	\$ 1,354,756	\$ 1,325,842	\$ 28,914

	Six Months Ended June 30 2016		
	(Unaudited)		
	Total	Controlling Interest	Noncontrolling Interest
Unrestricted net assets			
Excess of revenues over expenses	\$ 56,350	\$ 42,256	\$ 14,094
Distributions to noncontrolling interests	(13,080)	—	(13,080)
Other	(49)	(49)	—
Increase in unrestricted net assets	43,221	42,207	1,014
Temporarily restricted net assets			
Contributions	470	470	—
Investment income	64	64	—
Net assets released from restrictions	(433)	(433)	—
Increase in temporarily restricted net assets	101	101	—
Permanently restricted net assets			
Contributions	1	1	—
Net assets released from restrictions	(26)	(26)	—
Decrease in permanently restricted net assets	(25)	(25)	—
Increase in net assets	43,297	42,283	1,014
Net assets at beginning of period	1,311,459	1,283,559	27,900
Net assets at end of period	\$ 1,354,756	\$ 1,325,842	\$ 28,914

Parkview Health System, Inc. and Subsidiaries
d/b/a Parkview Health

Consolidated Statements of Cash Flows
(In Thousands)

	Six Months Ended June 30	
	2017	2016
	(Unaudited)	(Unaudited)
Cash flow from operating activities:		
Increase in net assets	\$ 91,302	\$ 43,297
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Provision for bad debts	63,118	66,623
Depreciation and amortization	46,229	47,040
Contributions restricted for capital	(449)	(471)
Undistributed (earnings) loss from alternative investments	(5,874)	8,329
Unrealized (gains) losses on interest rate swaps, net	(1,535)	22,159
Amortization of deferred financing costs and discount	(617)	(285)
Loss (gain) from disposal of property and equipment	76	(37)
Changes in operating assets and liabilities:		
Patient accounts receivable	(91,051)	(69,757)
Inventories	(1,785)	(975)
Prepaid expenses and other current assets	(3,419)	(6,222)
Trading securities, net	(515)	(58,352)
Accounts payable, accrued expenses, and other current liabilities	(34,689)	(26,879)
Estimated third-party payor settlements	3,906	5,685
Accrued pension obligations	6,464	6,531
Collateral posted on swaps, net	—	(7,227)
Other	17,016	8,361
Net cash provided by operating activities	<u>88,177</u>	<u>37,820</u>
Cash flow from investing activities:		
Property and equipment additions, net	(53,847)	(30,148)
Business acquisitions, net of cash acquired	(23)	(26)
Proceeds from sale of property and equipment	17	324
Net cash used in investing activities	<u>(53,853)</u>	<u>(29,850)</u>
Cash flow from financing activities:		
Principal payments of long-term debt	(20,150)	(19,392)
Proceeds from issuance of long-term debt	21,700	323
Payments of capital lease obligations	(1,215)	(2,593)
Distributions to noncontrolling interests	(11,834)	(13,080)
Contributions restricted for capital	449	471
Other	79	112
Net cash used in financing activities	<u>(10,971)</u>	<u>(34,159)</u>
Increase (decrease) in cash and cash equivalents	23,353	(26,189)
Cash and cash equivalents at beginning of period	100,032	154,487
Cash and cash equivalents at end of period	<u>\$ 123,385</u>	<u>\$ 128,298</u>
Schedule of noncash investing and financing activities		
Assets acquired through capital leases	<u>\$ 567</u>	<u>\$ 512</u>