



MEMORIAL HEALTH SYSTEM

COMPLIANCE CERTIFICATE

TO: Sara May
JP Morgan Chase Bank
10 South Dearborn St.
Chicago, IL 60603-2003

This Compliance Certificate is furnished to JP Morgan Chase Bank (the “**Lender**”) pursuant to that certain Loan Agreement dated as of September 1, 2004 (the “**Loan Agreement**”), by and between Memorial Health System (the “**Corporation**”) and the Lender. Unless otherwise defined herein, the terms used in this Compliance Certificate have the meanings ascribed thereto in the Loan Agreement.

THE UNDERSIGNED HEREBY ATTESTS THAT:

1. I am the Senior Vice President and Chief Financial Officer of the Corporation;
2. I have reviewed the terms of the Loan Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Corporation during the accounting period covered by the attached financial statements;
3. To the best of my knowledge, the Corporation has complied with all of the terms, conditions and provisions of the Loan Agreement on its part to be performed. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or the occurrence of any event which constitutes an Event of Default during or at the end of the quarterly reporting period or as of the date hereof;
4. Based on the attached unaudited financial statements, the Obligated Group for the quarterly period ending June 30, 2017, has the following financial ratios, calculations of which are attached hereto:
 - a. Days of Unrestricted Cash on Hand: 187 days [should be a minimum of 60 days];
 - b. Historical Debt Service Coverage Ratio: 4.57 [at least 1.20x]
5. The Corporation’s investment grade ratings from Moody’s and S&P are A1 and AA-, respectively.

The foregoing attestations, together with the financial statements delivered with this Compliance Certificate in support hereof, are made and delivered this 11th day of August, 2017.

MEMORIAL HEALTH SYSTEM

By: Robert W. Kay
Name: Robert W. Kay
Title: Senior Vice President and
Chief Financial Officer



FORM OF COMPLIANCE CERTIFICATE

TO: PNC Bank, National Association
301 SW Adams St.
Peoria, Illinois 61602
Attention: Michael A. Zeller

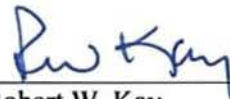
This Compliance Certificate is furnished to PNC Bank, National Association (the "*Bank*") pursuant to that certain Continuing Covenant Agreement dated as of November 1, 2015 (the "*Agreement*"), between The Passavant Memorial Area Hospital Association (the "*Borrower*") and the Bank. Unless otherwise defined herein, the terms used in this Compliance Certificate have the meanings ascribed thereto in the Agreement.

THE UNDERSIGNED HEREBY ATTESTS THAT:

1. I am the duly elected or appointed Senior Vice President and Chief Financial Officer of Memorial Health System;
2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Borrower during the June 30, 2017 quarterly accounting period covered by the attached financial statements;
3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or the occurrence of any event which constitutes a Default or Event of Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Compliance Certificate, except as set forth below:
4. To the best of my knowledge the financial statements required by Section 5.01 of the Agreement and being furnished to you concurrently with this certificate fairly represent the Borrower's condition in accordance with GAAP, as of the dates and for the periods covered thereby; and

The foregoing certifications, together with the unaudited financial statements delivered with this Compliance Certificate in support hereof, are made and delivered this 11th day of August, 2017.

**THE PASSAVANT MEMORIAL AREA
HOSPITAL ASSOCIATION**

By: 
Name: Robert W. Kay
Title: Senior Vice President and
Chief Financial Officer
Memorial Health System



MEMORIAL HEALTH SYSTEM

COMPLIANCE CERTIFICATE

TO: PNC Bank, National Association
301 SW Adams St.
Peoria, Illinois 61602
Attention: Michael A. Zeller

This Compliance Certificate is furnished to PNC Bank, National Association (the “**Bank**”) pursuant to that certain Loan Agreement dated August 30, 2016 (the “**Loan Agreement**”), by and between Memorial Health System (the “**Corporation**”) and the Bank. Unless otherwise defined herein, the terms used in this Compliance Certificate have the meanings ascribed thereto in the Loan Agreement.

THE UNDERSIGNED HEREBY ATTESTS THAT:

1. I am the Senior Vice President and Chief Financial Officer of the Corporation;
2. I have reviewed the terms of the Loan Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Corporation during the accounting period covered by the attached financial statements;
3. To the best of my knowledge, the Corporation has complied with all of the terms, conditions and provisions of the Loan Agreement on its part to be performed. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or the occurrence of any event which constitutes an Event of Default during or at the end of the quarterly reporting period or as of the date hereof;
4. Based on the attached unaudited financial statements, the Obligated Group for the quarterly period ending June 30, 2017, has the following financial ratios, calculations of which are attached hereto:
 - a. Days of Unrestricted Cash on Hand: 187 days [should be a minimum of 60 days];
 - b. Historical Debt Service Coverage Ratio: 4.57 [at least 1.20x]
5. The Corporation’s investment grade ratings from Moody’s and S&P are A1 and AA-, respectively.

The foregoing attestations, together with the financial statements delivered with this Compliance Certificate in support hereof, are made and delivered this 11th day of August, 2017.

MEMORIAL HEALTH SYSTEM

By: Robert W. Kay
Name: Robert W. Kay
Title: Senior Vice President and
Chief Financial Officer



MEMORIAL HEALTH SYSTEM

COMPLIANCE CERTIFICATE

TO: PNC Bank, National Association
301 SW Adams St.
Peoria, Illinois 61602
Attention: Michael A. Zeller

This Compliance Certificate is furnished to PNC Bank, National Association (the “Bank”) pursuant to that certain Loan Agreement dated as of October 15, 2013 (the “Loan Agreement”), by and between Memorial Health System (the “Corporation”) and the Bank. Unless otherwise defined herein, the terms used in this Compliance Certificate have the meanings ascribed thereto in the Loan Agreement.

THE UNDERSIGNED HEREBY ATTESTS THAT:

1. I am the Senior Vice President and Chief Financial Officer of the Corporation;
2. I have reviewed the terms of the Loan Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Corporation during the accounting period covered by the attached financial statements;
3. To the best of my knowledge, the Corporation has complied with all of the terms, conditions and provisions of the Loan Agreement on its part to be performed. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or the occurrence of any event which constitutes an Event of Default during or at the end of the quarterly reporting period or as of the date hereof;
4. Based on the attached unaudited financial statements, the Obligated Group for the quarterly period ending June 30, 2017, has the following financial ratios, calculations of which are attached hereto:
 - a. Days of Unrestricted Cash on Hand: 187 days [should be a minimum of 60 days];
 - b. Historical Debt Service Coverage Ratio: 4.57 [at least 1.20x]
5. The Corporation’s investment grade ratings from Moody’s and S&P are A1 and AA-, respectively.

The foregoing attestations, together with the financial statements delivered with this Compliance Certificate in support hereof, are made and delivered this 11th day of August, 2017.

MEMORIAL HEALTH SYSTEM

By: Robert W. Kay
Name: Robert W. Kay
Title: Senior Vice President and
Chief Financial Officer



MEMORIAL HEALTH SYSTEM

COMPLIANCE CERTIFICATE

TO: Sun Life Assurance Co.
150 King Street W-3rd Flr
Toronto, ON M5H 1J9
Attention: Nushi Kazemian

This Compliance Certificate is furnished to Sun Life Assurance Co. (the “**Lender**”) pursuant to that certain Loan Agreement dated as of September 18, 2012 (the “**Loan Agreement**”), by and between Memorial Health System (the “**Corporation**”) and the Lender. Unless otherwise defined herein, the terms used in this Compliance Certificate have the meanings ascribed thereto in the Loan Agreement.

THE UNDERSIGNED HEREBY ATTESTS THAT:

1. I am the Senior Vice President and Chief Financial Officer of the Corporation;
2. I have reviewed the terms of the Loan Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Corporation during the accounting period covered by the attached financial statements;
3. To the best of my knowledge, the Corporation has complied with all of the terms, conditions and provisions of the Loan Agreement on its part to be performed. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or the occurrence of any event which constitutes an Event of Default during or at the end of the quarterly reporting period or as of the date hereof;
4. Based on the attached unaudited financial statements, the Obligated Group for the quarterly period ending June 30, 2017, has the following financial ratios, calculations of which are attached hereto:
 - a. Days of Unrestricted Cash on Hand: 187 days [should be a minimum of 60 days];
 - b. Historical Debt Service Coverage Ratio: 4.57 [at least 1.20x]
5. The Corporation’s investment grade ratings from Moody’s and S&P are A1 and AA-, respectively.

The foregoing attestations, together with the financial statements delivered with this Compliance Certificate in support hereof, are made and delivered this 11th day of August, 2017.

MEMORIAL HEALTH SYSTEM

By: Robert W. Kay
Name: Robert W. Kay
Title: Senior Vice President and
Chief Financial Officer



701 North First Street • Springfield, Illinois 62781-0001
www.memorialmedical.com • Phone (217) 788-3000

August 11, 2017

Shana Blanchard
Client Service Manager
Deputy Director
Digital Assurance Certification
315 East Robinson Street, Ste. 300
Orlando, FL 32801

Dear Shana:

I hereby certify that the enclosed financial statements for the six months ended June 30, 2017 accurately reflect the financial status of Memorial Health System Obligated Group and Memorial Health System and its Subsidiaries.

Memorial Medical Center continues its favorable performance with operating margin of 4.3%. Our strong balance sheet, operating revenue and liquidity will allow us to exceed all of the current bond covenant requirements now and in the future.

Respectfully,

A handwritten signature in blue ink, appearing to read "R. W. Kay", written in a cursive, flowing style.

Robert W. Kay
Senior Vice President and
Chief Financial Officer



**MEMORIAL HEALTH SYSTEM
COMPLIANCE CERTIFICATE**

To: Fifth Third Bank
222 S. Riverside Plaza, 30th
Floor MD GRVR 30B
Chicago, IL 60606
Attention: Ryan Vilnius

This Compliance Certificate is furnished to Fifth Third Bank (the "*Bank*") pursuant to that certain Continuing Covenant Agreement dated as of May 1, 2014 (the "*Agreement*"), among Memorial Health System, as Obligated Group Agent (on behalf of itself and the other Members of the Obligated Group, the "*Obligated Group Agent*"), Memorial Medical Center and the Bank. Unless otherwise defined herein, the terms used in this Compliance Certificate have the meanings ascribed thereto in the Agreement.

THE UNDERSIGNED HEREBY ATTESTS THAT:

1. I am the Senior Vice President and Chief Financial Officer of the Obligated Group Agent;
2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Obligated Group Agent and the Medical Center during the accounting period covered by the attached financial statements, which are accurate in all material respects;
3. To the best of my knowledge, the Obligated Group Agent and each other Member of the Obligated Group has complied with all of the terms, conditions and provisions of the Agreement and the other Related Documents on its part to be performed. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or the occurrence of any event which constitutes an Event of Default during or at the end of the quarterly reporting period or as of the date hereof;
4. Based on the attached financial statements, the Obligated Group for the period ending June 30, 2017 has the following financial ratios, calculations of which are attached hereto:
 - a. Historical Debt Service Coverage Ratio: 4.57 [at least 1.20x]; and
 - b. Days Cash on Hand: 187 days [should be a minimum of 70 days].
5. The Obligated Group's investment grade ratings from Moody's and S&P are A1 and AA-, respectively.

The foregoing attestations, together with the financial statements delivered with this Compliance Certificate in support hereof, are made and delivered this 11th day of August, 2017.

Memorial Health System, as Obligated Group Agent,
on behalf of itself and the other
Members of the Obligated Group

By: Robert W. Kay
Name: Robert W. Kay
Title: Senior Vice President and
Chief Financial Office



**FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
JUNE 30, 2017**

	<u>Page</u>
OBLIGATED GROUP BALANCE SHEETS	1
OBLIGATED GROUP STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS	2-3
OBLIGATED GROUP STATEMENTS OF CASH FLOWS	4
CAPITALIZATION AND LIQUIDITY REQUIREMENTS	5
DEBT SERVICE COVERAGE CALCULATION	6
MHS HOSPITALS - SELECT UTILIZATION STATISTICS	7-9
MHS HOSPITALS - PAYOR ANALYSIS	10
MHS CONSOLIDATING BALANCE SHEETS	11
MHS CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS	12-13
MHS CONSOLIDATING STATEMENTS OF CASH FLOWS	14

**OBLIGATED GROUP
BALANCE SHEETS
AS OF JUNE 30, 2017 AND SEPTEMBER 30, 2016**
(dollars in thousands)

	FY 2017				FY 2016
Assets	MHS	MMC	Eliminations	TOTAL	
Current assets:					
Cash and cash equivalents	\$ 6,173	10,778	-	16,951	36,252
Short-term investments	35,391	81,628	-	117,019	113,033
Assets whose use is limited	-	4,390	-	4,390	6,272
Receivables:					
Net patient accounts receivable	-	99,893	-	99,893	106,510
Receivables from third-party payors	-	13,590	-	13,590	14,018
Due from affiliates	3,724	13,278	(5,926)	11,076	1,479
Receivables held for sale	-	73,277	-	73,277	44,849
Other receivables	2,920	22,140	-	25,060	21,888
Inventories	-	10,389	-	10,389	10,216
Prepaid expenses	6,212	9,739	-	15,951	10,975
Total current assets	54,420	339,102	(5,926)	387,596	365,492
Long-term investments:					
Unrestricted investments	-	175,668	-	175,668	167,796
Assets whose use is limited:					
Self-insurance trusts	-	13,407	-	13,407	14,423
Donor restricted assets and other	-	1,029	-	1,029	990
Deferred compensation assets	9,320	3,155	-	12,475	11,484
Total assets whose use is limited	9,320	17,591	-	26,911	26,897
Total long-term investments	9,320	193,259	-	202,579	194,693
Net property, plant, and equipment	176,441	276,447	-	452,888	475,914
Other assets:					
Investments in partnerships	786	26,579	-	27,365	25,255
Beneficial interest in trust	-	36,029	-	36,029	37,631
Other	5,094	15,025	-	20,119	19,909
Total other assets	5,880	77,633	-	83,513	82,795
TOTAL ASSETS	246,061	886,441	(5,926)	1,126,576	1,118,894
Liabilities and net assets					
Current liabilities:					
Long-term debt	\$ 5,717	4,081	-	9,798	10,121
Accounts payable	1,273	30,487	-	31,760	42,225
Accrued payroll	3,695	24,801	-	28,496	24,911
Interest payable	449	2,632	-	3,081	3,316
Due to affiliates	5,928	109	(5,926)	111	163
Payables to third-party payors	-	30,574	-	30,574	32,991
Other	4,174	6,246	-	10,420	10,830
Total current liabilities	21,236	98,930	(5,926)	114,240	124,557
Long-term debt less unamortized debt issuance costs, discounts, and premiums*	96,714	257,035	-	353,749	368,485
Other liabilities:					
Deferred compensation and benefits	10,189	3,155	-	13,344	12,256
Self-insurance accrued expenses	406	16,923	-	17,329	16,198
Accrued employee benefits	4,313	6,809	-	11,122	10,821
Pension obligation	10,956	28,425	-	39,381	32,632
Other	1,801	2,722	-	4,523	6,047
Total other liabilities	27,665	58,034	-	85,699	77,954
Total liabilities	145,615	413,999	(5,926)	553,688	570,996
Net assets:					
Unrestricted	100,446	408,805	-	509,251	484,810
Temporarily restricted	-	63,637	-	63,637	63,088
Total net assets	100,446	472,442	-	572,888	547,898
TOTAL LIABILITIES AND NET ASSETS	\$ 246,061	886,441	(5,926)	1,126,576	1,118,894

*Effective October 2016, unamortized debt issuance costs have moved from other assets and are now netted with long-term debt pursuant to ASU 2015-03. Prior years have been adjusted as well for comparative purpose.

OBLIGATED GROUP
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE NINE MONTHS ENDED JUNE 30, 2017
AND FISCAL YEAR ENDED SEPTEMBER 30, 2016
(dollars in thousands)

	FY 2017				FY 2016*
	MHS	MMC	Eliminations	TOTAL	
Gross patient service charges:					
Inpatient charges	\$ -	855,610	-	855,610	1,133,362
Outpatient charges	-	814,045	-	814,045	1,080,213
Total gross patient service charges	-	1,669,655	-	1,669,655	2,213,575
Less charity	-	7,190	-	7,190	5,254
Less contractual allowances	-	1,226,633	-	1,226,633	1,608,366
Patient service revenues	-	435,832	-	435,832	599,955
Provision for uncollectible accounts	-	7,023	-	7,023	6,923
Net patient service revenues	-	428,809	-	428,809	593,032
Hospital access improvement payments	-	27,946	-	27,946	35,289
Capitation revenues	-	42,696	-	42,696	54,771
Other revenues:					
Management fees	46,302	-	(35,889)	10,413	10,993
Other	13,217	11,186	(2,151)	22,252	31,393
Total other revenues	59,519	11,186	(38,040)	32,665	42,386
Total revenues	59,519	510,637	(38,040)	532,116	725,478
Expenses:					
Salaries and wages	21,821	157,887	-	179,708	237,107
Employee benefits	5,711	42,207	-	47,918	72,214
Physician fees	1,090	38,499	-	39,589	52,625
Utilities	2,198	5,531	(1,032)	6,697	9,596
Pharmaceutical supplies	-	21,822	-	21,822	27,530
Food	21	3,360	-	3,381	4,934
Patient service supplies	-	63,254	-	63,254	86,744
System management fee	-	34,857	(34,857)	-	-
Purchased services and other	13,196	48,316	(2,151)	59,361	87,882
Hospital provider assessment	-	13,581	-	13,581	16,516
Purchased medical services	-	23,912	-	23,912	32,928
Depreciation and amortization	12,420	28,117	-	40,537	55,381
Amortization of debt issuance expenses	43	223	-	266	347
Interest expense and other financing costs	3,019	6,997	-	10,016	12,464
Total expenses	59,519	488,563	(38,040)	510,042	696,268
Income (loss) from operations	-	22,074	-	22,074	29,210
<i>% of total operating revenue</i>	<i>0.0%</i>	<i>4.3%</i>		<i>4.1%</i>	<i>4.0%</i>
Nonoperating gains (losses):					
Interest and dividends	347	1,882	-	2,229	5,760
Realized gain (loss) on investments, net	856	9,045	-	9,901	8,429
Unrealized gains (loss) on investments, net	1,403	10,598	-	12,001	9,737
Change in fair value of interest rate swap	837	527	-	1,364	727
Contributions	-	33	-	33	3
Non-operating net periodic benefit cost	(1,226)	(4,602)	-	(5,828)	(8,790)
Other revenue (expense), net	(793)	571	-	(222)	(3,763)
Total nonoperating gains (losses), net	1,424	18,054	-	19,478	12,103
Excess (deficiency) of revenues over expenses	\$ 1,424	40,128	-	41,552	41,313
<i>Excess margin %</i>	<i>2.3%</i>	<i>7.6%</i>		<i>7.5%</i>	<i>5.6%</i>

*MHS has revised its FY16 obligated group income from operations and total nonoperating gains, net for comparability purposes due to the early adoption of ASU 2017-07 for its FY17 reporting period. The impact of this change increased FY16 obligated group income from operations by \$8,790 and decreased total nonoperating gains, net by \$8,790.

OBLIGATED GROUP
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE NINE MONTHS ENDED JUNE 30, 2017
AND FISCAL YEAR ENDED SEPTEMBER 30, 2016
(dollars in thousands)

	FY 2017				FY 2016
	MHS	MMC	Eliminations	TOTAL	
Unrestricted net assets:					
Excess (deficiency) of revenues over expenses	\$ 1,424	40,128	-	41,552	41,313
Pension and other postretirement liability adjustments	-	-	-	-	(26,014)
Change in fair value of interest rate swap	6	42	-	48	198
Other	(135)	-	-	(135)	471
Transfers (to) related organizations	(19,553)	(19,471)	18,998	(20,026)	(64,162)
Transfers from related organizations	19,938	2,062	(18,998)	3,002	32,669
Increase (decrease) in unrestricted net assets	1,680	22,761	-	24,441	(15,525)
Temporarily restricted net assets:					
Contributions	-	338	-	338	467
Net assets released from restrictions (non-operating)	-	(2,547)	-	(2,547)	(1,549)
Net assets released from restrictions (operating)	-	(298)	-	(298)	(446)
Change in value of split-interest agreements	-	945	-	945	(81)
Gain (loss) on interest in net assets of foundation	-	2,111	-	2,111	1,045
Increase (decrease) in temporarily restricted net assets	-	549	-	549	(564)
Increase (decrease) in net assets	1,680	23,310	-	24,990	(16,089)
Net assets, beginning of period	98,766	449,132	-	547,898	563,987
Net assets, end of period	<u>\$ 100,446</u>	<u>472,442</u>	<u>-</u>	<u>572,888</u>	<u>547,898</u>

OBLIGATED GROUP
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JUNE 30, 2017
AND FISCAL YEAR ENDED SEPTEMBER 30, 2016
(dollars in thousands)

	FY 2017			FY 2016
	MHS	MMC	TOTAL	
Cash flows from operating activities:				
Changes in net assets	\$ 1,680	23,310	24,990	(16,089)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Non cash contributions	-	(2,148)	(2,148)	(686)
Unrealized (gain) loss on interest rate swap	(837)	(527)	(1,364)	(727)
Unrealized (gain) loss on investments, net	(1,403)	(10,598)	(12,001)	(9,737)
Restricted contributions and other	-	(338)	(338)	(467)
(Increase) decrease in beneficial interest in trust	-	1,202	1,202	767
Depreciation and amortization	12,420	28,117	40,537	55,381
Amortization of debt issuance costs	43	223	266	347
(Gain) loss on disposal of assets	-	146	146	155
Provision for uncollectible accounts	-	7,023	7,023	6,923
Pension obligation	965	5,548	6,513	26,014
Changes in assets and liabilities:				
Accounts receivable	-	(406)	(406)	(667)
Inventory and other assets	(819)	(35,930)	(36,749)	(50,633)
Estimated third-party payor settlements	-	(1,989)	(1,989)	(1,298)
Accounts payable and other current liabilities	(1,782)	(6,883)	(8,665)	(12,489)
Self-insurance and other long-term liabilities	979	1,617	2,596	(61,152)
Amount due to (from) affiliates	1,824	(11,473)	(9,649)	(1,441)
Equity in unconsolidated affiliates and foundation	-	(2,111)	(2,111)	(1,045)
Transfers to (from) related organizations	(250)	17,409	17,159	31,023
Net cash provided by (used in) operating activities	<u>12,820</u>	<u>12,192</u>	<u>25,012</u>	<u>(35,821)</u>
Cash flows from investing activities:				
Acquisition of property and equipment	(3,790)	(12,748)	(16,538)	(57,193)
Proceeds on sale of property	-	21	21	45
(Deposits) withdrawals in investments, net	1,441	11,113	12,554	42,998
Other investment activity, net	(1,235)	(7,160)	(8,395)	(23,873)
Change in investment in partnerships	1	-	1	27
Net change in other assets	(210)	-	(210)	241
Net cash provided by (used in) investing activities	<u>(3,793)</u>	<u>(8,774)</u>	<u>(12,567)</u>	<u>(37,755)</u>
Cash flows from financing activities:				
Restricted contributions and other	-	338	338	467
Repayment of long-term debt	(4,472)	(10,853)	(15,325)	(10,017)
Issuance of long-term debt	-	-	-	60,000
Payment of debt issuance costs, net of premium	-	-	-	(65)
Distributions from beneficial interest in trust	-	400	400	863
Transfers (to) from related organizations	250	(17,409)	(17,159)	(23,060)
Net cash flows provided by (used in) financing activities	<u>(4,222)</u>	<u>(27,524)</u>	<u>(31,746)</u>	<u>28,188</u>
Net increase (decrease) in cash and cash equivalents	4,805	(24,106)	(19,301)	(45,388)
Cash and cash equivalents, beginning of period	1,368	34,884	36,252	81,640
Cash and cash equivalents, end of period	<u>\$ 6,173</u>	<u>10,778</u>	<u>16,951</u>	<u>36,252</u>

**OBLIGATED GROUP AND CONSOLIDATED GROUP
CAPITALIZATION AND LIQUIDITY REQUIREMENTS
FOR THE NINE MONTHS ENDED JUNE 30, 2017
AND FISCAL YEAR END SEPTEMBER 30, 2016**
(dollars in thousands)

publish

Liquidity

Days cash on hand

*Per Reimbursement Agreement
with J.P. Morgan Trust Company NA
Dated as of October 1, 2004*

	OBLIGATED GROUP*		CONSOLIDATED GROUP*	
	NINE MONTHS ENDED 6/30/2017	YEAR ENDED 9/30/2016	NINE MONTHS ENDED 6/30/2017	YEAR ENDED 9/30/2016
Cash and cash equivalents	\$ 16,951	36,252	111,718	116,377
Short-term investments	117,019	113,033	147,043	142,365
Unrestricted Investments	175,668	167,796	331,576	309,810
Assets whose use is limited	26,911	26,897	51,379	56,303
Plus Self-insurance current portion	4,390	3,956	4,390	3,956
Less Donor restricted assets and other	(1,029)	(990)	(16,038)	(20,783)
Less Self-insurance accrued expenses, net	(17,797)	(16,666)	(23,192)	(21,201)
Total cash and investments	<u>\$ 322,113</u>	<u>330,278</u>	<u>606,876</u>	<u>586,827</u>
 Total operating expenses	 \$ 510,042	 696,268	 728,426	 972,441
Less: Depreciation and amortization	(40,803)	(55,728)	(52,086)	(69,245)
Adjusted operating expenses	<u>\$ 469,239</u>	<u>640,540</u>	<u>676,340</u>	<u>903,196</u>
 Days cash on hand	 187	 189	 245	 238

Requirement 60 days

Days cash on hand

*Per the Master Trust Indenture
Dated as of May 1, 2014*

Cash and cash equivalents	\$ 16,951	36,252	111,718	116,377
Short term investments	117,019	113,033	147,043	142,365
Unrestricted investments	175,668	167,796	331,576	309,810
Deferred compensation investments	12,475	11,484	21,934	21,097
Total cash and investments	<u>\$ 322,113</u>	<u>328,565</u>	<u>612,271</u>	<u>589,649</u>
 Total operating expenses	 \$ 510,042	 696,268	 728,426	 972,441
Less: Depreciation and amortization	(40,803)	(55,728)	(52,086)	(69,245)
Adjusted operating expenses	<u>\$ 469,239</u>	<u>640,540</u>	<u>676,340</u>	<u>903,196</u>
 Days cash on hand	 187	 188	 247	 239

Requirement 60 days

Current Ratio

Current assets	\$ 387,596	365,492	577,546	545,110
Current liabilities	\$ 114,240	124,557	155,299	164,296

Not less than 1.75 to 1.0 **3.39** **2.93** **3.72** **3.32**

Total Minimum Unrestricted Fund Balances **\$ 509,251** **484,810** **848,968** **801,309**

Not less than \$75,000

Funded Indebtedness to Total Capitalization

Long term debt	\$ 354,836	369,838	452,450	469,371
Long term debt-current portion	9,798	10,121	11,755	11,631
Unrestricted net assets	509,251	484,810	848,968	801,309
Total capitalization	<u>\$ 873,885</u>	<u>864,769</u>	<u>1,313,173</u>	<u>1,282,311</u>

Not more than .5 to 1.0 **0.42** **0.44** **0.35** **0.38**

*MHS has revised its FY16 published financial information for comparability purposes due to the early adoption of ASU 2017-07 for its FY17 reporting period. All applicable ratios have been recomputed and presented to reflect the change.

**OBLIGATED GROUP AND CONSOLIDATED GROUP
DEBT SERVICE COVERAGE CALCULATION
FOR THE TWELVE MONTHS ENDED JUNE 30, 2017
AND FISCAL YEAR END SEPTEMBER 30, 2016**
(dollars in thousands)

	OBLIGATED GROUP*		CONSOLIDATED GROUP*	
	TWELVE MONTHS ENDED 6/30/2017	YEAR END 9/30/2016	TWELVE MONTHS ENDED 6/30/2017	YEAR END 9/30/2016
Excess of revenue over expenses	\$ 57,596	41,313	65,043	54,106
Add: Interest expense and other financing costs	13,213	12,464	17,581	16,919
Less: Remarketing and letter of credit fees	(282)	(256)	(282)	(268)
Add: Depreciation and amortization	55,727	55,728	70,466	69,245
Add (subtract): Change in the fair value interest rate swaps	(1,776)	(727)	(2,402)	(617)
Add (subtract): Unrealized losses (gains) on investments	(16,200)	(9,737)	(26,033)	(15,356)
Add: Non-operating net periodic benefit cost	8,025	8,790	9,394	10,129
Revenue available to pay debt service	\$ <u>116,303</u>	<u>107,575</u>	<u>133,767</u>	<u>134,158</u>
Historical maximum annual debt service	\$ 25,474	25,637	37,214	33,317
Historical maximum aggregate annual debt service coverage on outstanding prior bonds	4.57	4.20	3.59	4.03
Not less than 1.50 to 1.0				

*MHS has revised its FY16 published financial information for comparability purposes due to the early adoption of ASU 2017-07 for its FY17 reporting period. All applicable ratios have been recomputed and presented to reflect the change.

MHS HOSPITALS
SELECT UTILIZATION STATISTICS
FOR THE NINE MONTHS ENDED JUNE 30, 2017
AND FISCAL YEAR END SEPTEMBER 30, 2016

Inpatient Utilization Statistics	QUARTER ENDED 6/30/2017	NINE MONTHS ENDED 6/30/2017	YEAR ENDED 9/30/2016
<u>Patient Days</u>			
MMC*	29,975	91,753	123,208
PAH*	3,234	10,055	10,780
TMH **	568	2,291	3,321
ALMH**	667	2,282	3,001
Total	<u>34,444</u>	<u>106,381</u>	<u>140,310</u>
<u>Medicare Patient Days</u>			
MMC	17,716	54,309	71,519
PAH	1,759	5,666	6,602
TMH	395	1,593	2,409
ALMH	322	1,029	1,382
Total	<u>20,192</u>	<u>62,597</u>	<u>81,912</u>
<u>Medicare Days to Total Patient Days</u>			
MMC	59.1%	59.2%	58.0%
PAH	54.4%	56.4%	61.2%
TMH	69.5%	69.5%	72.5%
ALMH	48.3%	45.1%	46.1%
Total	<u>58.6%</u>	<u>58.8%</u>	<u>58.4%</u>
<u>Discharges</u>			
MMC*	6,071	18,467	24,780
PAH*	939	2,844	3,192
TMH **	168	628	941
ALMH**	222	696	915
Total	<u>7,400</u>	<u>22,635</u>	<u>29,828</u>
<u>Medicare Discharges</u>			
MMC*	3,221	9,852	12,922
PAH*	505	1,562	1,741
TMH **	115	422	651
ALMH**	102	293	374
Total	<u>3,943</u>	<u>12,129</u>	<u>15,688</u>
<u>Medicare Discharges to Total Discharges</u>			
MMC	53.1%	53.3%	52.1%
PAH	53.8%	54.9%	54.5%
TMH	68.5%	67.2%	69.2%
ALMH	45.9%	42.1%	40.9%
Total	<u>53.3%</u>	<u>53.6%</u>	<u>52.6%</u>
<u>Average Length of Stay</u>			
MMC*	4.94	4.97	4.97
PAH*	3.44	3.54	3.38
TMH **	3.38	3.65	3.53
ALMH**	3.00	3.28	3.28
<u>Average Length of Stay Medicare Patients</u>			
MMC	5.50	5.51	5.53
PAH	3.48	3.63	3.79
TMH	3.43	3.77	3.70
ALMH	3.16	3.51	3.70

* Excludes newborns

**Excludes newborns and swing days

MHS HOSPITALS
SELECT UTILIZATION STATISTICS
FOR THE NINE MONTHS ENDED JUNE 30, 2017
AND FISCAL YEAR END SEPTEMBER 30, 2016

	QUARTER ENDED 6/30/2017	NINE MONTHS ENDED 6/30/2017	YEAR ENDED 9/30/2016
<u>Inpatient Surgeries</u>			
MMC	1,952	5,964	8,429
PAH	270	781	966
TMH	11	30	21
ALMH	34	100	145
Total	<u>2,267</u>	<u>6,875</u>	<u>9,561</u>
<u>Open Heart Surgeries ***</u>			
MMC	73	171	312
<u>Percent Occupancy of Beds in Service</u>			
MMC *	69.3%	70.5%	70.5%
PAH *	34.5%	35.8%	30.8%
TMH **	25.0%	33.6%	36.3%
ALMH **	29.3%	33.4%	32.8%
<u>Deliveries</u>			
MMC	361	1,151	1,535
PAH	103	279	376
ALMH	38	129	220
Total	<u>502</u>	<u>1,559</u>	<u>2,131</u>
Other Utilization Statistics			
<u>Licensed Beds</u>			
MMC	500	500	500
PAH	131	131	131
TMH	25	25	25
ALMH	25	25	25
Total	<u>681</u>	<u>681</u>	<u>681</u>
<u>Beds in Service (average for period)</u>			
MMC	475	477	478
PAH	103	103	96
TMH	25	25	25
ALMH	25	25	25
Total	<u>628</u>	<u>630</u>	<u>624</u>
<u>Total Case Mix (net of Newborn and Neonates)</u>			
MMC	1.617	1.641	1.658
PAH	1.282	1.244	1.191
TMH	1.037	1.093	1.013
ALMH	1.063	1.008	0.946
<u>Medicare Case Mix</u>			
MMC	1.780	1.793	1.839
PAH	1.417	1.364	1.325
TMH	1.045	1.097	1.021
ALMH	1.117	1.059	1.007

* Excludes newborns

** Excludes newborns and swing days.

*** Open heart surgeries only performed at MMC, open heart surgeries are included in MMC Inpatient Surgeries.

MHS HOSPITALS
SELECT UTILIZATION STATISTICS
FOR THE NINE MONTHS ENDED JUNE 30, 2017
AND FISCAL YEAR END SEPTEMBER 30, 2016

Outpatient Utilization Statistics	QUARTER ENDED 6/30/2017	NINE MONTHS ENDED 6/30/2017	YEAR ENDED 9/30/2016
<u>Total Outpatient Visits (Excluding Reference Lab Clients)</u>			
MMC	103,077	313,163	416,383
PAH	20,896	61,404	81,173
TMH	9,110	27,998	37,097
ALMH	10,729	32,303	42,446
Total	<u>143,812</u>	<u>434,868</u>	<u>577,099</u>
<u>Outpatient Surgeries</u>			
MMC	2,384	6,962	9,717
PAH	1,308	3,747	5,149
TMH	223	708	1,033
ALMH	335	1,111	1,383
Total	<u>4,250</u>	<u>12,528</u>	<u>17,282</u>
<u>Reference Lab Clients</u>			
MMC	14,581	44,626	64,061
PAH	2,815	9,150	11,378
ALMH	1,060	4,033	6,594
Total	<u>18,456</u>	<u>57,809</u>	<u>82,033</u>
<u>Other Out-Patient Visits</u>			
MMC	86,586	264,080	350,598
PAH	12,102	34,597	45,667
TMH	5,432	16,655	21,374
ALMH	6,372	18,551	23,980
Total	<u>110,492</u>	<u>333,883</u>	<u>441,619</u>
<u>Emergency Room Visits</u>			
MMC	13,938	41,646	55,286
PAH	7,486	23,060	30,357
TMH	3,455	10,635	14,690
ALMH	4,022	12,641	17,083
Total	<u>28,901</u>	<u>87,982</u>	<u>117,416</u>
<u>Trauma Visits</u>			
MMC	169	475	782
<u>Observation Days (Including SDOP Days)</u>			
MMC	1,358	4,316	6,570
PAH	192	645	815
TMH	96	252	230
ALMH	50	115	234
Total	<u>1,696</u>	<u>5,328</u>	<u>7,849</u>

**MHS HOSPITALS
SOURCE OF REVENUE
PAYOR ANALYSIS
FOR THE NINE MONTHS ENDED JUNE 30, 2017
AND FISCAL YEAR ENDED SEPTEMBER 30, 2016**
(dollars in thousands)

	QUARTER ENDED 6/30/17		NINE MONTHS ENDED 6/30/17		FISCAL YEAR ENDED 9/30/16	
ALL HOSPITALS						
PAYOR	GROSS CHARGES	% OF GROSS CHARGES	GROSS CHARGES	% OF GROSS CHARGES	GROSS CHARGES	% OF GROSS CHARGES
Medicare	346,149	49.4%	1,039,303	48.9%	1,335,086	48.2%
Medicaid/State	127,773	18.3%	379,769	17.9%	497,344	17.9%
Blue Cross	98,650	14.1%	311,836	14.7%	419,483	15.1%
Health Alliance	20,250	2.9%	64,427	3.0%	75,444	2.7%
Managed Care	69,745	10.0%	216,406	10.2%	305,555	11.0%
Commercial	24,773	3.5%	79,541	3.7%	98,265	3.6%
Charity Care/Private Pay	12,613	1.8%	34,926	1.6%	40,944	1.5%
Total	699,953	100.0%	2,126,208	100.0%	2,772,121	100.0%
MEMORIAL MEDICAL CENTER						
PAYOR	GROSS CHARGES	% OF GROSS CHARGES	GROSS CHARGES	% OF GROSS CHARGES	GROSS CHARGES	% OF GROSS CHARGES
Medicare	273,527	49.9%	821,685	49.2%	1,076,841	48.7%
Medicaid/State	96,386	17.6%	287,016	17.2%	381,457	17.2%
Blue Cross	75,749	13.8%	242,167	14.5%	331,336	15.0%
Health Alliance	14,419	2.6%	46,616	2.8%	56,471	2.5%
Managed Care	55,063	10.1%	173,347	10.4%	247,887	11.2%
Commercial	23,275	4.2%	75,536	4.5%	93,776	4.2%
Charity Care/Private Pay	9,633	1.8%	23,288	1.4%	25,807	1.2%
Total	548,052	100.0%	1,669,655	100.0%	2,213,575	100.0%
PASSAVANT AREA HOSPITAL						
PAYOR	GROSS CHARGES	% OF GROSS CHARGES	GROSS CHARGES	% OF GROSS CHARGES	GROSS CHARGES	% OF GROSS CHARGES
Medicare	44,257	46.8%	132,044	47.0%	152,753	45.3%
Medicaid/State	17,778	18.8%	52,818	18.8%	66,482	19.7%
Blue Cross	16,073	17.0%	47,199	16.8%	58,373	17.3%
Health Alliance	2,740	2.9%	7,586	2.7%	7,158	2.1%
Managed Care	10,775	11.4%	30,904	11.0%	41,255	12.2%
Commercial	954	1.0%	2,487	0.9%	2,714	0.8%
Charity Care/Private Pay	1,984	2.1%	7,907	2.8%	8,908	2.6%
Total	94,561	100.0%	280,945	100.0%	337,643	100.0%
ABRAHAM LINCOLN MEMORIAL HOSPITAL						
PAYOR	GROSS CHARGES	% OF GROSS CHARGES	GROSS CHARGES	% OF GROSS CHARGES	GROSS CHARGES	% OF GROSS CHARGES
Medicare	14,063	45.6%	42,338	45.0%	52,343	43.8%
Medicaid/State	7,953	25.8%	22,737	24.2%	28,808	24.1%
Blue Cross	4,122	13.3%	13,127	14.0%	17,992	15.1%
Health Alliance	1,968	6.4%	6,041	6.4%	6,786	5.7%
Managed Care	2,161	7.0%	6,920	7.4%	9,238	7.7%
Commercial	160	0.5%	483	0.5%	423	0.3%
Charity Care/Private Pay	442	1.4%	2,358	2.5%	3,976	3.3%
Total	30,869	100.0%	94,004	100.0%	119,566	100.0%
TAYLORVILLE MEMORIAL HOSPITAL						
PAYOR	GROSS CHARGES	% OF GROSS CHARGES	GROSS CHARGES	% OF GROSS CHARGES	GROSS CHARGES	% OF GROSS CHARGES
Medicare	14,302	54.0%	43,236	53.0%	53,149	52.4%
Medicaid/State	5,656	21.4%	17,198	21.1%	20,597	20.3%
Blue Cross	2,706	10.2%	9,343	11.4%	11,782	11.6%
Health Alliance	1,123	4.2%	4,184	5.1%	5,029	5.0%
Managed Care	1,746	6.6%	5,235	6.4%	7,175	7.1%
Commercial	384	1.5%	1,035	1.3%	1,352	1.3%
Charity Care/Private Pay	554	2.1%	1,373	1.7%	2,253	2.3%
Total	26,471	100.0%	81,604	100.0%	101,337	100.0%

MEMORIAL HEALTH SYSTEM
CONSOLIDATING BALANCE SHEETS
JUNE 30, 2017

(dollars in thousands)

	CORPORATE & HOSPITAL SERVICES						PHYSICIANS		AMBULATORY & OTHER					FOUNDATIONS				ELIMIN- ATIONS	TOTAL
Assets	MHS	MMC	PAH	CRNA	ALMH	TMH	MPS	PPA	MBH	QALICB	MHSvc	MHV	MHP	MMCF	ALHF	TMHF	PAHF		
Current assets:																			
Cash and cash equivalents	\$ 6,173	10,778	4,101	75	27,063	35,661	7,987	85	4,738	574	7,435	2,650	-	3,413	385	43	557	-	111,718
Short-term investments	35,391	81,628	2	-	16,373	1,666	-	-	7,236	-	256	-	-	-	-	4,491	-	-	147,043
Assets whose use is limited	-	4,390	-	-	-	-	-	-	-	249	-	-	-	-	-	-	-	-	4,639
Patient accounts receivable	-	113,427	20,809	590	8,908	8,261	6,856	970	1,252	-	5,531	1,038	-	-	-	-	-	-	167,642
Allowance for uncollectible accounts	-	(13,534)	(4,584)	(345)	(1,953)	(1,569)	(1,057)	(448)	(245)	-	(1,461)	(508)	-	-	-	-	-	-	(25,704)
Net patient accounts receivable	-	99,893	16,225	245	6,955	6,692	5,799	522	1,007	-	4,070	530	-	-	-	-	-	-	141,938
Receivables from third-party payors	-	13,590	-	-	-	128	-	-	-	-	-	-	-	-	-	-	-	-	13,718
Due from affiliates	3,724	13,278	1	-	351	13	173	2	53	-	8	195	-	-	-	-	-	(17,798)	-
Receivables held for sale	-	73,277	6,220	-	2,544	2,234	4,296	-	-	-	2,880	939	-	-	-	-	-	-	92,390
Other receivables	2,920	22,140	1,465	-	557	345	1,650	131	1,285	-	1,270	-	257	374	232	-	-	(723)	31,903
Inventories	-	10,389	1,637	-	626	497	969	-	-	-	407	-	-	-	-	-	-	-	14,525
Prepaid expenses	6,212	9,739	1,505	-	265	322	1,035	-	237	-	306	21	-	30	-	-	-	-	19,672
Total current assets	54,420	339,102	31,156	320	54,734	47,558	21,909	740	14,556	823	16,632	4,335	257	3,817	617	4,534	557	(18,521)	577,546
Long-term investments:																			
Unrestricted investments	-	175,668	72,677	-	38,529	3,558	-	-	-	-	-	-	-	14,763	22,880	-	3,501	-	331,576
Assets whose use is limited:																			
Self-insurance trusts	-	13,407	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,407
Donor restricted assets and other	-	1,029	3,591	-	-	-	-	-	315	616	-	-	-	9,704	-	288	495	-	16,038
Deferred compensation assets	9,320	3,155	666	-	-	-	8,793	-	-	-	-	-	-	-	-	-	-	-	21,934
Total assets whose use is limited	9,320	17,591	4,257	-	-	-	8,793	-	315	616	-	-	-	9,704	-	288	495	-	51,379
Total long-term investments	9,320	193,259	76,934	-	38,529	3,558	8,793	-	315	616	-	-	-	24,467	22,880	288	3,996	-	382,955
Net property, plant, and equipment	176,441	276,447	37,152	-	35,134	20,520	19,993	293	4,042	20,591	2,339	-	-	-	466	-	-	-	593,418
Other assets:																			
Investments in partnerships	786	26,579	4,472	-	-	-	-	-	29	-	-	11,536	-	-	-	-	-	(33,582)	9,820
Beneficial interest in trust	-	36,029	17,655	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	53,684
Other	5,094	15,025	3,903	-	128	55	-	-	19	-	108	40	-	2,299	-	-	-	(36)	26,635
Total other assets	5,880	77,633	26,030	-	128	55	-	-	48	-	108	11,576	-	2,299	-	-	-	(33,618)	90,139
TOTAL ASSETS	\$ 246,061	886,441	171,272	320	128,525	71,691	50,695	1,033	18,961	22,030	19,079	15,911	257	30,583	23,963	4,822	4,553	(52,139)	1,644,058
Liabilities and net assets																			
Current liabilities:																			
Long-term debt	\$ 5,717	4,081	1,442	-	361	154	-	-	-	-	-	-	-	-	-	-	-	-	11,755
Accounts payable	1,273	30,487	3,004	24	753	851	2,074	68	140	816	1,913	349	33	35	34	10	-	-	41,864
Accrued payroll	3,695	24,801	5,116	-	1,759	2,353	2,490	201	909	-	1,425	-	-	-	-	-	-	-	42,749
Interest payable	449	2,632	24	-	564	242	-	-	-	-	-	-	-	-	-	-	-	-	3,911
Due to affiliates	5,928	109	371	2	725	689	7,533	62	677	203	1,165	330	-	35	323	11	-	(18,163)	-
Payables to third-party payors	-	30,574	5,488	-	1,734	2,364	-	-	-	-	-	-	-	-	-	-	-	-	40,160
Other	4,174	6,246	915	-	54	41	2,366	-	279	8	237	47	-	887	-	-	-	(394)	14,860
Total current liabilities	21,236	98,930	16,360	26	5,950	6,694	14,463	331	2,005	1,027	4,740	726	33	957	357	21	-	(18,557)	155,299
Long-term debt less unamortized debt issuance costs, discounts, and premiums*	96,714	257,035	21,463	-	41,295	17,696	-	-	-	16,433	-	-	-	-	-	-	-	-	450,636
Other liabilities:																			
Deferred compensation and benefits	10,189	3,155	666	-	-	-	9,098	-	-	-	-	-	-	-	-	-	-	-	23,108
Self-insurance accrued expenses	406	16,923	6,681	-	342	221	756	249	-	-	527	199	-	-	-	-	-	-	26,304
Accrued employee benefits	4,313	6,809	880	-	-	-	5,696	-	-	-	282	-	-	-	-	-	-	-	17,980
Pension obligation	10,956	28,425	-	-	-	-	2,406	-	-	-	-	-	-	-	-	-	-	-	41,787
Other	1,801	2,722	2,320	-	-	446	-	-	-	-	-	-	-	94	-	-	-	-	7,383
Total other liabilities	27,665	58,034	10,547	-	342	667	17,956	249	-	-	809	199	-	94	-	-	-	-	116,562
Total liabilities	145,615	413,999	48,370	26	47,587	25,057	32,419	580	2,005	17,460	5,549	925	33	1,051	357	21	-	(18,557)	722,497
Net assets:																			
Unrestricted	100,446	408,805	101,163	294	80,938	46,634	18,276	453	16,001	4,570	13,337	14,986	224	17,614	23,245	4,513	3,828	(6,359)	848,968
Temporarily restricted	-	63,637	864	-	-	-	-	-	955	-	110	-	-	6,821	361	238	311	(26,809)	46,488
Permanently restricted	-	-	20,875	-	-	-	-	-	-	-	83	-	-	5,097	-	50	414	(414)	26,105
Total net assets	100,446	472,442	122,902	294	80,938	46,634	18,276	453	16,956	4,570	13,530	14,986	224	29,532	23,606	4,801	4,553	(33,582)	921,561
TOTAL LIABILITIES AND NET ASSETS	\$ 246,061	886,441	171,272	320	128,525	71,691	50,695	1,033	18,961	22,030	19,079	15,911	257	30,583	23,963	4,822	4,553	(52,139)	1,644,058

*Effective October 2016, unamortized debt issuance costs have moved from other assets and are now netted with long-term debt pursuant to ASU 2015-03.

MEMORIAL HEALTH SYSTEM
CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE PERIOD ENDED JUNE 30, 2017

(dollars in thousands)

	CORPORATE & HOSPITAL SERVICES						PHYSICIANS		AMBULATORY & OTHER					FOUNDATIONS				ELIMIN- ATIONS	TOTAL
	MHS	MMC	PAH	CRNA	ALMH	TMH	MPS	PPA	MBH	QALICB	MHSvc	MHV	MHP	MMCF	ALHF	TMHF	PAHF		
Gross patient service charges:																			
Inpatient charges	\$ -	855,610	91,976	1,846	12,455	14,280	-	-	-	-	-	-	-	-	-	-	-	-	976,167
Outpatient charges	-	814,045	188,969	6,711	81,549	67,324	78,638	7,180	11,597	-	26,559	17,963	-	-	-	-	-	(262)	1,300,273
Total gross patient service charges	-	1,669,655	280,945	8,557	94,004	81,604	78,638	7,180	11,597	-	26,559	17,963	-	-	-	-	-	(262)	2,276,440
Less charity	-	7,190	1,993	35	563	68	21	3	185	-	59	9	-	-	-	-	-	-	10,126
Less contractual allowances	-	1,226,633	200,253	6,582	59,063	49,869	45,917	4,390	1,183	-	9,020	12,387	-	-	-	-	-	-	1,615,297
Patient service revenues	-	435,832	78,699	1,940	34,378	31,667	32,700	2,787	10,229	-	17,480	5,567	-	-	-	-	-	(262)	651,017
Provision for uncollectible accounts	-	7,023	2,686	(34)	628	494	899	120	60	-	694	646	-	-	-	-	-	-	13,216
Net patient service revenues	-	428,809	76,013	1,974	33,750	31,173	31,801	2,667	10,169	-	16,786	4,921	-	-	-	-	-	(262)	637,801
<i>% of total gross patient service charges</i>	<i>NA</i>	<i>25.7%</i>	<i>27.1%</i>	<i>23.1%</i>	<i>35.9%</i>	<i>38.2%</i>	<i>40.4%</i>	<i>37.1%</i>	<i>87.7%</i>	<i>NA</i>	<i>63.2%</i>	<i>27.4%</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>28.0%</i>
Hospital access improvement payments	-	27,946	6,588	-	3,086	2,534	-	-	-	-	-	-	-	-	-	-	-	-	40,154
Capitation revenues	-	42,696	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	42,696
Other revenues:																			
Management fees	46,302	-	-	-	12	-	-	-	-	-	-	-	-	-	-	-	-	(46,314)	-
Other	13,217	11,186	1,336	-	308	472	3,725	29	498	1,065	433	622	510	-	-	-	-	(8,914)	24,487
Total other revenues	59,519	11,186	1,336	-	320	472	3,725	29	498	1,065	433	622	510	-	-	-	-	(55,228)	24,487
Total revenues	59,519	510,637	83,937	1,974	37,156	34,179	35,526	2,696	10,667	1,065	17,219	5,543	510	-	-	-	-	(55,490)	745,138
Expenses:																			
Salaries and wages	21,821	157,887	30,234	2,114	11,827	11,283	15,269	3,530	6,815	74	9,484	1,434	898	-	-	-	-	-	272,670
Employee benefits	5,711	42,207	12,430	317	3,634	3,837	4,975	554	2,247	27	3,257	370	308	-	-	-	-	-	79,874
Physician fees	1,090	38,499	5,242	975	2,465	2,161	17,802	2	22	-	54	3,444	262	-	-	-	-	-	72,018
Utilities	2,198	5,531	970	-	403	482	701	21	270	95	158	4	6	-	-	-	-	(1,213)	9,626
Pharmaceutical supplies	-	21,822	3,032	-	1,000	919	2,037	36	6	-	242	76	-	-	-	-	-	-	29,170
Food	21	3,360	771	-	268	221	13	-	54	-	5	4	-	-	-	-	-	-	4,717
Patient service supplies	-	63,254	6,717	-	1,455	1,272	726	174	-	-	266	65	-	-	-	-	-	-	73,929
System management fee	-	34,857	1,619	21	1,480	1,286	4,588	53	498	-	543	129	3	-	-	-	-	(45,077)	-
Purchased services and other	13,196	48,316	8,558	104	3,320	3,777	6,809	1,082	1,114	(52)	2,240	955	22	-	-	-	-	(9,011)	80,430
Hospital provider assessment	-	13,581	1,816	-	735	603	-	-	-	-	-	-	-	-	-	-	-	-	16,735
Purchased medical services	-	23,912	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23,912
Depreciation and amortization	12,420	28,117	2,783	-	3,190	1,847	1,073	52	302	1,026	812	3	-	-	-	-	-	-	51,625
Amortization of debt issuance expenses	43	223	5	-	101	43	-	-	-	46	-	-	-	-	-	-	-	-	461
Interest expense and other financing costs	3,019	6,997	681	-	1,693	725	-	-	-	144	-	-	-	-	-	-	-	-	13,259
Total expenses	59,519	488,563	74,858	3,531	31,571	28,456	53,993	5,504	11,328	1,360	17,061	6,484	1,499	-	-	-	-	(55,301)	728,426
Income (loss) from operations	-	22,074	9,079	(1,557)	5,585	5,723	(18,467)	(2,808)	(661)	(295)	158	(941)	(989)	-	-	-	-	(189)	16,712
<i>% of total operating revenue</i>	<i>0.0%</i>	<i>4.3%</i>	<i>10.8%</i>	<i>-78.9%</i>	<i>15.0%</i>	<i>16.7%</i>	<i>-52.0%</i>	<i>-104.2%</i>	<i>-6.2%</i>	<i>-27.7%</i>	<i>0.9%</i>	<i>-17.0%</i>	<i>-193.9%</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>-0.3%</i>	<i>2.2%</i>
Nonoperating gains (losses):																			
Interest and dividends	347	1,882	1,028	-	921	160	323	-	197	6	30	10	-	201	410	70	7	-	5,592
Realized gain (loss) on investments, net	856	9,045	905	-	1,161	25	-	-	23	-	-	-	-	1	(106)	17	4	-	11,931
Unrealized gains (loss) on investments, net	1,403	10,598	1,851	-	2,004	256	419	-	(117)	-	10	-	-	987	2,029	280	33	-	19,753
Change in fair value of interest rate swap	837	527	520	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,884
Contributions	-	33	22	-	17	19	-	-	-	-	3	-	-	1,105	66	39	56	-	1,360
Equity in income of affiliate	-	-	104	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(104)	-
Provision for income taxes	-	-	-	-	-	-	-	-	-	-	(491)	-	-	-	-	-	-	-	(491)
Non-operating net periodic benefit cost	(1,226)	(4,602)	-	-	-	-	(792)	-	-	-	(242)	-	-	-	-	-	-	-	(6,862)
Other revenue (expense), net	(793)	571	(322)	-	-	-	(732)	-	-	-	-	-	-	(286)	(605)	(68)	(178)	189	(2,224)
Total nonoperating gains (losses), net	1,424	18,054	4,108	-	4,103	460	(782)	-	103	6	(690)	10	-	2,008	1,794	338	(78)	85	30,943
Excess (deficiency) of revenues over expenses	\$ 1,424	40,128	13,187	(1,557)	9,688	6,183	(19,249)	(2,808)	(558)	(289)	(532)	(931)	(989)	2,008	1,794	338	(78)	(104)	47,655
<i>Excess margin %</i>	<i>2.3%</i>	<i>7.6%</i>	<i>15.0%</i>	<i>-78.9%</i>	<i>23.5%</i>	<i>17.8%</i>	<i>-55.4%</i>	<i>-104.2%</i>	<i>-5.2%</i>	<i>-27.0%</i>	<i>-3.2%</i>	<i>-16.8%</i>	<i>-193.9%</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>-0.2%</i>	<i>6.1%</i>

MEMORIAL HEALTH SYSTEM
CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE PERIOD ENDED JUNE 30, 2017
(dollars in thousands)

	CORPORATE & HOSPITAL SERVICES						PHYSICIANS		AMBULATORY & OTHER					FOUNDATIONS				ELIMIN- ATIONS	TOTAL
	MHS	MMC	PAH	CRNA	ALMH	TMH	MPS	PPA	MBH	QALICB	MHSvc	MHV	MHP	MMCF	ALHF	TMHF	PAHF		
Unrestricted net assets:																			
Excess (deficiency) of revenues over expenses	\$ 1,424	40,128	13,187	(1,557)	9,688	6,183	(19,249)	(2,808)	(558)	(289)	(532)	(931)	(989)	2,008	1,794	338	(78)	(104)	47,655
Change in fair value of interest rate swap	6	42	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	48
Other	(135)	-	-	-	-	-	-	-	-	135	-	-	-	-	-	-	(44)	-	(44)
Transfers (to) related organizations	(19,553)	(19,471)	(6,440)	(1,805)	-	-	-	(134)	-	(940)	-	-	(87)	-	-	-	(25)	48,455	-
Transfers from related organizations	19,938	2,062	1,805	3,421	-	-	16,184	2,794	450	-	-	525	1,026	-	-	-	250	(48,455)	-
Increase (decrease) in unrestricted net assets	1,680	22,761	8,552	59	9,688	6,183	(3,065)	(148)	(108)	(1,094)	(532)	(406)	(50)	2,008	1,794	338	103	(104)	47,659
Temporarily restricted net assets:																			
Contributions	-	338	-	-	-	-	-	-	-	-	29	-	-	706	60	94	180	-	1,407
Net realized gain (loss) on investments	-	-	52	-	-	-	-	-	-	-	-	-	-	919	-	-	-	-	971
Net assets released from restrictions (non-operating)	-	(2,547)	-	-	-	-	-	-	-	-	-	-	-	(1,168)	-	-	(31)	-	(3,746)
Net assets released from restrictions (operating)	-	(298)	-	-	-	-	-	-	-	-	(24)	-	-	-	(43)	(36)	-	-	(401)
Change in value of split-interest agreements	-	945	2	-	-	-	-	-	-	-	-	-	-	21	-	-	-	-	968
Gain (loss) on interest in net assets of foundation	-	2,111	201	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,312)	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	(157)	-	-	44	-	(113)
Increase (decrease) in temporarily restricted net assets	-	549	255	-	-	-	-	-	-	-	5	-	-	321	17	58	193	(2,312)	(914)
Permanently restricted net assets:																			
Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	16	-	-	2	-	18
Net investment income gains (losses)	-	-	148	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	148
Gain (loss) on interest in net assets of foundation	-	-	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2)	-
Increase (decrease) in permanently restricted net assets	-	-	150	-	-	-	-	-	-	-	-	-	-	16	-	-	2	(2)	166
Increase (decrease) in net assets	1,680	23,310	8,957	59	9,688	6,183	(3,065)	(148)	(108)	(1,094)	(527)	(406)	(50)	2,345	1,811	396	298	(2,418)	46,911
Net assets, beginning of period	98,766	449,132	113,945	235	71,250	40,451	21,341	601	17,064	5,664	14,057	15,392	274	27,187	21,795	4,405	4,255	(31,164)	874,650
Net assets, end of period	\$ 100,446	472,442	122,902	294	80,938	46,634	18,276	453	16,956	4,570	13,530	14,986	224	29,532	23,606	4,801	4,553	(33,582)	921,561

MEMORIAL HEALTH SYSTEM
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2017

(dollars in thousands)

	CORPORATE & HOSPITAL SERVICES						PHYSICIANS		AMBULATORY & OTHER					FOUNDATIONS				ELIMIN- ATIONS	TOTAL
	MHS	MMC	PAH	CRNA	ALMH	TMH	MPS	PPA	MBH	QALICB	MHSvc	MHV	MHP	MMCF	ALHF	TMHF	PAHF		
Cash flows from operating activities:																			
Changes in net assets	\$ 1,680	23,310	8,957	59	9,688	6,183	(3,065)	(148)	(108)	(1,094)	(527)	(406)	(50)	2,345	1,811	396	298	(2,418)	46,911
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:																			
Non cash contributions	-	(2,148)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,148)
Unrealized (gain) loss on interest rate swap	(837)	(527)	(520)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,884)
Unrealized (gain) loss on investments, net	(1,403)	(10,598)	(1,851)	-	(2,004)	(256)	(419)	-	117	-	(10)	-	-	(1,786)	(2,029)	(280)	(33)	-	(20,552)
Restricted contributions and other	-	(338)	-	-	-	-	-	-	-	-	(29)	-	-	(722)	(60)	(94)	(182)	-	(1,425)
(Increase) decrease in beneficial interest in trust	-	1,202	(273)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	929
Depreciation and amortization	12,420	28,117	2,783	-	3,190	1,847	1,073	52	302	1,026	812	3	-	-	-	-	-	-	51,625
Amortization of debt issuance costs	43	223	5	-	101	43	-	-	-	46	-	-	-	-	-	-	-	-	461
(Gain) loss on disposal of assets	-	146	(20)	-	-	-	-	-	-	135	-	-	-	80	-	-	-	-	341
Provision for uncollectible accounts	-	7,023	2,686	(34)	628	494	899	120	60	-	694	646	-	-	-	-	-	-	13,216
Pension obligation	965	5,548	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,513
Changes in assets and liabilities:																			
Accounts receivable	-	(406)	(3,513)	7	(60)	(554)	(786)	(99)	(601)	-	(565)	117	-	-	-	-	-	-	(6,460)
Inventory and other assets	(819)	(35,930)	(2,757)	-	(914)	(251)	(2,409)	-	963	391	(1,876)	(37)	43	(115)	53	-	-	230	(43,428)
Estimated third-party payor settlements	-	(1,989)	1,091	-	475	798	-	-	-	-	-	-	-	-	-	-	-	-	375
Accounts payable and other current liabilities	(1,782)	(6,883)	1,043	(1)	(519)	3	1	2	(379)	(151)	212	179	7	3	(12)	5	-	(72)	(8,344)
Self-insurance and other long-term liabilities	979	1,617	549	-	15	(27)	513	-	-	-	114	19	-	(8)	-	-	-	-	3,771
Amount due to (from) affiliates	1,824	(11,473)	222	2	632	589	7,102	56	383	(382)	1,020	141	-	40	(23)	9	-	(142)	-
Equity in unconsolidated affiliates and foundation	-	(2,111)	(307)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,418	-
Transfers to (from) related organizations	(250)	17,409	4,635	(1,616)	-	-	(16,184)	(2,660)	(450)	805	-	(525)	(939)	-	-	-	(225)	-	-
Net cash provided by (used in) operating activities	12,820	12,192	12,730	(1,583)	11,232	8,869	(13,275)	(2,677)	287	776	(155)	137	(939)	(163)	(260)	36	(142)	16	39,901
Cash flows from investing activities:																			
Acquisition of property and equipment	(3,790)	(12,748)	(8,580)	-	(905)	(1,018)	(1,167)	(35)	(64)	(5,216)	(609)	-	-	-	(74)	-	-	56	(34,150)
Proceeds on sale of property	-	21	48	-	-	-	-	-	-	-	-	56	-	-	-	-	-	(56)	69
(Deposits) withdrawals in investments, net	1,441	11,113	4,264	-	(6,750)	-	-	-	(216)	-	-	-	-	(700)	426	-	-	-	9,578
Other investment activity, net	(1,235)	(7,160)	(1,547)	-	(772)	428	710	-	189	5,196	(1)	-	-	(350)	(283)	(103)	9	-	(4,919)
Change in investment in partnerships	1	-	-	-	-	-	-	-	-	-	-	(978)	-	-	-	-	-	-	(977)
Net change in other assets	(210)	-	-	-	-	-	-	-	-	-	-	(1)	-	912	-	-	-	(16)	685
Net cash provided by (used in) investing activities	(3,793)	(8,774)	(5,815)	-	(8,427)	(590)	(457)	(35)	(91)	(20)	(610)	(923)	-	(138)	69	(103)	9	(16)	(29,714)
Cash flows from financing activities:																			
Restricted contributions and other	-	338	-	-	-	-	-	-	-	-	29	-	-	722	60	94	182	-	1,425
Repayment of long-term debt	(4,472)	(10,853)	(1,472)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(16,797)
Distributions from beneficial interest in trust	-	400	126	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	526
Transfers (to) from related organizations	250	(17,409)	(4,635)	1,616	-	-	16,184	2,660	450	(805)	-	525	939	-	-	-	225	-	-
Net cash flows provided by (used in) financing activities	(4,222)	(27,524)	(5,981)	1,616	-	-	16,184	2,660	450	(805)	29	525	939	722	60	94	407	-	(14,846)
Net increase (decrease) in cash and cash equivalents	4,805	(24,106)	934	33	2,805	8,279	2,452	(52)	646	(49)	(736)	(261)	-	421	(131)	27	274	-	(4,659)
Cash and cash equivalents, beginning of period	1,368	34,884	3,167	42	24,258	27,382	5,535	137	4,092	623	8,171	2,911	-	2,992	516	16	283	-	116,377
Cash and cash equivalents, end of period	\$ 6,173	10,778	4,101	75	27,063	35,661	7,987	85	4,738	574	7,435	2,650	-	3,413	385	43	557	-	111,718