

Financial Operating Summary for the Quarter Ending June 30, 2017

Summary of the financial operations for the quarter ending June 30, 2017 reported an overall operating loss of \$1,216,499. This decrease is due primarily to the recovering displacement of many of its citizens resulting from Hurricane Matthew and to the System-wide efforts dedicated to the implementation of its Epic electronic medical record system as noted more fully below.

The Hospital continues to manage to lower overall patient volumes, but is encouraged by recent increases over prior year levels. Despite these volume reductions, operations were consistent with prior year levels. Net Revenue per Adjusted Admission for 2017 of \$9,260 was comparable to 2016 level of \$9,302, a reduction of .45%. Total expenses for 2017 of \$76,842,775 decreased from 2016 level of \$77,664,560, a reduction of 1.1%, which is inclusive of competitive salary increases, the addition of the second year class of residents, and the non-capitalized Epic transition costs. The organization remains on target for its go-live date of November 2017.

For the Quarter, investment earnings of \$4,169,560 were significantly above the prior year gains of \$1,687,552.

Southeastern Regional Medical Center and Related Organizations
Combined Balance Sheets
For the Quarter Ended June 30, 2017

Assets	6/30/2017
Current Assets	
Cash and cash equivalents	\$ 24,918,120
Current portion of assets limited as to use	\$ 9,139,549
Patient accounts receivable	\$ 149,238,835
Allowance for doubtful accounts	\$ (96,132,196)
Net patient accounts receivables	\$ 53,106,639
Other receivables	\$ 5,637,823
Inventories	\$ 7,486,275
Prepaid Expenses	\$ 3,469,650
Total current assets	<u>\$ 103,758,056</u>
Property and equipment, net	\$ 186,815,264
Other assets	
Investments, assets limited as to use	\$ 111,985,226
Long-term investments	\$ 1,686,576
Other assets	\$ 1,650,049
Total other assets	<u>\$ 115,321,851</u>
Total assets	<u><u>\$ 405,895,171</u></u>
Liabilities and Net Assets	
Current liabilities	
Current portion of long-term debt	\$ 4,021,116
Accounts payable	\$ 5,091,819
Accrued expenses	\$ 40,816,790
Estimated third-party payer settlements	\$ 7,765,779
Total current liabilities	<u>\$ 57,695,504</u>
Long-term liabilities, net of current portion:	
Long-term debt	\$ 51,208,589
Accrued pension expense	\$ 23,819,847
Total long-term liabilities, net of C/P	<u>\$ 75,028,436</u>
Total liabilities	<u>\$ 132,723,940</u>
Net assets	
Unrestricted	\$ 269,755,339
Temporarily restricted	\$ 954,440
Permanently restricted	\$ 2,461,452
Total net assets	<u>\$ 273,171,231</u>
Total liabilities and net assets	<u><u>\$ 405,895,171</u></u>

Southeastern Regional Medical Center and Related Organizations
Unaudited - Summary Income Statement (Obligated Group)
Quarter Ending June 30, 2017

	June 2017 Actual
<i>Patient Revenue</i>	
Room & Board	21,922,724
Inpatient Ancillary	83,980,453
Outpatient	117,960,891
Total Patient Revenue	<u>223,864,068</u>
<i>Deductions from Revenue</i>	
Bad Debt Expenses	20,984,482
Medicare Allowances	74,148,905
Medicaid Allowances	33,507,005
Other Allowances	24,834,073
Total Deductions	<u>153,474,465</u>
	68.56%
<i>Net Patient Revenue</i>	<u>70,389,603</u>
<i>Other Revenue</i>	
Other Revenue	4,685,943
Fitness Center Revenue	550,730
Total Other Revenue	<u>5,236,673</u>
<i>Total Operating Revenue</i>	<u>75,626,276</u>
<i>Operating Expenses</i>	
Salaries	31,661,561
Benefits	10,130,402
	2,398,900
Professional Fees	5,303,255
Medical Supplies	3,871,727
Pharmacy	6,562,303
Non Med Supplies & Small Equip	2,413,538
Contracts and Repairs	3,252,063
Outside Services	3,314,237
Other Expense	1,928,444
Insurance	246,715
Utilities	1,032,905
Interest Expense	465,246
Depreciation & Amortization	4,261,479
<i>Total Expenses</i>	<u>76,842,775</u>
<i>Operating Income</i>	<u>-1,216,499</u>
Interest and Dividends	1,600,047
Realized Investments Gains (Loss)	551,425
Unrealized Investment Gains (Loss)	2,018,088
<i>Investment Income</i>	<u>4,169,560</u>
<i>Net Income</i>	<u><u>2,953,061</u></u>

Southeastern Regional Medical Center and Related Organizations
Combined Statement of Cash Flows
For the Quarter Ended June 30, 2016

June
2017

Cash from operating activities

Increase (decrease) in net assets	\$ 2,643,138
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation and amortization	\$ 4,261,479
Provision for bad debt	\$ 20,984,482
Net realized and unrealized gains on investments	\$ (2,569,513)
Amortization of bond issue costs and bond premium	\$ (25,249)
Cash flows from (increase) decrease in:	
Receivables	\$ (10,741,228)
Other current assets	\$ (1,875)
Inventories	\$ 79,487
Prepaid expenses	\$ (636,536)
Cash flows from increases (decreases) in:	
Accounts payable	\$ 2,474,005
Accrued expenses	\$ 12,620,560
Accrued pension expense	\$ 556,290
Third-party payer settlement	\$ (1,010,129)
Net cash provided (used) by operating activities	\$ 28,634,911

Cash flows from investing activities

Purchase of property and equipment	\$ (10,041,112)
(increase) decrease in assets limited as to use	\$ (923,134)
(increase) decrease in other long-term investments	\$ (822,865)
Net cash provided (used) by investing activities	\$ (11,787,111)

Cash flows from financing activities

Repayment of long-term debt	\$ (2,215,625)
Net cash provided (used) by financing activities	\$ (2,215,625)

Net increase (decrease) in cash and cash equivalents \$ 14,632,175

Cash and cash equivalents, beginning of Period \$ 10,285,945

Cash and cash equivalents, end of Period \$ 24,918,120

SOUTHEASTERN REGIONAL MEDICAL CENTER, NORTH CAROLINA

For Year Ending September 30, 2017

Bed Allocation

	Licensed Beds	Staffed Beds
Medical/ Surgical	223	171
Obstetrics/ Gynecology	22	22
Pediatrics	15	15
Psychiatry	33	33
Intensive Care/ Coronary Care/ Progre	32	32
TOTAL	325	273
Hospice House	12	12
Long Term Care (at Woodhaven)	115	115
GRAND TOTAL	452	400

Utilization

Inpatient Utilization

For Year Ending September 30, 2017

	<u>Qtr ending</u> <u>12/31/2016</u>	<u>Qtr ending</u> <u>3/31/2017</u>	<u>Qtr ending</u> <u>6/30/2017</u>	<u>Qtr ending</u> <u>9/30/2017</u>	<u>Total for</u> <u>Fiscal Year</u> <u>2017</u>
Discharges					
Medical/ Surgical	2,630	3,001	2,887		8,518
Obstetrics/ Gynecology	371	351	353		1,075
Psychiatry	317	346	356		1,019
Total	3,318	3,698	3,596	0	10,612
Patient Days					
Medical/ Surgical	13,634	14,897	13,591		42,122
Obstetrics/ Gynecology (include LDR)	786	754	754		2,294
Psychiatry	2,027	2,206	2,235		6,468
Total	16,447	17,857	16,580	0	50,884
Average Length of Stay (Days)					
Medical/ Surgical	5.18	4.96	4.71	#DIV/0!	4.95
Obstetrics/ Gynecology	2.12	2.15	2.14	#DIV/0!	2.13
Psychiatry	6.39	6.38	6.28	#DIV/0!	6.35
Total	4.96	4.83	4.61	#DIV/0!	4.79
Occupancy Rates					
Based on Licensed Beds	55.0%	61.0%	56.1%	0.0%	42.9%
Based on Staffed Beds	65.5%	72.7%	66.7%	0.0%	51.1%

Hospice House

	<u>Qtr ending</u> <u>12/31/2016</u>	<u>Qtr ending</u> <u>3/31/2017</u>	<u>Qtr ending</u> <u>6/30/2017</u>	<u>Qtr ending</u> <u>9/30/2017</u>	<u>Total for</u> <u>Fiscal Year</u> <u>2017</u>
Beds in Service	12	12	12	12	12
Discharges	69	80	68	-	217
Avg. Length of Stay (Days)	8.30	5.10	6.13	#DIV/0!	6.44
Patient Days	573	408	417	-	1,398
Occupancy (Percent)	51.9%	37.8%	38.2%	0.0%	31.9%

WoodHaven

	<u>Qtr ending</u> <u>12/31/2016</u>	<u>Qtr ending</u> <u>3/31/2017</u>	<u>Qtr ending</u> <u>6/30/2017</u>	<u>Qtr ending</u> <u>9/30/2017</u>	<u>Total for</u> <u>Fiscal Year</u> <u>2017</u>
Beds in Service	115	115	115	115	115
Discharges	91	102	102	-	295
Patient Days	10,024	9,788	9,802	-	29,614
Occupancy (Percent)	94.7%	94.6%	93.7%	0.0%	70.6%

Outpatient and Ancillary Utilization

For Year Ending September 30, 2017

	<u>Qtr ending</u> <u>12/31/2016</u>	<u>Qtr ending</u> <u>3/31/2017</u>	<u>Qtr ending</u> <u>6/30/2017</u>	<u>Qtr ending</u> <u>9/30/2017</u>	<u>Total for</u> <u>Fiscal Year</u> <u>2017</u>
Surgical Procedures (OR and Endo)					
Inpatient	476	540	451		1,467
Outpatient	481	580	568		1,629
Total	<u>957</u>	<u>1,120</u>	<u>1,019</u>	<u>0</u>	<u>3,096</u>
Laboratory Workload Units	2,114,448	2,365,373	2,300,301	0	6,780,122
Radiology Procedures					
Inpatient	3,909	4,447	4,239		12,595
Outpatient	7,758	8,498	8,599		24,855
Total	<u>11,667</u>	<u>12,945</u>	<u>12,838</u>	<u>0</u>	<u>37,450</u>
Nuclear Medicine					
Inpatient	155	174	156		485
Outpatient	384	523	554		1,461
Total	<u>539</u>	<u>697</u>	<u>710</u>	<u>0</u>	<u>1,946</u>
CT					
Inpatient	1,773	1,876	1,962		5,611
Outpatient	3,751	4,060	4,442		12,253
Total	<u>5,524</u>	<u>5,936</u>	<u>6,404</u>	<u>0</u>	<u>17,864</u>
MRI					
Inpatient	489	522	523		1,534
Outpatient	790	926	893		2,609
Total	<u>1,279</u>	<u>1,448</u>	<u>1,416</u>	<u>0</u>	<u>4,143</u>
Cardiac Cath Lab					
Inpatient	149	153	170		472
Outpatient	100	96	97		293
Total	<u>249</u>	<u>249</u>	<u>267</u>	<u>0</u>	<u>765</u>
Physical Therapy Visits					
Inpatient	4,250	4,424	4,088		12,762
Outpatient	4,158	4,930	5,016		14,104
Total	<u>8,408</u>	<u>9,354</u>	<u>9,104</u>	<u>0</u>	<u>26,866</u>
Emergency Room Visits	14,803	15,327	15,703		45,833
Newborn Deliveries	334	310	328		972

Historical Long-Term Debt Service Coverage

For Year Ending September 30, 2017

	<u>12 Consecutive</u> <u>Months ending</u> <u>12/31/2016</u>	<u>12 Consecutive</u> <u>Months ending</u> <u>3/31/2017</u>	<u>12 Consecutive</u> <u>Months ending</u> <u>6/30/2017</u>	<u>12 Consecutive</u> <u>Months ending</u> <u>9/30/2017</u>
Income Available for Debt Service				
Excess of Revenues over Expenses	181,130	7,276,871	6,989,835	
Depreciation and amortization	19,136,221	19,038,810	18,815,329	
Interest Expense	1,927,499	1,935,595	1,984,025	
Pension related changes other than net periodic pension cost	0	0	0	0
Unrealized (gains) losses	817,947	(3,133,127)	(4,835,189)	
Totals	<u>\$ 22,062,797</u>	<u>\$ 25,118,149</u>	<u>\$ 22,954,000</u>	<u>\$ -</u>
Maximum Annual Debt Service	<u>\$ 5,555,499</u>	<u>\$ 5,555,499</u>	<u>\$ 5,555,499</u>	<u>\$ -</u>
Long-Term Debt Service Coverage Ratio	<u>3.97</u>	<u>4.52</u>	<u>4.13</u>	<u>\$ -</u>

Days' Cash On Hand

As of September 30, 2017

<u>Days' Cash on Hand Calculation</u>	<u>Qtr ending 12/31/2016</u>	<u>Qtr ending 3/31/2017</u>	<u>Qtr ending 6/30/2017</u>	<u>Qtr ending 9/30/2017</u>
Cash and cash equivalents	\$ 7,209,460	\$ 10,285,945	\$ 24,918,120	
Assets whose use is limited by board	122,021,748	120,202,153	121,124,775	
Total unrestricted cash and investments	\$ 129,231,208	\$ 130,488,098	\$ 146,042,895	\$ -
Total Operating Expenses	\$ 72,073,533	\$ 73,979,441	\$ 76,842,775	
LESS: Depreciation and Amortization	(4,241,032)	(4,196,580)	(4,261,479)	
Total Cash Expenses	\$ 67,832,501	\$ 69,782,861	\$ 72,581,296	\$ -
Daily Cash Expenses	737,310	775,365	797,597	0
Days' Cash on Hand	175	168	183	#DIV/0!