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## **Disclosure Report**

**For the Three Months Ended September 30, 2017**

|           |                                                                                                                                                                                                                                   |                                                                                                                                                                                                                  |
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**Disclosure Report for September 30, 2017**

**VANDERBILT UNIVERSITY MEDICAL CENTER**

**NOTICE  
relating to:**

**THE HEALTH AND EDUCATIONAL  
FACILITIES BOARD OF THE  
METROPOLITAN GOVERNMENT OF  
NASHVILLE AND DAVIDSON COUNTY,  
TENNESSEE REVENUE BONDS  
(VANDERBILT UNIVERSITY MEDICAL  
CENTER) SERIES 2016A**

**THE HEALTH AND EDUCATIONAL  
FACILITIES BOARD OF THE  
METROPOLITAN GOVERNMENT OF  
NASHVILLE AND DAVIDSON COUNTY,  
TENNESSEE TAXABLE REVENUE BONDS  
(VANDERBILT UNIVERSITY MEDICAL  
CENTER) SERIES 2016B**

**THE HEALTH AND EDUCATIONAL  
FACILITIES BOARD OF THE  
METROPOLITAN GOVERNMENT OF  
NASHVILLE AND DAVIDSON COUNTY,  
TENNESSEE TAXABLE REVENUE NOTE  
(VANDERBILT UNIVERSITY MEDICAL  
CENTER) SERIES 2016D**

**THE HEALTH AND EDUCATIONAL  
FACILITIES BOARD OF THE  
METROPOLITAN GOVERNMENT OF  
NASHVILLE AND DAVIDSON COUNTY,  
TENNESSEE REVENUE BONDS  
(VANDERBILT UNIVERSITY MEDICAL  
CENTER) SERIES 2017A**

**Disclosure Report for September 30, 2017**

**CUSIP Nos: 592041WC7, 592041WD5, 592041WE3, 592041WF0, 592041WG8, 592041WH6,  
592041WJ2, 592041XC6, 592041YB7, 592041YC5**

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## Disclosure Report for September 30, 2017

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## **Disclosure Report for September 30, 2017**

### **ATTENTION**

This document is marked with a dated date of September 30, 2017, and reflects information only as of that date. Readers are cautioned not to assume that any information has been updated beyond the dated date except as to any portion of the document that expressly states that it constitutes an update concerning specific recent events occurring after the dated date of the document. Any information contained in the portion of the document indicated to concern recent events speaks only as of its date. We expressly disclaim any duty to provide an update of any information contained in this document.

The information contained in this document may include “forward looking statements” by using forward looking words such as “may,” “will,” “should,” “expects,” “believes,” “anticipates,” “estimates,” or others. You are cautioned that forward looking statements are subject to a variety of uncertainties that could cause actual results to differ from the projected results. Those risks and uncertainties include general economic and business conditions, receipt of funding grants, and various other factors which are beyond our control.

Because we cannot predict all factors that may affect future decisions, actions, events, or financial circumstances, what actually happens may be different from what we include in forward looking statements.

## ORGANIZATION

Vanderbilt University Medical Center (“VUMC”) is a Tennessee not-for-profit corporation incorporated in March of 2015 to operate an academic medical center including a comprehensive research, teaching, and patient care health system (the “Medical Center”). Until April 29, 2016, the Medical Center operated as a unit within Vanderbilt University (“the University” or “VU”), as a part of the University’s administrative structure, with the same governing board, legal, financial, and other shared services.

VUMC began operations effective April 30, 2016, following the closing of the sale of the Medical Center by the University (the “Acquisition”). VUMC owns and operates three hospitals primarily located on the main campus of the University in Nashville, Tennessee: Vanderbilt University Adult Hospital (“VUAH”), Monroe Carell Junior Children’s Hospital at Vanderbilt (“MCJCHV”), and Vanderbilt Psychiatric Hospital (“VPH”). In addition, VUMC partially owns Vanderbilt Stallworth Rehabilitation Hospital (“VSRH”), also located on the main campus of the University, through a joint venture with HealthSouth Corp. in which VUMC holds a 50% interest, which includes a 1% interest held by Vanderbilt Health Services, LLC, (“VHS”), a VUMC wholly owned subsidiary. VUAH, MCJCHV, and VPH are licensed for 1,029 beds, and VSRH is licensed for 80 beds.

VUMC consists of two major operating divisions and an administrative overhead division. The operating divisions include the Clinical Enterprise and Academic Enterprise divisions. The administrative overhead division is referred to as Medical Center Administration (“MCA”).

The Clinical Enterprise division includes the professional clinical practice revenues and related expenses of the Vanderbilt Medical Group (“VMG”), and technical revenues and associated expenses for the operation of VUMC’s hospitals and clinic facilities, including VUAH, MCJCHV, and VPH. The Clinical Enterprise also includes VHS.

- VUAH is a quaternary care teaching hospital licensed for 670 acute care and specialty beds. VUAH, a Level I trauma center, provides advanced patient care and serves as a key site for medical education and clinical research conducted by physician faculty. VUAH includes a comprehensive burn center, the Vanderbilt Transplant Center, the Vanderbilt Heart and Vascular Institute, and the Vanderbilt Ingram Cancer Center.
- MCJCHV is a pediatric quaternary care teaching hospital licensed for 129 acute and specialty beds, 42 pediatric intensive care beds, and 96 neonatal intensive care beds. MCJCHV is the region’s only full-service pediatric hospital, with over 30 pediatric specialties. MCJCHV serves as a site for medical education and clinical research conducted by pediatric physician faculty, houses the only Level IV neonatal intensive care center and the only Level 1 pediatric trauma center within the region, and is a regional referral center for extracorporeal membrane oxygenation (heart and lung failure).
- VPH is a psychiatric hospital licensed for 92 beds and provides both inpatient and outpatient partial hospitalization psychiatric services to both adult and adolescent patients. Also, VPH provides psychiatric assessment services and neuromodulation procedures through electroconvulsive therapy and transcranial magnetic stimulation.
- The VMG is the practice group of physicians and advanced practice nurses employed by VUMC, with faculty appointments from the University, who perform billable professional medical services. The VMG is not a separate legal entity. The VMG has a board which consists of the VUMC clinical service chiefs, who also serve as clinical department chairs. Under the oversight of VUMC executive leadership, the VMG sets professional practice standards, bylaws, policies, and procedures. VUMC bills for services rendered by the

VMG clinicians in both inpatient and outpatient locations. Collected fees derive a component of each VMG clinician's compensation.

- The VMG includes nationally recognized physicians whose expertise spans the spectrum from primary care to the most specialized quaternary discipline. The entire clinical faculty is "board certified" or eligible for board certification. All staff members are re-credentialed every two years by the National Committee for Quality Assurance standards. All specialties and subspecialties currently recognized by the various national specialty boards are represented on the clinical faculty.
- VHS serves as a holding company for 13 health care related subsidiaries and joint ventures owned with various entities, including, but not limited to, VSRH and the Vanderbilt Health Affiliated Network ("VHAN"). VHS operations primarily consist of community physician practices, imaging services, outpatient surgery centers, radiation oncology centers, a home health care agency, a home infusion and respiratory service, an affiliated health network, and a rehabilitation hospital. These subsidiaries include clinics managed in multiple outpatient locations throughout middle Tennessee and southwestern Kentucky.

The Academic Enterprise division includes all clinically-related research, research-support activities, and faculty endeavors supporting post-graduate training programs. A significant funding source for VUMC's research has historically been the federal government. Federal funding is received from the Department of Health and Human Services, the National Institutes of Health, the Department of Defense, NASA, and other federal agencies. Sponsored research awards, including multiple-year grants and contracts from government sources, foundations, associations, and corporations signify future research commitments. Also, core activities supporting research, including advanced computing and grant administration, are included in this division.

As mentioned above and throughout this document, VUMC acquired the Medical Center and its operations from the University in the Acquisition. For the purpose of funding the Acquisition, VUMC entered into certain debt agreements. Certain of these debt agreements contain certain required disclosures which outline annual and quarterly reporting requirements. In addition, certain of these debt agreements require notices of the occurrence of significant events which include but are not limited to delinquencies, bond calls, rating changes, bankruptcies, and mergers or acquisitions.

Certain amounts in the Fiscal 2017 financial statements have been reclassified to conform to their Fiscal 2018 presentation. We reclassified interest rate swap settlements from interest expense to non-operating revenues and expenses, as well as the minority interest elimination from operating expenses to non-operating revenues and expenses. These changes impacted the statement of operations, as well as relevant ratios. Certain other presentation reclassifications were made to the September 30, 2016 balance sheet, which impacted the days cash on hand ratio and are described on subsequent pages. We also reflected reclassifications in the statement of changes in net assets whose net impact on net asset balances as of September 30, 2016 was to decrease unrestricted net assets by \$22.2 million, increase temporarily restricted net assets by \$19.7 million, and increase permanently restricted net assets by \$2.5 million. The reclassification resulted from donor-restricted pledges and capital gifts totaling \$15.6 million and \$6.6 million, respectively, which were included in unrestricted net assets as of September 30, 2016. In addition, certain reclassifications were made on the statement of cash flows, including the presentation of purchases and sales of investments, the presentation of changes in restricted cash for property, plant and equipment and endowments, and certain other reclassifications within categories.

The VUMC fiscal year end is June 30. The information contained in this document represents the unaudited consolidated results of operations of VUMC as of and for the three months ended September 30, 2017.

## SUMMARY OF OPERATING AND UTILIZATION DATA

### Licensed Beds

VUMC's facilities have 1,029 and 1,025 licensed beds approved for operation, 1,013 and 1,006 of which were fully staffed on September 30, 2017 and 2016, respectively, with 80 operating rooms, primarily located at VUAH, MCJCHV, and VPH. A fourth hospital, VSRH, is operated within a separate joint venture entity, which is currently owned 50% by VUMC. Counting VSRH beds, managed beds at Williamson Medical Center Inpatient Children's Unit, and operated observation beds and bassinet beds, total beds as of September 30, 2017 and 2016, equates to 1,246 and 1,205, respectively.

### VUMC Beds (Licensed, Observation, JV, Managed)

| <u>Licensed Beds</u>                                                                                 | <u>2017</u>         | <u>2016</u>         |
|------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Licensed-Bed Category Type                                                                           |                     |                     |
| Adult Medical Surgical                                                                               | 614                 | 606                 |
| Adult Obstetric                                                                                      | 50                  | 50                  |
| Adult Clinical Research Center                                                                       | 6                   | 14                  |
| Pediatric Medical/Surgical                                                                           | 129                 | 129                 |
| Pediatric Neonatal Intensive Care                                                                    | 96                  | 96                  |
| Pediatric Intensive Care                                                                             | 42                  | 42                  |
| Psychiatric Care                                                                                     | 92                  | 88                  |
| Total Licensed Beds as of September 30, 2017 and 2016                                                | <u>1,029</u>        | <u>1,025</u>        |
| <u>Observation, JV, and Managed Beds and Bassinets</u>                                               |                     |                     |
| Current Observation Beds                                                                             | 86                  | 64                  |
| Current Bassinets                                                                                    | 35                  | 20                  |
| Stallworth Rehabilitation Hospital Beds (JV) <sup>(1)</sup>                                          | 80                  | 80                  |
| MCJCHV at Williamson Medical Center Inpatient and Observation Unit (Managed) <sup>(2)</sup>          | <u>16</u>           | <u>16</u>           |
| Total Observation, JV, and Managed Beds and Bassinets<br>as of September 30, 2017 and 2016           | <u>217</u>          | <u>180</u>          |
| Total Licensed, Observation, JV, and Managed Beds and Bassinets<br>as of September 30, 2017 and 2016 | <u><u>1,246</u></u> | <u><u>1,205</u></u> |

(1) Represents 80 beds in joint venture with VSRH.

(2) Represents 12 licensed beds and four observation beds managed by VUMC with Williamson Medical Center, Franklin, TN.

### VUMC Research Revenues

VUMC receives revenues from research grants which are both federally and non-federally sponsored. The Department of Health and Human Services, the National Institutes of Health, the Department of Defense, NASA, and other federal agencies supported over 74% and 71% of the research expenditures conducted by VUMC as of September 30, 2017 and 2016, respectively. The breakdown of direct research revenues is as follows for the three months ended September 30, 2017 and 2016 (\$ in thousands):

| <u>Source</u> | <u>2017</u>             | <u>2016</u>             |
|---------------|-------------------------|-------------------------|
| Federal       | \$ 59,433               | \$ 46,997               |
| Non-Federal   | 21,217                  | 19,203                  |
| Total         | <u><u>\$ 80,650</u></u> | <u><u>\$ 66,200</u></u> |



## Capital Cash Flows

Capital expenditures for the three months ended September 30, 2017 and 2016, of \$46 million and \$24 million, respectively, primarily included construction in progress and internal use software costs.

## Utilization

VUMC's overall functional occupancy rate was 94.5% and 93.3% during the three months ended September 30, 2017 and 2016, respectively, (functional occupancy rate calculated as inpatient days plus observation days in inpatient units divided by total licensed beds, less research, labor & delivery, double rooms used as singles, and 16 and 7 beds that are currently out of service for those periods, respectively). The average number of inpatients in the hospital at midnight census was 907 and 879 at September 30, 2017 and 2016, respectively. Thus, VUMC has continued to operate at or above the theoretical optimal occupancy of 85% when total utilization of capacity is measured. Utilization statistics of the hospitals and clinics for the three months ended September 30, 2017 and 2016, are as follows:

|                                                           | <u>2017</u> | <u>2016</u> |
|-----------------------------------------------------------|-------------|-------------|
| Licensed beds <sup>(1)</sup>                              | 1,029       | 1,025       |
| Hospital inpatient days <sup>(2)</sup>                    | 83,445      | 80,905      |
| Hospital discharges                                       | 15,812      | 15,317      |
| Average length of stay in days <sup>(2)</sup>             | 5.3         | 5.3         |
| Average occupancy level (licensed beds) <sup>(2)(3)</sup> | 88.1%       | 86.7%       |
| Surgical operations <sup>(4)</sup>                        | 14,679      | 14,868      |
| Ambulatory visits <sup>(5)</sup>                          | 567,859     | 557,375     |
| Emergency visits                                          | 28,685      | 30,466      |

(1) Excludes nursery bassinets and 80 joint venture beds at Vanderbilt-Stallworth Rehabilitation Hospital.

(2) Includes nursery and psychiatric hospital; does not include the observation patients.

(3) Average occupancy level calculated as inpatient days excluding observation patients divided by total licensed beds multiplied by the number of days in the period.

(4) Excludes surgical operations performed by VUMC- employed physicians at separate surgery centers that are partially owned by a VUMC subsidiary.

(5) Includes visits related to VHS joint ventures.

### VUMC Inpatient Acuity

Across all inpatients, VUMC's inpatient acuity is measured by case mix index ("CMI"). VUMC's total CMI and CMI for Medicare patients for the three months ended September 30, 2017 and 2016, are presented below:

|                             | <u>2017</u> | <u>2016</u> |
|-----------------------------|-------------|-------------|
| Total CMI <sup>(1)</sup>    | 2.18        | 2.18        |
| Medicare CMI <sup>(1)</sup> | 2.41        | 2.36        |

(1) Excludes normal newborns.

During the three months ended September 30, 2017 and 2016, ambulatory visits at the Medical Center totaled 513,307 and 503,053, respectively (excluding ambulatory visits from VHS joint ventures). While the majority of the VMG adult and children's ambulatory practice is located in VUAH on the main campus, VUMC health care services are offered outside the main campus, with approximately 48% of outpatient visits at off-campus locations during this same time period.

### VUMC Payor Mix

The Medical Center received payment on behalf of most of its patients from a number of third parties, including Blue Cross and other private insurers, the federal government through Medicare, and the federal and state governments through Medicaid. TennCare, the State's managed care plan operating under a Section 1115 Medicaid demonstration waiver from the federal government, provides the majority of Medicaid revenues. The remaining Medicaid revenues are from Medicaid patients who live outside of the State. Blue Cross, one of VUMC's largest payors represented 22% and 23% of total gross patient service revenue (based on technical related revenue) for the three months ended September 30, 2017 and 2016, respectively.

The revenues attributable to Blue Cross are presented in the commercial/managed care category in the following table, which sets forth the sources of gross amounts of patient service revenue as well as gross amounts of patient service revenue net of contractual allowances for the three months ended September 30, 2017 and 2016:

|                                        | <u>9/30/17</u><br><u>Gross</u> | <u>9/30/17</u><br><u>Net</u> |
|----------------------------------------|--------------------------------|------------------------------|
| <i>Payor Mix</i> <sup>(2)</sup>        |                                |                              |
| Commercial/Managed Care <sup>(1)</sup> | 46.5%                          | 64.0%                        |
| Medicare/Managed Medicare              | 31.4%                          | 22.1%                        |
| TennCare/Medicaid                      | 17.5%                          | 11.7%                        |
| Uninsured (self-pay)                   | 4.6%                           | 2.2%                         |
| Total                                  | <u>100.0%</u>                  | <u>100.0%</u>                |

(1) Commercial includes commercial indemnity and other patient service programs provided under contractual arrangements.

(2) Percentages based on total net patient service revenue, including professional fee revenue.

| <i>Payor Mix</i> <sup>(2)</sup>        | <b>9/30/16<br/>Gross</b> | <b>9/30/16<br/>Net</b> |
|----------------------------------------|--------------------------|------------------------|
| Commercial/Managed Care <sup>(1)</sup> | 46.9%                    | 63.9%                  |
| Medicare/Managed Medicare              | 31.1%                    | 22.1%                  |
| TennCare/Medicaid                      | 18.0%                    | 12.0%                  |
| Uninsured (self-pay)                   | 4.0%                     | 2.0%                   |
| Total                                  | 100.0%                   | 100.0%                 |

(1) Commercial includes commercial indemnity and other patient service programs provided under contractual arrangements.

(2) Percentages based on total net patient service revenue, including professional fee revenue.

VUMC's major commercial managed care contracts are multi-year agreements, typically three to four years with automatic annual escalators. Commercial contracts reimburse the facility on case rates with stop loss provisions for inpatient medical/surgical services and fee schedules for outpatient services. VPH is reimbursed on per diems. VUMC has no agreements based on full risk or capitation reimbursement. Three major commercial contracts utilize performance on quality metrics as a basis for a portion of the annual escalators. One existing Medical Center commercial contract has two episode-based payment bundles effective July 1, 2015, with upside risk only. Over 77% of VUMC's payments for healthcare services are covered under rates contracted through fiscal year ended June 30, 2018.

The following table details payments received from VUMC's largest commercial contracts as a percentage of total net patient revenue for the three months ended September 30, 2017 and 2016, as well as the respective contract renewal date.

#### Commercial Contract Payments as a Percentage of Total Net Patient Revenue

|                                           | <b>Total<br/>Payments as<br/>of 9/30/17<sup>(1)</sup></b> | <b>Total<br/>Payments as<br/>of 9/30/16<sup>(1)</sup></b> | <b>Termination<br/>Dates</b> |
|-------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|------------------------------|
| Aetna                                     | 7.9%                                                      | 5.7%                                                      | 12/31/2018                   |
| BlueCross <sup>(2)</sup>                  | 31.5%                                                     | 31.3%                                                     | 12/31/2019                   |
| CIGNA                                     | 7.8%                                                      | 5.3%                                                      | 9/30/2018                    |
| Humana                                    | 0.7%                                                      | 1.5%                                                      | 10/31/2018                   |
| United                                    | 7.9%                                                      | 4.6%                                                      | 7/31/2021                    |
| Total as a % of total net patient revenue | 55.8%                                                     | 48.4%                                                     |                              |

(1) Represents cash payments received for discharges that occurred during the three months ended September 30, 2017 and 2016, respectively. Excludes professional fee billing.

(2) If not renegotiated, contract automatically renews indefinitely.  
Note: Does not include behavioral or dental service contracts.

Medicare Advantage contracts represented approximately \$37.1 and \$32.8 million in net revenue or 6.8% and 6.3% of Hospital and Clinic net revenue for the three months ended September 30, 2017 and 2016, respectively, and have termination dates ranging from September 30, 2018 through July 31, 2021.

## SUMMARY OF FINANCIAL DATA

### Cash and Investments

The VUMC Board of Directors (the “Board”) approves the investment policy, while VUMC management is responsible for appointing and removing investment managers, monitoring asset allocation within the policy guidelines, and other ongoing oversight of the investment portfolio. VUMC utilizes external investment consultants to provide professional investment analysis and guidance to assist in evaluating the performance of the fund managers. As the risk profile of VUMC matures, VUMC management anticipates undertaking modest additional risk, through asset allocation adjustments, in order to improve long-term investment returns. The table below summarizes VUMC’s investment allocation as of September 30, 2017, including working capital.

#### Summary of Cash and Investments Asset Allocation As of September 30, 2017

|                                              | <b>Working<br/>Capital</b> | <b>Unrestricted<br/>and Restricted<br/>Investments<sup>(1)</sup></b> | <b>Self-<br/>Insurance<br/>Trust</b> | <b>Total</b> |
|----------------------------------------------|----------------------------|----------------------------------------------------------------------|--------------------------------------|--------------|
| Cash & Cash Equivalents                      | 56%                        | 18%                                                                  | 0%                                   | 46%          |
| Short-Term Investments                       | 20%                        | 0%                                                                   | 0%                                   | 15%          |
| Equity Investments                           | 0%                         | 43%                                                                  | 55%                                  | 10%          |
| Hedged Equity Investments                    | 0%                         | 7%                                                                   | 7%                                   | 2%           |
| Fixed Income Investments                     | 11%                        | 20%                                                                  | 28%                                  | 14%          |
| Hedged Debt Investments                      | 0%                         | 1%                                                                   | 4%                                   | 0%           |
| Other Marketable Alternatives <sup>(2)</sup> | 0%                         | 6%                                                                   | 6%                                   | 1%           |
| Non-Marketable Investments                   | 0%                         | 0%                                                                   | 0%                                   | 0%           |
| Project Funds at Bond Trustee                | 10%                        | 0%                                                                   | 0%                                   | 8%           |
| Restricted Cash & Cash Equivalents           | 3%                         | 1%                                                                   | 0%                                   | 3%           |
| Split Interest Trusts                        | 0%                         | 4%                                                                   | 0%                                   | 1%           |
|                                              | <u>100%</u>                | <u>100%</u>                                                          | <u>100%</u>                          | <u>100%</u>  |

(1) Includes new endowment funds raised since April 30, 2016.

(2) Includes REITs and commodities.

The following table sets forth VUMC unrestricted cash and investments and days cash on hand as of September 30, 2017 and 2016. This financial information is provided for informational purposes only and is not necessarily, and should not be assumed to be, an indication of the results that will be achieved in the future (*\$ in thousands*):

**Summary of Unrestricted Cash and Cash Equivalents**

|                                                           | <b>FY 2018</b> | <b>FY 2017<sup>(5)</sup></b> |
|-----------------------------------------------------------|----------------|------------------------------|
| Cash and cash equivalents <sup>(1)</sup>                  | \$ 543,252     | \$ 518,051                   |
| Less: restricted cash and cash equivalents included above | (22,410)       | (14,053)                     |
| Total unrestricted cash and cash equivalents              | 520,842        | \$ 503,998                   |
|                                                           |                |                              |
| Unrestricted investments <sup>(2)</sup>                   | 429,566        | 225,089                      |
| Total unrestricted cash and investments                   | 950,408        | \$ 729,087                   |
|                                                           |                |                              |
| Average daily operating expenses <sup>(3)</sup>           | \$ 10,459      | \$ 9,582                     |
|                                                           |                |                              |
| Days cash on hand <sup>(4)</sup>                          | 90.9           | 76.1                         |

- (1) Cash and cash equivalents, as reported on the unaudited balance sheet, are composed of assets that are or may be readily converted to cash.
- (2) Unrestricted investments may be comprised of U.S. small, mid and larger capitalization stocks, international stocks, intermediate term fixed income securities, mutual funds, exchange traded funds, hedge funds, real estate and private equity and generally may be liquidated within four business days or less.
- (3) Average daily operating expenses include all VUMC financial flows to the University excluding the principal payments on the Subordinated Promissory Note to VU.
- (4) Unrestricted cash and investments divided by average daily operating expenses (excluding depreciation and amortization) for the three months then ended.
- (5) Certain amounts in the Fiscal 2017 financial statements have been reclassified to conform to their Fiscal 2018 presentation. This includes a reclassification reducing cash and cash equivalents, with a corresponding increase in noncurrent investments limited as to use, related to gifts restricted for usage in capital projects. In addition we reclassified interest rate swap settlements from interest expense to non-operating revenues and expenses. We also reclassified the minority interest elimination from operating expenses to non-operating revenues and expenses. These two changes to the statement of operations impacted the calculation of average daily operating expenses by an immaterial amount. Certain other presentation reclassifications were made between investments and other asset categories, which impacted the unrestricted investments in footnote 2 by an immaterial amount.

## Debt Service Coverage

The following table sets forth, for the three months ended September 30, 2017 and 2016, VUMC's income available for debt service, and indicates the extent to which such income available for debt service would provide coverage for maximum annual and annual debt service on all long-term debt (\$ in thousands):

|                                                         | As of September 30, 2017 |                   |
|---------------------------------------------------------|--------------------------|-------------------|
|                                                         | <u>Actual</u>            | <u>Annualized</u> |
| Excess of revenues over expenses <sup>(1)</sup>         | \$ 38,311                | \$ 153,244        |
| Unrealized gains on investments <sup>(2)</sup>          | (7,002)                  | (28,008)          |
| Unrealized loss on interest rate swap                   | 621                      | 2,484             |
| Depreciation and amortization                           | 23,655                   | 94,620            |
| Interest                                                | 14,267                   | 57,068            |
| Income available to pay debt service                    | <u>\$ 69,852</u>         | <u>\$ 279,408</u> |
| Maximum annual debt service                             |                          | \$ 94,408         |
| Maximum annual debt service coverage <sup>(3)</sup>     |                          | 3.0x              |
| Annual debt service (Scheduled) <sup>(4)</sup>          |                          | \$ 62,486         |
| Annual debt service coverage (Scheduled) <sup>(5)</sup> |                          | 4.5x              |

(1) Excludes gifts, grants, bequests, donations, or contributions, to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of debt service, and includes all VUMC financial flows to the University as presented in the most recent offering statement, excluding the principal payments on the Subordinated Promissory Note.

(2) Unrealized (gains)/losses on endowed assets are excluded due to restrictions on uses which are inconsistent with their use for the payment of debt service.

(3) Maximum annual debt service coverage consists of estimated annual income available to pay debt service divided by maximum annual debt service.

(4) Represents smoothed debt service scheduled for the fiscal year. Actual payments forecasted for the fiscal year are \$57.7 million.

(5) Annual debt service coverage consists of estimated annual income available to pay debt service divided by annual debt service

**As of September 30, 2016**

|                                                         | <b>Actual<sup>(6)</sup></b> | <b>Annualized</b> |
|---------------------------------------------------------|-----------------------------|-------------------|
| Excess of revenues over expenses <sup>(1)</sup>         | \$ 47,362                   | \$ 189,448        |
| Less: Unrealized gains on investments <sup>(2)</sup>    | (5,767)                     | (23,068)          |
| Less: Unrealized gain on interest rate swap             | (10)                        | (40)              |
| Plus: Depreciation and amortization                     | 21,516                      | 86,064            |
| Plus: Interest                                          | 12,254                      | 49,016            |
| Income available to pay debt service                    | <u>\$ 75,355</u>            | <u>\$ 301,420</u> |
| Maximum annual debt service                             |                             | \$ 74,942         |
| Maximum annual debt service coverage <sup>(3)</sup>     |                             | 4.0x              |
| Annual debt service (Scheduled) <sup>(4)</sup>          |                             | \$ 52,124         |
| Annual debt service coverage (Scheduled) <sup>(5)</sup> |                             | 5.8x              |

- (1) Excludes gifts, grants, bequests, donations, or contributions, to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of debt service, and includes all VUMC financial flows to the University as presented in the most recent offering statement, excluding the principal payments on the Subordinated Promissory Note.
- (2) Unrealized (gains)/losses on endowed assets are excluded due to restrictions on uses which are inconsistent with their use for the payment of debt service.
- (3) Maximum annual debt service coverage consists of estimated annual income available to pay debt service divided by maximum annual debt service.
- (4) Represents smoothed debt service scheduled for the fiscal year.
- (5) Annual debt service coverage consists of estimated annual income available to pay debt service divided by annual debt service.
- (6) Certain amounts in the Fiscal 2017 financial statements have been reclassified to conform to their Fiscal 2018 presentation. We reclassified interest rate swap settlements from interest expense to non-operating revenues and expenses on the statement of operations, which impacted interest presented in the calculation above by an immaterial amount.

### Capitalization Ratios

The following table provides VUMC's capitalization ratios as of and for the three months ended September 30, 2017 and 2016, (\$ in thousands):

|                                               | <b>FY 2018</b>      | <b>FY 2017<sup>(4)</sup></b> |
|-----------------------------------------------|---------------------|------------------------------|
| Long-term debt <sup>(1)</sup>                 | \$ 1,425,336        | \$ 1,193,044                 |
| Unrestricted net assets                       | 752,432             | 534,482                      |
| Total capitalization                          | <u>\$ 2,177,768</u> | <u>\$ 1,727,526</u>          |
| Ratio of long-term debt to capitalization (%) | 65.4%               | 69.1%                        |
| EBIDA                                         | \$ 304,936          | \$ 324,528                   |
| Ratio debt to total EBIDA <sup>(2)</sup>      | 4.7x                | 3.7x                         |
| Total unrestricted cash and investments       | \$ 950,408          | \$ 729,087                   |
| Ratio cash to debt (%) <sup>(3)</sup>         | 66.7%               | 61.1%                        |

(1) Total outstanding long-term debt, including current maturities, excluding the Subordinate Promissory Note to VU.

(2) Total outstanding long-term debt divided by total EBIDA, which includes realized gains from sale of assets incurred in the normal course of operations, investment income (all gains), unrestricted gifts or restricted gifts released from restrictions (spent on the purpose), unrealized gain or loss on interest rate swap, and equity earnings in unconsolidated organizations.

(3) Unrestricted cash and investments divided by long-term debt, which includes unrestricted cash and cash equivalents and unrestricted investments.

(4) Certain amounts in the Fiscal 2017 financial statements have been reclassified to conform to their Fiscal 2018 presentation. We reclassified interest rate swap settlements from interest expense to non-operating revenues and expenses on the statement of operations, which impacted EBIDA presented in the calculation above by an immaterial amount.

### Interest Rate Exchange Agreements

VUMC uses interest rate exchange agreements as part of its debt portfolio management strategy. These agreements do not include collateral pledging requirements. Information regarding the current interest rate exchange agreements, including mandatory termination provisions, are as follows (\$ in thousands):

| <b>Description</b>                  | <b>Notional Amount</b> | <b>Rate Paid</b> | <b>Rate Received</b> | <b>Maturity</b> | <b>Fair Value</b> |
|-------------------------------------|------------------------|------------------|----------------------|-----------------|-------------------|
| Fixed-payer interest rate agreement | \$ 75,000              | 4.119%           | 68% LIBOR            | 4/29/2021       | \$ 33,114         |
| Fixed-payer interest rate agreement | \$ 75,000              | 4.179%           | 68% LIBOR            | 4/29/2023       | 32,710            |
|                                     |                        |                  |                      |                 | <u>\$ 65,824</u>  |



### Existing Lease Agreements

VUMC leases certain property and equipment under leases with terms ranging from two to twenty years. In addition, VUMC is the lessor in a 99 year ground lease with Vanderbilt University. VUMC classifies these leases as operating leases. The following is a schedule by fiscal year of future minimum rentals on non-cancelable operating leases as of September 30, 2017 (*\$ in thousands*):

|            | <u>Equipment</u> | <u>Property</u>   | <u>Ground Lease</u> | <u>Total</u>        |
|------------|------------------|-------------------|---------------------|---------------------|
| 2018       | \$ 29,069        | \$ 48,786         | \$ 18,602           | \$ 96,457           |
| 2019       | 15,515           | 46,656            | 18,602              | 80,773              |
| 2020       | 10,923           | 44,726            | 18,602              | 74,251              |
| 2021       | 6,623            | 37,112            | 18,602              | 62,337              |
| 2022       | 5,192            | 29,336            | 18,602              | 53,130              |
| Thereafter | 2,322            | 182,051           | 1,730,023           | 1,914,396           |
| Total      | <u>\$ 69,644</u> | <u>\$ 388,667</u> | <u>\$ 1,823,033</u> | <u>\$ 2,281,344</u> |

## MANAGEMENT DISCUSSION AND ANALYSIS

FY18 YTD operating earnings before interest, depreciation and amortization (EBIDA) of \$66 million was \$9 million less than FY17 YTD operating EBIDA of \$75 million. The decline in EBIDA was driven by a \$78 million increase in operating expenses, excluding interest, depreciation and amortization, partially offset by a \$69 million increase in operating revenue. FY18 YTD operating results of \$28 million were \$13 million less than FY17 YTD operating results of \$41 million. The decrease in operating results is driven by the \$9 million decrease in operating EBIDA and a \$4 million increase in interest, depreciation and amortization. Interest, depreciation and amortization totaled \$38 million for the current fiscal year-to-date period compared to \$34 million in the prior year. Excess of revenues over expense was \$38 million which is \$9 million less than FY17 YTD excess of revenues over expenses \$47 million. The decrease is due to the decrease in operating income discussed above partially offset by a \$4 million increase in non-operating income.

The \$13 million reduction in year-over-year operating income was anticipated in our budget and was primarily driven by our new electronic medical record (EMR) implementation. Our September year-to-date budgeted operating income was \$23 million compared to FY18 YTD actual operating income of \$28 million. Our budgeted FY18 YTD operating income of \$23 million is \$18 million less than prior year operating income of \$41 million. The decrease in budgeted operating income of \$18 million is due to a budgeted increase in operating expenses of \$73 million (YTD budgeted operating expenses of \$969 million) when compared to the prior year, partially offset by a budgeted increase in operating revenue of \$55 million (YTD budgeted operating revenue of \$992 million). This budgeted reduction in operating income when compared to the prior year was due to the anticipated impact on operating expenses associated with implementation

The primary drivers of the \$4 million increase in non-operating income were an increase in gift income (\$1 million) and an increase in investment income (\$3 million). The increase in gift income is due to the recognition of gift income when donor restrictions are met and the relative timing of meeting such restrictions. The positive investment income variance was driven by realized/unrealized income due to favorable market performance and an increase in the amount of funds invested compared to the prior period.

### Revenues

FY18 YTD operating revenue increased approximately \$69 million, or 7%, to \$1,006 million, from \$937 million a year earlier. The primary driver of the increase in revenues was a \$46 million, or 6%, increase in net patient service revenue to \$866 million from \$820 million a year earlier. Revenue increases were driven by increased volumes, improved revenue realization due to higher hospital acuity, with overall CMI, excluding normal newborns improving to 2.27 from 2.17 in the comparative period and favorable payer mix for the year to date period. In addition, increased retail, specialty, and managed contract (RSM) pharmacy growth resulted in \$17 million of increased year-over-year net patient revenues. The notable volume increases are inpatient days (2,540 year-over-year increase), discharges (495 year-over-year increase), and ambulatory visits (10,254 year-over-year increase). These volumes exclude the impact of VHS entities.

## **Expenses**

FY18 YTD expense increased approximately \$82 million, or 9%, to \$978 million from \$896 million a year earlier. The primary drivers of this increase were increases in salaries, wages and benefits (\$34 million), services and other expense (\$22 million), drug costs (\$10 million), and medical supplies (\$7 million). The increase in salaries, wages and benefits is primarily due to increased staffing to meet additional demand associated with higher clinical volumes, research contracts, and training costs for staff related to our system implementation. Services and other expense increase is mainly due to increased consulting and management fees (\$8 million) and an increase in sub-contractor expense (\$10 million), again related primarily to implementation. Year over year growth in RSM pharmacy drove the increases in drug costs of \$10 million

## **Balance Sheet / Cash Flow**

FY18 YTD net assets increased by approximately \$43 million due to excess of revenue over expenses and restricted gifts in excess of expense of approximately \$38 million and \$5 million, respectively. Cash increased by approximately \$22 million which was primarily due to a \$225 million debt issuance, net of repayments, and operating EBIDA of \$66 million, partially offset by \$116 million of investment purchases, net of sales, and \$46 million of construction of certain long lived assets. The remaining changes in the balance sheet were primarily timing items such as increases in receivables due to increased volume in patient revenue.

## **Conclusion**

Although lower operating results were noted thus far in FY 18 compared to prior year, we expected and planned for this decrease in our budget in conjunction with system conversion. We expect continued year-over-year reduced operating performance during the second quarter as we absorb the impact of the November 2nd go-live date. Subsequent to go-live, we anticipate stronger results in the 3rd and 4th quarters. The academic and research enterprise exhibited financial stability versus plan.

**CONSOLIDATED BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2017 AND JUNE 30, 2017**  
(\$ in thousands)

|                                                                                                                                                               | September 30,<br>2017 | June 30,<br>2017    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|---------------------|
|                                                                                                                                                               | (Unaudited)           |                     |
| <b>Assets</b>                                                                                                                                                 |                       |                     |
| Current                                                                                                                                                       |                       |                     |
| Cash and cash equivalents                                                                                                                                     | \$ 543,252            | \$ 520,857          |
| Current investments                                                                                                                                           | 183,398               | 133,977             |
| Patient accounts receivable, net of allowance for bad debts of \$139.9 million and<br>\$130.5 million as of September 30, 2017 and June 30 2017, respectively | 393,653               | 378,704             |
| Estimated receivables under third-party programs                                                                                                              | 40,414                | 12,642              |
| Grants and contracts receivable, net                                                                                                                          | 43,298                | 67,249              |
| Inventories                                                                                                                                                   | 68,347                | 67,478              |
| Other current assets                                                                                                                                          | 51,862                | 69,058              |
| Total current assets                                                                                                                                          | 1,324,224             | 1,249,965           |
| Non-current investments                                                                                                                                       | 159,726               | 94,412              |
| Non-current investments limited as to use                                                                                                                     | 305,387               | 202,592             |
| Property, plant, and equipment, net                                                                                                                           | 1,229,474             | 1,219,768           |
| Other non-current assets                                                                                                                                      | 35,944                | 34,593              |
| Total assets                                                                                                                                                  | <u>\$ 3,054,755</u>   | <u>\$ 2,801,330</u> |
| <b>Liabilities and Net Assets</b>                                                                                                                             |                       |                     |
| Current                                                                                                                                                       |                       |                     |
| Current installments of long-term debt                                                                                                                        | \$ 5,753              | \$ 5,753            |
| Accounts payable and other accrued expenses                                                                                                                   | 227,345               | 272,641             |
| Estimated payables under third-party programs                                                                                                                 | 76,198                | 37,072              |
| Accrued compensation and benefits                                                                                                                             | 183,467               | 194,739             |
| Current portion of deferred revenue                                                                                                                           | 46,423                | 39,353              |
| Current portion of medical malpractice self-insurance reserves                                                                                                | 17,161                | 17,161              |
| Total current liabilities                                                                                                                                     | 556,347               | 566,719             |
| Long-term debt, net of current installments                                                                                                                   | 1,512,916             | 1,288,346           |
| Fair value of interest rate exchange agreements                                                                                                               | 65,824                | 65,203              |
| Non-current portion of medical malpractice self-insurance reserves                                                                                            | 55,524                | 54,373              |
| Non-current portion of deferred revenue                                                                                                                       | 5,484                 | 10,694              |
| Other non-current liabilities                                                                                                                                 | 15,100                | 15,093              |
| Total liabilities                                                                                                                                             | 2,211,195             | 2,000,428           |
| Net assets                                                                                                                                                    |                       |                     |
| Unrestricted net assets controlled by Vanderbilt University Medical Center                                                                                    | 746,682               | 708,088             |
| Unrestricted net assets related to noncontrolling interests                                                                                                   | 5,750                 | 5,891               |
| Total unrestricted net assets                                                                                                                                 | 752,432               | 713,979             |
| Temporarily restricted net assets                                                                                                                             | 70,005                | 69,058              |
| Permanently restricted net assets                                                                                                                             | 21,123                | 17,865              |
| Total net assets                                                                                                                                              | 843,560               | 800,902             |
| Total liabilities and net assets                                                                                                                              | <u>\$ 3,054,755</u>   | <u>\$ 2,801,330</u> |

**CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016**  
(Unaudited)  
(\$ in thousands)

|                                                                               | <b>Three Months Ended<br/>September 30,</b> |                  |
|-------------------------------------------------------------------------------|---------------------------------------------|------------------|
|                                                                               | <b>2017</b>                                 | <b>2016</b>      |
| <b>Operating Revenues</b>                                                     |                                             |                  |
| Patient service revenue, net of contractual adjustments and discounts         | \$ 896,082                                  | \$ 843,357       |
| Provision for bad debts                                                       | (30,410)                                    | (23,221)         |
| Patient service revenue, net                                                  | 865,672                                     | 820,136          |
| Academic and research revenue                                                 | 104,587                                     | 86,025           |
| Other operating revenue                                                       | 35,986                                      | 31,035           |
| <b>Total operating revenues</b>                                               | <b>1,006,245</b>                            | <b>937,196</b>   |
| <b>Operating Expenses</b>                                                     |                                             |                  |
| Salaries, wages, and benefits                                                 | 529,996                                     | 495,500          |
| Supplies and drugs                                                            | 186,395                                     | 167,151          |
| Facilities and equipment                                                      | 62,150                                      | 59,721           |
| Services and other                                                            | 161,535                                     | 139,732          |
| Depreciation and amortization                                                 | 23,655                                      | 21,516           |
| Interest                                                                      | 14,267                                      | 12,254           |
| <b>Total operating expenses</b>                                               | <b>977,998</b>                              | <b>895,874</b>   |
| <b>Income from operations</b>                                                 | <b>28,247</b>                               | <b>41,322</b>    |
| <b>Non-operating Revenues &amp; Expenses</b>                                  |                                             |                  |
| Income from investments                                                       | 9,935                                       | 7,175            |
| Gift income                                                                   | 2,369                                       | 917              |
| Earnings of unconsolidated organizations                                      | 1,014                                       | 615              |
| Unrealized gain on interest rate exchange agreements, net of cash settlements | (1,843)                                     | (1,443)          |
| Other non-operating gains (losses), net                                       | (391)                                       | -                |
| <b>Total non-operating revenues &amp; expenses</b>                            | <b>11,084</b>                               | <b>7,264</b>     |
| Excess of revenues over expenses                                              | 39,331                                      | 48,586           |
| Excess of revenues over expense attributable to noncontrolling interests      | (1,020)                                     | (1,224)          |
| Excess of revenues over expense attributable to VUMC                          | 38,311                                      | 47,362           |
| <b>Other Changes in Unrestricted Net Assets</b>                               |                                             |                  |
| Change in noncontrolling interest's net assets                                | (141)                                       | (68)             |
| Net asset reclassification                                                    | 283                                         | (22,233)         |
| <b>Total changes in unrestricted net assets</b>                               | <b>\$ 38,453</b>                            | <b>\$ 25,061</b> |

**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016**  
(Unaudited)  
(\$ in thousands)

|                                                                  | <b>Three Months Ended<br/>September 30,</b> |                          |
|------------------------------------------------------------------|---------------------------------------------|--------------------------|
|                                                                  | <b>2017</b>                                 | <b>2016</b>              |
| <b>Unrestricted Net Assets</b>                                   |                                             |                          |
| Unrestricted net assets at the beginning of the period           | \$ 713,979                                  | \$ 509,421               |
| Excess of revenue over expense                                   | 38,311                                      | 47,362                   |
| Change in noncontrolling interest's net assets                   | (141)                                       | (68)                     |
| Net asset reclassification                                       | 283                                         | (22,233)                 |
| Change in unrestricted net assets                                | 38,453                                      | 25,061                   |
| Unrestricted net assets at the end of the period                 | <u>\$ 752,432</u>                           | <u>\$ 534,482</u>        |
| <b>Temporarily Restricted Net Assets</b>                         |                                             |                          |
| Temporarily restricted net assets at the beginning of the period | \$ 69,058                                   | \$ 26,985                |
| Contributions                                                    | 2,913                                       | 5,267                    |
| Net assets released from restrictions                            | (1,665)                                     | (2,396)                  |
| Net asset reclassification                                       | (301)                                       | 19,757                   |
| Change in temporarily restricted net assets                      | 947                                         | 22,628                   |
| Temporarily restricted net assets at the end of the period       | <u>\$ 70,005</u>                            | <u>\$ 49,613</u>         |
| <b>Permanently Restricted Net Assets</b>                         |                                             |                          |
| Permanently restricted net assets at the beginning of the period | \$ 17,865                                   | \$ 6,769                 |
| Contributions                                                    | 3,240                                       | 2,232                    |
| Net asset reclassification                                       | 18                                          | 2,476                    |
| Appreciation of permanently restricted net assets                | -                                           | 221                      |
| Change in permanently restricted net assets                      | 3,258                                       | 4,929                    |
| Permanently restricted net assets at the end of the period       | <u>\$ 21,123</u>                            | <u>\$ 11,698</u>         |
| <b>Total net assets at the beginning of the period</b>           | <b>\$ 800,902</b>                           | <b>\$ 543,175</b>        |
| <b>Change in total net assets</b>                                | <b>42,658</b>                               | <b>52,618</b>            |
| <b>Total net assets at the end of the period</b>                 | <b><u>\$ 843,560</u></b>                    | <b><u>\$ 595,793</u></b> |

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016**  
**(Unaudited)**  
**(\$ in thousands)**

|                                                                                                 | <b>Three Months Ended<br/>September 30,</b> |                   |
|-------------------------------------------------------------------------------------------------|---------------------------------------------|-------------------|
|                                                                                                 | <b>2017</b>                                 | <b>2016</b>       |
| <b>Cash Flows from Operating Activities:</b>                                                    |                                             |                   |
| Change in total net assets                                                                      | \$ 42,658                                   | \$ 52,618         |
| Adjustments to reconcile change in total net assets to net cash used in operating activities:   |                                             |                   |
| Depreciation and amortization                                                                   | 23,655                                      | 21,516            |
| Amortization of debt issuance costs, and original issue premium and discount, net of write-offs | 350                                         | (124)             |
| Provision for bad debts                                                                         | 30,410                                      | 23,221            |
| Loss on disposal of assets                                                                      | 251                                         | 219               |
| Undistributed equity in earnings of equity method affiliates                                    | (219)                                       | (1,419)           |
| Net realized and unrealized gain on investments                                                 | (7,390)                                     | (5,871)           |
| Purchases of trading securities                                                                 | (143,637)                                   | (155,733)         |
| Sales of trading securities                                                                     | 54,427                                      | 14,415            |
| Unrealized loss (gain) on interest rate exchange agreements                                     | 621                                         | (10)              |
| Restricted contributions for endowments and property, plant, and equipment                      | (3,790)                                     | (2,693)           |
| (Decrease) increase in cash due to changes in:                                                  |                                             |                   |
| Patient accounts receivable                                                                     | (45,358)                                    | (40,343)          |
| Accounts payable and other accrued expenses                                                     | (30,558)                                    | 9,193             |
| Other assets and other liabilities, net                                                         | 43,312                                      | 28,391            |
| Net cash used in operating activities                                                           | (35,268)                                    | (56,620)          |
| <b>Cash Flows from Investing Activities:</b>                                                    |                                             |                   |
| Purchase of property, plant, and equipment                                                      | (46,143)                                    | (24,056)          |
| Purchases of long-term securities                                                               | (43,026)                                    | (1,307)           |
| Sales and maturities of long-term securities                                                    | 16,269                                      | 3,859             |
| Change in restricted cash for property, plant, and equipment contributions                      | (94,174)                                    | (461)             |
| Net cash used in investing activities                                                           | (167,074)                                   | (21,965)          |
| <b>Cash Flows from Financing Activities:</b>                                                    |                                             |                   |
| Proceeds from issuance of long-term debt                                                        | 276,334                                     | -                 |
| Debt issuance costs                                                                             | (2,749)                                     | -                 |
| Repayment of long-term debt                                                                     | (51,250)                                    | (1,250)           |
| Principal payments under capital lease obligations                                              | (227)                                       | (21)              |
| Restricted contributions for endowments and property, plant, and equipment                      | 3,790                                       | 2,693             |
| Distributions to noncontrolling interests                                                       | (1,161)                                     | (1,292)           |
| Net cash provided by (used in) financing activities                                             | 224,737                                     | 130               |
| <b>Net change in cash and cash equivalents</b>                                                  | <b>22,395</b>                               | <b>(78,455)</b>   |
| <b>Cash and cash equivalents at the beginning of the period</b>                                 | <b>520,857</b>                              | <b>596,506</b>    |
| <b>Cash and cash equivalents at the end of the period</b>                                       | <b>\$ 543,252</b>                           | <b>\$ 518,051</b> |