

Methodist Health System
Obligated Group Financial Statements
September 30, 2017

METHODIST HEALTH SYSTEM - Obligated Group

BALANCE SHEETS

	<u>September 30,</u>	
	<u>2017</u>	<u>2016</u>
ASSETS	(In Thousands)	
Current Assets:		
Cash and cash equivalents	\$ 36,421	\$ 47,221
Short-term investments	842,828	755,799
Patient accounts receivable net of allowance for uncollectible accounts of \$25,322 - 2017 and \$189,427 - 2016	204,709	167,840
Health Insurance Program reimbursement receivable	3,070	-
Other accounts receivable	39,751	36,920
Other current assets	<u>39,538</u>	<u>35,320</u>
Total current assets	1,166,317	1,043,100
Long-term investments	82,198	109,666
Net property, plant, and equipment	720,201	717,462
Assets whose use is limited	19,829	21,191
Other assets	<u>39,468</u>	<u>43,787</u>
Total assets	<u>\$2,028,013</u>	<u>\$1,935,206</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 101,855	\$ 109,841
Accrued construction costs	4,792	2,415
Health Insurance Program reimbursement payable	-	3,105
Current installments of long-term debt	<u>6,656</u>	<u>6,464</u>
Total current liabilities	113,303	121,825
Long-term debt	349,997	357,197
Interest rate swaps liability	49,077	68,332
Other liabilities	<u>31,317</u>	<u>27,119</u>
Total liabilities	543,694	574,473
Net assets		
Unrestricted	<u>1,484,319</u>	<u>1,360,733</u>
Total net assets	<u>1,484,319</u>	<u>1,360,733</u>
Total liabilities and net assets	<u>\$2,028,013</u>	<u>\$1,935,206</u>

METHODIST HEALTH SYSTEM - Obligated Group
STATEMENTS OF REVENUES AND EXPENSES

	For the Twelve Months Ended September 30,	
	<u>2017</u>	<u>2016</u>
	(In Thousands)	
Net patient service revenue before provision for bad debts	\$ 1,226,627	\$ 1,169,089
Provision for bad debts	<u>(120,043)</u>	<u>(101,687)</u>
Net patient service revenue after provision for bad debts	1,106,584	1,067,402
Other operating revenue	<u>84,190</u>	<u>90,733</u>
Total operating revenue	1,190,774	1,158,135
Operating expenses:		
Salaries, wages and benefit costs	611,447	565,718
Other operating expenses	425,651	409,057
Depreciation and amortization	<u>83,344</u>	<u>78,949</u>
Total operating expenses	<u>1,120,442</u>	<u>1,053,724</u>
Income from operations	70,332	104,411
Nonoperating gains (losses), net	<u>51,453</u>	<u>(1,963)</u>
Excess of revenue over expenses	121,785	102,448
Excess of revenue over expenses attributable to noncontrolling interests	<u>429</u>	<u>1,126</u>
Excess of revenue over expenses attributable to Methodist Health System	<u>\$ 122,214</u>	<u>\$ 103,574</u>

METHODIST HEALTH SYSTEM - Obligated Group
STATEMENTS OF CHANGES IN NET ASSETS

For the Twelve Months Ended September 30,
2017 2016
(In Thousands)

Unrestricted net assets:		
Balance at beginning of period	\$ 1,360,733	\$ 1,253,527
Excess of revenue over expenses	122,214	103,574
Donations for specific additions to capital	1,371	3,632
Balance at end of period	<u>1,484,319</u>	<u>1,360,733</u>
Net assets - beginning of period	1,360,733	1,253,527
Increase in net assets	<u>123,586</u>	<u>107,206</u>
Net assets - end of period	<u>\$ 1,484,319</u>	<u>\$ 1,360,733</u>

METHODIST HEALTH SYSTEM - Obligated Group

STATEMENTS OF CASH FLOWS

For the Twelve Months Ended September 30,

2017 2016
(In Thousands)

Cash flows from operating activities:

Increase in net assets	\$ 123,586	\$ 107,206
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Operating depreciation and amortization	83,344	78,949
Nonoperating depreciation and amortization	4,645	4,983
Provision for bad debts	120,043	101,687
Capitalized interest	(1,265)	(1,732)
Unrealized (gains) losses on interest rate swaps	(19,255)	13,153
Unrealized and realized gains on investments	(36,467)	(23,990)
Changes in operating assets and liabilities:		
Increase in patient accounts receivable	(156,912)	(106,864)
Decrease in health insurance programs reimbursement payable	(6,175)	(436)
(Increase) decrease in other accounts receivable	(2,831)	49,458
Increase in other current assets	(4,218)	(2,547)
Decrease in other assets	4,196	1,616
(Decrease) increase in accounts payable and accrued expenses	(7,987)	9,051
Increase in other liabilities	4,198	2,933
Net cash provided by operating activities	<u>104,902</u>	<u>233,467</u>

Cash flows from investing activities:

Purchases of investments	(381,847)	(527,373)
Maturities and sales of investments	358,753	452,558
Purchases of property, plant and equipment	(86,962)	(120,113)
Cash provided by assets whose use is limited	<u>1,362</u>	<u>4,025</u>
Net cash used in investing activities	<u>(108,694)</u>	<u>(209,603)</u>

Cash flows from financing activities:

Principal payments on debt	<u>(7,008)</u>	<u>(6,751)</u>
Net cash used in financing activities	<u>(7,008)</u>	<u>(6,751)</u>

Net decrease in cash and cash equivalents
Cash and cash equivalents, beginning of year
Cash and cash equivalents, end of year

(10,800)	17,113
<u>47,221</u>	<u>30,108</u>
<u>\$ 36,421</u>	<u>\$ 47,221</u>