



FINANCIAL AND STATISTICAL REPORT
September 30, 2014
(UNAUDITED)

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NOVANT HEALTH, INC.
COMBINED STATEMENTS OF REVENUES AND EXPENSES
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

(in thousands of dollars)

	September 30, 2014				September 30, 2013			
	Combined Group	Unrestricted Affiliates	Eliminations	Total	Combined Group	Unrestricted Affiliates	Eliminations	Total
Operating revenues								
Patient service revenues (net of contractual allowances and discounts)	\$ 829,103	\$ 133,132	\$ -	\$ 962,235	\$ 774,429	\$ 125,706	\$ -	\$ 900,135
Provision for bad debts	(40,826)	(9,649)	-	(50,475)	(37,550)	(9,614)	-	(47,164)
Net patient service revenues less provision for bad debts	788,277	123,483	-	911,760	736,879	116,092	-	852,971
Other revenue	38,005	11,749	(4,673)	45,081	32,879	9,260	(3,876)	38,263
Total operating revenues	826,282	135,232	(4,673)	956,841	769,758	125,352	(3,876)	891,234
Operating expenses								
Salaries and employee benefits	458,629	60,677	(977)	518,329	434,524	54,267	(264)	488,527
Supplies and other	274,127	65,477	(3,489)	336,115	258,686	58,958	(3,430)	314,214
Total operating expenses	732,756	126,154	(4,466)	854,444	693,210	113,225	(3,694)	802,741
Operating cash flow	93,526	9,078	(207)	102,397	76,548	12,127	(182)	88,493
Depreciation and amortization	37,414	9,619	-	47,033	33,223	9,777	-	43,000
Interest	15,786	7,641	-	23,427	14,346	7,397	-	21,743
Operating income (loss)	40,326	(8,182)	(207)	31,937	28,979	(5,047)	(182)	23,750
Non-operating income (expense)								
Investment income (loss)	2,807	(262)	207	2,752	10,705	1,006	182	11,893
Income tax benefit (expense)	49	(526)	-	(477)	107	(470)	-	(363)
Unrealized gains on non-hedged derivative financial instruments	-	77	-	77	-	62	-	62
Other, net	(1)	56	-	55	(243)	(12)	-	(255)
Excess (deficit) of revenues over expenses	\$ 43,181	\$ (8,837)	\$ -	\$ 34,344	\$ 39,548	\$ (4,461)	\$ -	\$ 35,087

NOVANT HEALTH, INC.
COMBINED STATEMENTS OF REVENUES AND EXPENSES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

(in thousands of dollars)

	September 30, 2014				September 30, 2013			
	Combined Group	Unrestricted Affiliates	Eliminations	Total	Combined Group	Unrestricted Affiliates	Eliminations	Total
Operating revenues								
Patient service revenues (net of contractual allowances and discounts)	\$ 2,393,368	\$ 386,007	\$ -	\$ 2,779,375	\$ 2,299,003	\$ 373,933	\$ -	\$ 2,672,936
Provision for bad debts	(121,688)	(29,644)	-	(151,332)	(114,967)	(29,172)	-	(144,139)
Net patient service revenues less provision for bad debts	2,271,680	356,363	-	2,628,043	2,184,036	344,761	-	2,528,797
Other revenue	122,698	32,111	(17,180)	137,629	99,869	24,410	(11,206)	113,073
Total operating revenues	2,394,378	388,474	(17,180)	2,765,672	2,283,905	369,171	(11,206)	2,641,870
Operating expenses								
Salaries and employee benefits	1,337,341	176,784	(4,602)	1,509,523	1,264,463	163,611	(813)	1,427,261
Supplies and other	803,242	194,264	(11,919)	985,587	763,623	177,573	(9,800)	931,396
Total operating expenses	2,140,583	371,048	(16,521)	2,495,110	2,028,086	341,184	(10,613)	2,358,657
Operating cash flow	253,795	17,426	(659)	270,562	255,819	27,987	(593)	283,213
Depreciation and amortization	108,506	29,026	-	137,532	100,891	29,849	-	130,740
Interest	47,635	22,793	-	70,428	37,718	21,708	-	59,426
Operating income (loss)	97,654	(34,393)	(659)	62,602	117,210	(23,570)	(593)	93,047
Non-operating income (expense)								
Investment income	63,197	5,850	659	69,706	56,035	5,338	593	61,966
Income tax benefit (expense)	(683)	(1,461)	-	(2,144)	202	(1,631)	-	(1,429)
Unrealized gains on non-hedged derivative financial instruments	-	218	-	218	-	233	-	233
Loss on extinguishment of debt	(589)	-	-	(589)	(2,764)	-	-	(2,764)
Other, net	(2)	85	-	83	(243)	(36)	-	(279)
Excess (deficit) of revenues over expenses	<u>\$ 159,577</u>	<u>\$ (29,701)</u>	<u>\$ -</u>	<u>\$ 129,876</u>	<u>\$ 170,440</u>	<u>\$ (19,666)</u>	<u>\$ -</u>	<u>\$ 150,774</u>

**NOVANT HEALTH, INC.
COMBINING BALANCE SHEETS**

	September 30, 2014				December 31, 2013			
	Combined Group	Unrestricted Affiliates	Eliminations	Total	Combined Group	Unrestricted Affiliates	Eliminations	Total
<i>(in thousands of dollars)</i>								
Assets								
Current assets								
Cash and cash equivalents	\$ 262,367	\$ 48,586	\$ -	\$ 310,953	\$ 207,794	\$ 41,388	\$ -	\$ 249,182
Accounts receivable, net	370,116	57,734	-	427,850	350,720	57,655	-	408,375
Short-term investments	258,082	107	-	258,189	325,098	107	-	325,205
Deferred tax asset	-	5,589	-	5,589	-	5,765	-	5,765
Receivable for settlement with third-party payors	10,658	2,142	-	12,800	8,116	1,533	-	9,649
Other current assets	121,976	22,524	-	144,500	124,820	16,689	-	141,509
Total current assets	1,023,199	136,682	-	1,159,881	1,016,548	123,137	-	1,139,685
Assets limited as to use	11,249	52,875	-	64,124	45,997	53,120	-	99,117
Long-term investments	1,592,326	154,550	-	1,746,876	1,529,900	150,866	-	1,680,766
Property and equipment, net	1,596,933	293,290	-	1,890,223	1,530,650	287,691	-	1,818,341
Intangible assets and goodwill, net	61,165	299,938	-	361,103	61,165	287,387	-	348,552
Investments in affiliates	397,611	5,460	(252,215)	150,856	389,475	6,392	(237,589)	158,278
Other assets	77,658	15,065	(2,515)	90,208	70,352	16,038	(2,515)	83,875
Total assets	\$ 4,760,141	\$ 957,860	\$ (254,730)	\$ 5,463,271	\$ 4,644,087	\$ 924,631	\$ (240,104)	\$ 5,328,614
Liabilities and Net Assets								
Current liabilities								
Current portion of long-term debt	\$ 155,449	\$ 8,269	\$ -	\$ 163,718	\$ 154,931	\$ 2,559	\$ -	\$ 157,490
Short-term borrowings	84,524	-	-	84,524	84,965	-	-	84,965
Accounts payable	111,717	7,619	-	119,336	119,456	5,976	-	125,432
Accrued liabilities	296,604	59,677	(2,515)	353,766	295,732	58,205	(2,515)	351,422
Estimated third-party payor settlements	30,574	5,705	-	36,279	17,114	3,170	-	20,284
Due to (from) related organizations	(548,134)	548,134	-	-	(525,554)	525,554	-	-
Total current liabilities	130,734	629,404	(2,515)	757,623	146,644	595,464	(2,515)	739,593
Long-term debt, net of current portion	1,728,217	41,143	-	1,769,360	1,737,416	33,612	-	1,771,028
Deferred tax liability	-	1,822	-	1,822	-	1,049	-	1,049
Derivative financial instruments	52,356	290	-	52,646	40,275	507	-	40,782
Employee benefits and other liabilities	152,490	49,881	-	202,371	165,883	51,886	-	217,769
Total liabilities	2,063,797	722,540	(2,515)	2,783,822	2,090,218	682,518	(2,515)	2,770,221
Net assets								
Unrestricted	2,694,156	183,956	(258,966)	2,619,146	2,551,680	191,412	(243,759)	2,499,333
Unrestricted - non-controlling	-	4,330	6,751	11,081	-	5,294	6,170	11,464
Total unrestricted net assets	2,694,156	188,286	(252,215)	2,630,227	2,551,680	196,706	(237,589)	2,510,797
Temporarily restricted	2,188	36,205	-	38,393	2,189	34,595	-	36,784
Permanently restricted	-	10,829	-	10,829	-	10,812	-	10,812
Total net assets	2,696,344	235,320	(252,215)	2,679,449	2,553,869	242,113	(237,589)	2,558,393
Total liabilities and net assets	\$ 4,760,141	\$ 957,860	\$ (254,730)	\$ 5,463,271	\$ 4,644,087	\$ 924,631	\$ (240,104)	\$ 5,328,614

NOVANT HEALTH, INC.
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

<i>(in thousands of dollars)</i>	September 30, 2014	September 30, 2013
Cash flows from operating activities		
Increase in net assets	\$ 121,056	\$ 209,543
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation, amortization, and accretion	139,423	134,596
Gain on sale of real estate	(3,223)	(3,638)
Loss on extinguishment of debt	589	2,764
Share of earnings in affiliates, net of distributions	4,433	7,217
Net unrealized gains on assets limited as to use and investments	(35,755)	(34,231)
Change in fair value of interest rate swap	11,864	(24,324)
Contributions restricted for capital and long-term investment	(1,535)	(12,307)
Provision for bad debts	151,332	144,139
Changes in operating assets and liabilities		
Accounts receivable	(169,715)	(179,631)
Investments and assets limited as to use	46,703	(438,775)
Accounts payable and accrued liabilities	(48,245)	(9,492)
Deferred taxes, net	949	1,015
Other assets and liabilities, net	6,011	(39,045)
Net cash provided by (used in) operating activities	223,887	(242,169)
Cash flows from investing activities		
Capital expenditures	(208,567)	(255,229)
Return of investment in affiliate	6,907	-
Proceeds from sale of affiliates	-	1,000
Proceeds from sale of property and equipment	1,162	1,093
Net proceeds from the purchase of short-term investments	-	(3,000)
Proceeds from (repayment of) notes receivable and other, net	(442)	601
Net cash used in investing activities	(200,940)	(255,535)
Cash flows from financing activities		
Principal payments on long-term debt	(9,668)	(12,975)
Bond proceeds received from (deposited with) trustee	24,951	(30,935)
Proceeds from issuance of bonds, net of premium and defeasance	-	436,335
Extinguishment of debt	-	(4,941)
Proceeds from sale of accounts receivable, net	21,841	22,536
Proceeds from (payments on) line of credit and other financing	914	(5,027)
Proceeds from contributions restricted for capital and long-term investment	786	2,419
Net cash provided by financing activities	38,824	407,412
Net increase (decrease) in cash and cash equivalents	61,771	(90,292)
Cash and cash equivalents		
Beginning of year	249,182	276,637
End of quarter	\$ 310,953	\$ 186,345

NOVANT HEALTH, INC.
COMBINED GROUP STATISTICS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

	Novant Health Presbyterian Medical Center	Novant Health Matthews Medical Center	Novant Health Huntersville Medical Center	Novant Health Charlotte Orthopedic Hospital	Novant Health Forsyth Medical Center	Novant Health Medical Park Hospital	Novant Health Thomasville Medical Center	Novant Health Brunswick Medical Center	Novant Health Kernersville Medical Center	Novant Health Clemmons Medical Center	Novant Health Prince William Medical Center	Novant Health Haymarket Medical Center	Novant Health Medical Group	Three Months Ended	
														September 30, 2014	September 30, 2013
<u>INPATIENT STATISTICS</u>															
Average Daily Census	375	94	64	28	610	9	68	45	23	-	86	16	-	1,418	1,407
Discharges	7,074	2,385	1,668	784	10,121	248	992	1,112	634	-	1,950	480	-	27,448	26,866
Average Length of Stay	5.0	3.7	3.6	3.3	5.5	3.4	6.3	3.7	3.5	-	4.0	3.0	-	4.8	4.9
Patient Days	34,494	8,608	5,864	2,612	56,088	865	6,269	4,163	2,138	-	7,871	1,456	-	130,428	129,407
<u>ADJUSTED STATISTICS</u>															
Adjusted Patient Days	63,575	19,668	14,089	3,864	84,444	3,989	17,100	10,697	5,614	-	21,438	6,122	-	250,600	238,769
Adjusted Discharges	13,038	5,449	4,007	1,160	15,238	1,144	2,705	2,857	1,665	-	5,311	2,018	-	54,592	51,348
<u>OUTPATIENT STATISTICS</u>															
ED Visits	21,591	11,640	8,676	-	22,800	-	8,947	8,334	7,912	2,929	13,015	5,850	-	111,694	110,272
Encounters	-	-	-	-	-	-	-	-	-	-	-	-	932,083	932,083	848,938
Cases	42,875	22,408	15,218	2,655	40,522	3,388	14,552	15,558	10,174	3,278	21,501	10,586	-	202,715	181,562
<u>SURGERY STATISTICS</u>															
IP Surgical Cases	1,390	300	308	742	2,844	205	226	313	210	-	263	48	-	6,849	7,063
OP Surgical Cases	4,105	905	799	941	3,050	2,144	803	810	508	207	720	193	-	15,185	15,026
Total Surgical Cases	5,495	1,205	1,107	1,683	5,894	2,349	1,029	1,123	718	207	983	241	-	22,034	22,089
<u>OTHER STATISTICS</u>															
Total Births	1,323	541	324	-	1,636	-	177	153	-	-	414	131	-	4,699	4,341
Cath Lab Procedures	1,292	339	-	-	1,433	-	56	-	-	-	-	-	-	3,120	2,928
Open Heart Surgeries	87	-	-	-	189	-	-	-	-	-	-	-	-	276	256
Endoscopy Procedures	1,401	590	578	-	1,493	-	263	503	-	-	440	49	-	5,317	5,452
Radiology Procedures	35,677	23,191	14,266	3,881	54,310	1,415	9,076	12,104	9,000	3,198	28,111	14,473	-	208,702	209,962
Licensed Beds	622	137	75	80	921	22	146	74	50	-	130	60	-	2,317	2,277
Staffed Beds	436	137	75	80	634	22	101	66	28	-	130	60	-	1,769	1,885
Occupancy as % of Staffed Beds	86.0%	68.3%	85.0%	35.5%	96.2%	42.7%	67.5%	68.6%	83.0%	-	65.8%	26.4%	-	80.2%	74.6%

NOVANT HEALTH, INC.
COMBINED GROUP STATISTICS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

	Novant Health Presbyterian Medical Center	Novant Health Matthews Medical Center	Novant Health Huntersville Medical Center	Novant Health Charlotte Orthopedic Hospital	Novant Health Forsyth Medical Center	Novant Health Medical Park Hospital	Novant Health Thomasville Medical Center	Novant Health Brunswick Medical Center	Novant Health Kernersville Medical Center	Novant Health Clemmons Medical Center	Novant Health Prince William Medical Center	Novant Health Haymarket Medical Center	Novant Health Medical Group	Nine Months Ended	
														September 30, 2014	September 30, 2013
<u>INPATIENT STATISTICS</u>															
Average Daily Census	393	100	65	30	616	8	68	45	26	-	86	14	-	1,451	1,470
Discharges	22,299	6,853	4,936	2,494	30,112	618	3,026	3,396	1,869	-	6,133	889	-	82,625	82,207
Average Length of Stay	5.0	3.8	3.7	3.4	5.6	3.6	6.1	3.6	3.8	-	3.8	3.1	-	4.8	4.9
Patient Days	107,332	27,280	17,612	8,152	168,084	2,259	18,673	12,371	7,197	-	23,510	2,718	-	395,188	401,231
<u>ADJUSTED STATISTICS</u>															
Adjusted Patient Days	187,454	61,590	41,527	11,736	250,729	12,259	48,817	30,925	19,274	-	67,669	11,916	-	743,896	727,644
Adjusted Discharges	38,945	15,472	11,638	3,590	44,918	3,354	7,912	8,489	5,005	-	17,653	3,897	-	160,873	154,806
<u>OUTPATIENT STATISTICS</u>															
ED Visits	64,170	34,661	25,533	-	67,436	-	26,353	23,225	23,333	8,562	43,215	11,677	-	328,165	329,853
Encounters	-	-	-	-	-	-	-	-	-	-	-	-	2,753,869	2,753,869	2,610,783
Cases	121,265	65,591	44,426	8,069	103,284	11,344	42,674	44,211	29,688	9,542	71,725	21,672	-	573,491	539,810
<u>SURGERY STATISTICS</u>															
IP Surgical Cases	4,180	906	879	2,263	9,328	471	613	881	581	-	828	90	-	21,020	21,103
OP Surgical Cases	11,675	2,563	2,372	2,723	8,886	6,589	2,285	2,495	1,562	640	2,189	321	-	44,300	44,986
Total Surgical Cases	15,855	3,469	3,251	4,986	18,214	7,060	2,898	3,376	2,143	640	3,017	411	-	65,320	66,089
<u>OTHER STATISTICS</u>															
Total Births	3,729	1,529	866	-	4,688	-	465	378	-	-	1,290	241	-	13,186	12,321
Cath Lab Procedures	3,856	599	-	-	4,508	-	204	-	-	-	-	-	-	9,167	9,514
Open Heart Surgeries	286	-	-	-	504	-	-	-	-	-	-	-	-	790	746
Endoscopy Procedures	4,299	1,960	1,790	-	4,500	-	766	1,476	-	-	1,407	49	-	16,247	16,836
Radiology Procedures	106,070	69,253	42,301	11,951	169,125	4,974	27,026	34,057	26,507	9,286	94,406	28,624	-	623,580	637,780
Licensed Beds	622	137	75	80	921	22	146	74	50	-	130	60	-	2,317	2,277
Staffed Beds	436	137	75	80	634	22	101	66	28	-	130	60	-	1,769	1,885
Occupancy as % of Staffed Beds	90.2%	72.9%	86.0%	37.3%	97.1%	37.6%	67.7%	68.7%	94.2%	-	66.2%	24.1%	-	82.0%	78.0%