



FINANCIAL AND STATISTICAL REPORT
June 30, 2014
(UNAUDITED)

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

(in thousands of dollars)

	June 30, 2014				June 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)	\$ 792,355	\$ 128,917	\$ -	\$ 921,272	\$ 764,969	\$ 123,831	\$ -	\$ 888,800
Provision for bad debts	(40,884)	(9,987)	-	(50,871)	(39,106)	(9,982)	-	(49,088)
Net patient service revenues less provision for bad debts	751,471	118,930	-	870,401	725,863	113,849	-	839,712
Other revenue	40,202	11,047	(8,867)	42,382	35,402	7,572	(3,775)	39,199
Total operating revenues	791,673	129,977	(8,867)	912,783	761,265	121,421	(3,775)	878,911
Operating expenses								
Salaries and employee benefits	439,094	59,264	(3,505)	494,853	418,747	53,822	(262)	472,307
Supplies and other	271,823	67,592	(5,143)	334,272	254,825	60,674	(3,312)	312,187
Total operating expenses	710,917	126,856	(8,648)	829,125	673,572	114,496	(3,574)	784,494
Operating cash flow	80,756	3,121	(219)	83,658	87,693	6,925	(201)	94,417
Depreciation and amortization	36,483	9,603	-	46,086	34,486	10,116	-	44,602
Interest	15,326	7,550	-	22,876	11,900	7,124	-	19,024
Operating income (loss)	28,947	(14,032)	(219)	14,696	41,307	(10,315)	(201)	30,791
Non-operating income (expense)								
Investment income (loss)	38,399	4,254	219	42,872	9,299	(188)	201	9,312
Income tax benefit (expense)	(732)	(697)	-	(1,429)	95	(954)	-	(859)
Unrealized gains on non-hedged derivative financial instruments	-	72	-	72	-	92	-	92
Loss on extinguishment of debt	-	-	-	-	(2,764)	-	-	(2,764)
Other, net	(1)	45	-	44	-	(14)	-	(14)
Excess (deficit) of revenues over expenses	<u>\$ 66,613</u>	<u>\$ (10,358)</u>	<u>\$ -</u>	<u>\$ 56,255</u>	<u>\$ 47,937</u>	<u>\$ (11,379)</u>	<u>\$ -</u>	<u>\$ 36,558</u>

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

(in thousands of dollars)

	June 30, 2014				June 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)	\$ 1,564,265	\$ 252,875	\$ -	\$ 1,817,140	\$ 1,524,574	\$ 248,227	\$ -	\$ 1,772,801
Provision for bad debts	(80,862)	(19,995)	-	(100,857)	(77,417)	(19,558)	-	(96,975)
Net patient service revenues less provision for bad debts	1,483,403	232,880	-	1,716,283	1,447,157	228,669	-	1,675,826
Other revenue	84,693	20,362	(12,507)	92,548	66,990	15,150	(7,330)	74,810
Total operating revenues	<u>1,568,096</u>	<u>253,242</u>	<u>(12,507)</u>	<u>1,808,831</u>	<u>1,514,147</u>	<u>243,819</u>	<u>(7,330)</u>	<u>1,750,636</u>
Operating expenses								
Salaries and employee benefits	878,712	116,107	(3,625)	991,194	829,939	109,344	(549)	938,734
Supplies and other	529,115	128,787	(8,430)	649,472	504,937	118,615	(6,370)	617,182
Total operating expenses	<u>1,407,827</u>	<u>244,894</u>	<u>(12,055)</u>	<u>1,640,666</u>	<u>1,334,876</u>	<u>227,959</u>	<u>(6,919)</u>	<u>1,555,916</u>
Operating cash flow	160,269	8,348	(452)	168,165	179,271	15,860	(411)	194,720
Depreciation and amortization	71,092	19,407	-	90,499	67,668	20,072	-	87,740
Interest	31,849	15,152	-	47,001	23,372	14,311	-	37,683
Operating income (loss)	57,328	(26,211)	(452)	30,665	88,231	(18,523)	(411)	69,297
Non-operating income (expense)								
Investment income	60,390	6,112	452	66,954	45,330	4,332	411	50,073
Income tax benefit (expense)	(732)	(935)	-	(1,667)	95	(1,161)	-	(1,066)
Unrealized gains on non-hedged derivative financial instruments	-	141	-	141	-	171	-	171
Loss on extinguishment of debt	(589)	-	-	(589)	(2,764)	-	-	(2,764)
Other, net	(1)	29	-	28	-	(24)	-	(24)
Excess (deficit) of revenues over expenses	<u>\$ 116,396</u>	<u>\$ (20,864)</u>	<u>\$ -</u>	<u>\$ 95,532</u>	<u>\$ 130,892</u>	<u>\$ (15,205)</u>	<u>\$ -</u>	<u>\$ 115,687</u>

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

	June 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	\$ 277,351	\$ 46,773	\$ -	\$ 324,124	\$ 207,794	\$ 41,388	\$ -	\$ 249,182
Accounts receivable, net	401,374	58,840	-	460,214	350,720	57,655	-	408,375
Short-term investments	207,984	107	-	208,091	325,098	107	-	325,205
Deferred tax asset	-	5,595	-	5,595	-	5,765	-	5,765
Receivable for settlement with third-party payors	10,541	1,277	-	11,818	8,116	1,533	-	9,649
Other current assets	119,997	16,541	-	136,538	124,820	16,689	-	141,509
Total current assets	<u>1,017,247</u>	<u>129,133</u>	<u>-</u>	<u>1,146,380</u>	<u>1,016,548</u>	<u>123,137</u>	<u>-</u>	<u>1,139,685</u>
Assets limited as to use	16,920	52,130	-	69,050	45,997	53,120	-	99,117
Long-term investments	1,591,179	156,210	-	1,747,389	1,529,900	150,866	-	1,680,766
Property and equipment, net	1,577,811	290,782	-	1,868,593	1,530,650	287,691	-	1,818,341
Intangible assets and goodwill, net	61,165	301,179	-	362,344	61,165	287,387	-	348,552
Investments in affiliates	399,684	5,058	(248,214)	156,528	389,475	6,392	(237,589)	158,278
Other assets	75,141	13,657	(2,515)	86,283	70,352	16,038	(2,515)	83,875
Total assets	<u>\$ 4,739,147</u>	<u>\$ 948,149</u>	<u>\$ (250,729)</u>	<u>\$ 5,436,567</u>	<u>\$ 4,644,087</u>	<u>\$ 924,631</u>	<u>\$ (240,104)</u>	<u>\$ 5,328,614</u>
Liabilities and Net Assets								
Current liabilities								
Current portion of long-term debt	\$ 155,566	\$ 1,838	\$ -	\$ 157,404	\$ 154,931	\$ 2,559	\$ -	\$ 157,490
Short-term borrowings	84,877	-	-	84,877	84,965	-	-	84,965
Accounts payable	109,810	7,102	-	116,912	119,456	5,976	-	125,432
Accrued liabilities	298,111	51,850	(2,515)	347,446	295,732	58,205	(2,515)	351,422
Estimated third-party payor settlements	48,354	5,591	-	53,945	17,114	3,170	-	20,284
Due to (from) related organizations	(546,027)	546,027	-	-	(525,554)	525,554	-	-
Total current liabilities	<u>150,691</u>	<u>612,408</u>	<u>(2,515)</u>	<u>760,584</u>	<u>146,644</u>	<u>595,464</u>	<u>(2,515)</u>	<u>739,593</u>
Long-term debt, net of current portion	1,729,098	46,965	-	1,776,063	1,737,416	33,612	-	1,771,028
Deferred tax liability	-	1,515	-	1,515	-	1,049	-	1,049
Derivative financial instruments	51,446	366	-	51,812	40,275	507	-	40,782
Employee benefits and other liabilities	151,838	50,041	-	201,879	165,883	51,886	-	217,769
Total liabilities	<u>2,083,073</u>	<u>711,295</u>	<u>(2,515)</u>	<u>2,791,853</u>	<u>2,090,218</u>	<u>682,518</u>	<u>(2,515)</u>	<u>2,770,221</u>
Net assets								
Unrestricted	2,653,886	186,190	(254,729)	2,585,347	2,551,680	191,412	(243,759)	2,499,333
Unrestricted - non-controlling	-	4,345	6,515	10,860	-	5,294	6,170	11,464
Total unrestricted net assets	<u>2,653,886</u>	<u>190,535</u>	<u>(248,214)</u>	<u>2,596,207</u>	<u>2,551,680</u>	<u>196,706</u>	<u>(237,589)</u>	<u>2,510,797</u>
Temporarily restricted	2,188	35,504	-	37,692	2,189	34,595	-	36,784
Permanently restricted	-	10,815	-	10,815	-	10,812	-	10,812
Total net assets	<u>2,656,074</u>	<u>236,854</u>	<u>(248,214)</u>	<u>2,644,714</u>	<u>2,553,869</u>	<u>242,113</u>	<u>(237,589)</u>	<u>2,558,393</u>
Total liabilities and net assets	<u>\$ 4,739,147</u>	<u>\$ 948,149</u>	<u>\$ (250,729)</u>	<u>\$ 5,436,567</u>	<u>\$ 4,644,087</u>	<u>\$ 924,631</u>	<u>\$ (240,104)</u>	<u>\$ 5,328,614</u>

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

<i>(in thousands of dollars)</i>	June 30, 2014	June 30, 2013
Cash flows from operating activities		
Increase in net assets	\$ 86,321	\$ 133,968
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation, amortization, and accretion	91,738	90,274
Gain on sale of real estate	(2,130)	(2,540)
Impairment charge	-	226
Loss on extinguishment of debt	589	2,764
Share of earnings in affiliates, net of distributions	(10,965)	6,866
Net unrealized gains on assets limited as to use and investments	(53,488)	(37,731)
Change in fair value of interest rate swap	11,030	(20,564)
Provision for bad debts	100,857	96,975
Contributions restricted for capital and long-term investment	(756)	(2,077)
Changes in operating assets and liabilities		
Accounts receivable	(151,603)	(125,365)
Investments and assets limited as to use	114,965	(243,767)
Accounts payable and accrued liabilities	(16,244)	(19,950)
Employee benefits, net	(37,026)	13,232
Other assets and liabilities, net	37,578	(26,977)
Net cash provided by (used in) operating activities	170,866	(134,666)
Cash flows from investing activities		
Capital expenditures	(130,449)	(161,548)
Return of investment in affiliate	8,454	-
Net proceeds from the purchase of short-term investments	-	(3,000)
Repayment of notes receivable and other, net	447	2,489
Net cash used in investing activities	(121,548)	(162,059)
Cash flows from financing activities		
Principal payments on long-term debt	(9,137)	(10,882)
Bond proceeds received from (deposited with) trustee	19,081	(50,385)
Proceeds from issuance of bonds, net of premium and defeasance	-	438,040
Extinguishment of debt	-	(4,433)
Proceeds from sale of accounts receivable, net	14,953	13,752
Payments on line of credit and other financing	(86)	(4,614)
Proceeds from contributions restricted for capital and long-term investment	813	1,896
Net cash provided by financing activities	25,624	383,374
Net increase in cash and cash equivalents	74,942	86,649
Cash and cash equivalents		
Beginning of year	249,182	276,637
End of quarter	\$ 324,124	\$ 363,286

NOVANT HEALTH, INC.
COMBINED GROUP STATISTICS
FOR THE THREE MONTHS ENDED JUNE 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	
														June 30, 2014	June 30, 2013
<u>INPATIENT STATISTICS</u>															
Average Daily Census	402	84	62	32	609	8	67	45	27	-	78	13	-	1,427	1,495
Discharges	7,593	2,262	1,609	865	9,983	185	974	1,204	595	-	1,877	399	-	27,546	27,329
Average Length of Stay	4.9	3.7	3.7	3.5	5.6	3.6	6.0	3.4	3.8	-	3.8	3.1	-	4.8	4.9
Patient Days	36,607	7,627	5,658	2,940	55,464	683	6,082	4,051	2,427	-	7,116	1,224	-	129,879	136,000
<u>ADJUSTED STATISTICS</u>															
Adjusted Patient Days	64,237	17,515	13,774	4,128	83,700	4,038	16,124	10,498	6,793	-	20,484	5,480	-	246,771	247,488
Adjusted Discharges	13,324	5,194	3,917	1,215	15,065	1,094	2,581	3,120	1,665	-	5,403	1,786	-	54,364	51,838
<u>OUTPATIENT STATISTICS</u>															
ED Visits	21,927	11,717	8,589	-	22,870	-	8,832	7,939	7,821	3,079	13,381	5,694	-	111,849	110,403
Encounters	-	-	-	-	-	-	-	-	-	-	-	-	921,843	921,843	865,006
Cases	40,211	22,402	15,430	2,715	32,338	3,906	14,469	15,152	9,946	3,349	21,125	10,341	-	191,384	180,076
<u>SURGERY STATISTICS</u>															
IP Surgical Cases	1,363	339	267	806	3,298	134	190	299	195	-	264	41	-	7,196	7,118
OP Surgical Cases	4,018	866	829	892	2,937	2,173	751	880	493	251	694	123	-	14,907	15,085
Total Surgical Cases	5,381	1,205	1,096	1,698	6,235	2,307	941	1,179	688	251	958	164	-	22,103	22,203
<u>OTHER STATISTICS</u>															
Total Births	1,217	474	291	-	1,568	-	144	110	-	-	380	105	-	4,289	3,983
Cath Lab Procedures	1,329	71	-	-	1,609	-	71	-	-	-	-	-	-	3,080	3,199
Open Heart Surgeries	112	-	-	-	161	-	-	-	-	-	-	-	-	273	239
Endoscopy Procedures	1,470	763	617	-	1,534	-	281	522	-	-	450	-	-	5,637	5,908
Radiology Procedures	35,356	22,928	14,037	4,194	56,976	1,667	9,146	11,455	8,806	3,226	27,693	13,329	-	208,813	214,693
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	92.3%	61.2%	82.9%	40.4%	96.1%	34.1%	66.2%	67.4%	95.3%	-	60.2%	22.4%	-	80.7%	79.3%

NOVANT HEALTH, INC.
COMBINED GROUP STATISTICS
FOR THE SIX MONTHS ENDED JUNE 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	Six Months Ended	
														June 30, 2014	June 30, 2013
<u>INPATIENT STATISTICS</u>															
Average Daily Census	413	89	65	31	619	8	69	45	28	-	86	210	-	1,663	1,511
Discharges	15,225	4,468	3,268	1,710	19,991	370	2,035	2,284	1,235	-	4,183	409	-	55,178	55,342
Average Length of Stay	5.0	3.9	3.7	3.5	5.6	3.7	6.0	3.6	4.0	-	3.7	3.1	-	4.9	4.9
Patient Days	74,767	16,168	11,748	5,540	111,996	1,394	12,404	8,208	5,059	-	15,639	1,262	-	264,185	273,550
<u>ADJUSTED STATISTICS</u>															
Adjusted Patient Days	127,209	36,272	27,430	7,875	166,279	8,385	31,769	20,225	13,693	-	46,213	5,795	-	491,145	491,762
Adjusted Discharges	25,904	10,024	7,630	2,431	29,680	2,225	5,211	5,628	3,343	-	12,361	1,878	-	106,315	103,481
<u>OUTPATIENT STATISTICS</u>															
ED Visits	42,579	23,021	16,857	-	44,636	-	17,406	14,891	15,421	5,633	30,200	5,827	-	216,471	219,581
Encounters	-	-	-	-	-	-	-	-	-	-	-	-	1,821,786	1,821,786	1,761,845
Cases	78,390	43,182	29,208	5,415	62,762	7,956	28,121	28,653	19,514	6,264	50,224	11,086	-	370,775	358,248
<u>SURGERY STATISTICS</u>															
IP Surgical Cases	2,790	606	571	1,521	6,484	266	387	568	371	-	565	42	-	14,171	14,040
OP Surgical Cases	7,570	1,658	1,573	1,782	5,836	4,445	1,482	1,685	1,054	433	1,469	128	-	29,115	29,960
Total Surgical Cases	10,360	2,264	2,144	3,303	12,320	4,711	1,869	2,253	1,425	433	2,034	170	-	43,286	44,000
<u>OTHER STATISTICS</u>															
Total Births	2,406	988	542	-	3,052	-	288	225	-	-	876	110	-	8,487	7,979
Cath Lab Procedures	2,564	260	-	-	3,075	-	148	-	-	-	-	-	-	6,047	6,586
Open Heart Surgeries	199	-	-	-	315	-	-	-	-	-	-	-	-	514	490
Endoscopy Procedures	2,898	1,370	1,212	-	3,007	-	503	973	-	-	967	-	-	10,930	11,384
Radiology Procedures	70,393	46,062	28,035	8,070	114,815	3,559	17,950	21,953	17,507	6,088	66,295	14,151	-	414,878	427,819
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	94.7%	65.2%	86.5%	38.3%	97.6%	35.0%	67.9%	68.7%	99.8%	-	66.5%	350.6%	-	94.0%	80.2%