

Barnabas Health

UNAUDITED

**Consolidated Financial Statements as
of and for the six month period ended
June 30, 2015 and 2014**

BARNABAS HEALTH, INC.

Consolidated Balance Sheets

(in thousands)

	June 30, 2015	December 31, 2014
	(unaudited)	(audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 85,841	225,223
Investments	16,403	27,802
Assets limited or restricted as to use	73,760	57,131
Patient accounts receivable, net of allowance for doubtful accounts of \$96,590 and \$91,116	304,741	291,233
Estimated amounts due from third-party payors, net	6,235	2,775
Other current assets	109,060	107,849
Total current assets	<u>596,041</u>	<u>712,013</u>
Assets limited or restricted as to use, non-current portion:		
Under bond indenture agreements	72,216	72,237
Externally designated or restricted	164,558	156,941
Total noncurrent assets limited or restricted as to use	<u>236,774</u>	<u>229,178</u>
Investments	1,273,432	1,030,853
Property, plant and equipment, net	924,464	923,503
Other assets, net	45,157	42,545
	<u>\$ 3,075,867</u>	<u>2,938,092</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	213,985	239,859
Accrued expenses and other current liabilities	307,113	301,269
Current portion of long-term debt	43,812	43,933
Current portion of self-insurance liabilities	58,922	51,330
Total current liabilities	<u>623,832</u>	<u>636,391</u>
Estimated amounts due to third-party payors, net of current portion	49,946	39,761
Long-term debt, net of current portion	1,067,516	1,061,825
Self insurance claims liabilities, net of current portion	173,870	165,740
Accrued pension liability	53,855	61,945
Other liabilities	79,376	77,656
Total liabilities	<u>2,048,395</u>	<u>2,043,318</u>
Net assets:		
Unrestricted	930,717	799,430
Temporarily restricted	82,999	81,592
Permanently restricted	13,756	13,752
Total net assets	<u>1,027,472</u>	<u>894,774</u>
Total liabilities and net assets	<u>\$ 3,075,867</u>	<u>2,938,092</u>

BARNABAS HEALTH, INC.

Consolidated Statements of Operations and Changes in Net Assets

*(in thousands)**(unaudited)*

	Six months ended	
	June 30, 2015	June 30, 2014
Revenue:		
Patient service revenue (net of contractual allowances and discounts)	\$ 1,506,528	1,275,303
Provision for bad debts	(62,545)	(52,200)
Net patient service revenue less provision for bad debts	1,443,983	1,223,103
Other revenue, net	148,164	150,857
Total revenue	<u>1,592,147</u>	<u>1,373,960</u>
Expenses:		
Salaries and wages	555,751	478,833
Physician fees and salaries	137,917	119,257
Employee benefits	145,650	132,045
Supplies	279,617	243,969
Other expenses	276,177	252,078
Interest	23,654	22,473
Depreciation	54,314	48,698
Total expenses	<u>1,473,080</u>	<u>1,297,353</u>
Income from operations	119,067	76,607
Nonoperating revenue (expenses):		
Investment income	10,863	84,366
Contribution received in acquisition	-	73,385
Other, net	4,815	12,911
Total nonoperating revenue, net	<u>15,678</u>	<u>170,791</u>
Excess of revenue over expenses	134,745	247,398
Net change in unrealized gains (losses) on available for sale investments	314	(48,772)
Pension and postretirement changes other than net periodic benefit cost	(3,805)	2,279
Net assets released from restriction for purchase of		
property and equipment	856	6,060
Other	588	16,032
Total other changes in net assets	<u>(2,047)</u>	<u>(24,401)</u>
Increase in net assets	<u>\$ 132,698</u>	<u>222,997</u>

BARNABAS HEALTH, INC.
Consolidated Statements of Changes in Net Assets
Six months ended June 30, 2015 and 2014

(in thousands)

(unaudited)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Assets</u>
Net assets at December 31, 2013	\$ 549,413	88,284	13,695	651,392
Changes in net assets:				
Excess of revenues over expenses	247,398	-	-	247,398
Net change unrealized gains and losses	(48,772)	403	-	(48,370)
Contribution received in acquisition	-	894	-	894
Pension related changes other than net periodic benefit cost	2,279	-	-	2,279
Net assets released from restriction	6,060	(4,490)	-	1,571
Restricted contributions	-	27,568	7	27,575
Investment income on restricted investments, net	-	65	-	65
Other	(482)	(7,932)	-	(8,414)
Change in net assets	<u>206,483</u>	<u>16,507</u>	<u>7</u>	<u>222,997</u>
Net assets at June 30, 2014	<u>755,896</u>	<u>104,791</u>	<u>13,702</u>	<u>874,389</u>
Changes in net assets:				
Excess of revenues over expenses	134,745	-	-	134,745
Net change unrealized gains and losses	314	122	-	436
Pension related changes other than net periodic benefit cost	(3,805)	-	-	(3,805)
Net assets released from restriction	856	(3,659)	-	(2,803)
Restricted contributions	-	4,688	4	4,692
Investment income on restricted investments, net	-	65	-	65
Other	(823)	191	-	(632)
Change in net assets	<u>131,287</u>	<u>1,407</u>	<u>4</u>	<u>132,698</u>
Net assets at June 30, 2015	<u>\$ 930,717</u>	<u>82,999</u>	<u>13,756</u>	<u>1,027,472</u>

BARNABAS HEALTH, INC.

Consolidated Statements of Unrestricted Cash Flows

(In thousands)

(unaudited)

	Six Months Ended June 30,	
	2015	2014
Unrestricted Cash, Cash Equivalents and Investments, beginning of period	\$ 1,283,878	973,347
Unrestricted Cash, Cash Equivalents and Investments, end of period	1,375,676	1,104,736
Change in Unrestricted Cash, Cash Equivalents and Investments	\$ 91,798	131,389
 Change in Unrestricted Cash, Cash Equivalents and Investments consists of:		
 Cash Flows from Operating Activities:		
Income from operations	\$ 119,067	76,607
Depreciation and amortization	54,314	48,698
Interest expense	23,654	22,473
Earnings before interest, taxes, depreciation and amortization (EBITDA)	197,035	147,778
Adjustments to reconcile earnings before EBITDA to net cash provided by operating activities:		
Pension and postretirement changes other than net periodic benefit costs	(3,805)	2,279
Interest expense on current interest bonds	(17,932)	(16,905)
Provision for bad debts	62,545	52,200
Loss on sale of assets, net	215	-
Changes in operating assets and liabilities:		
Patient accounts receivable	(76,053)	(77,159)
Prepaid expenses	(2,171)	(9,791)
Assets limited as to use	(22,808)	(33,271)
Other assets	2,168	(1,722)
Account payable	(25,874)	11,596
Accrued expenses and other current liabilities	3,294	20,208
Accrued interest payable	2,550	320
Estimated amounts with third party payors	6,725	(19,023)
Self-insured claims liabilities	15,722	10,019
Pension expense payable	(8,090)	-
Other liabilities	1,719	(2,865)
Other changes in working capital	(3,823)	(281)
Net cash provided by operating activities	131,417	83,383
 Cash Flows from Investing Activities:		
Purchases of property, plant and equipment, net	(48,394)	(33,704)
Investment income and realized gains, net	14,283	76,129
Unrealized losses on investment portfolio	(3,106)	(40,406)
Cash received in acquisition	-	39,125
Proceeds from sale of assets	4,584	14,750
Net cash (used in) provided by investing activities	(32,633)	55,894
 Cash Flows from Financing Activities:		
Principal payments on long-term debt, net	(8,000)	(14,379)
Net cash used in financing activities	(8,000)	(14,379)
Other nonoperating income, net	981	912
Other	33	5,579
Change in Unrestricted Cash, Cash Equivalents and Investments	\$ 91,798	131,389
 Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 15,382	16,374
 Supplemental disclosures of noncash financing activities:		
Capital lease obligations incurred	\$ 7,846	4,504