

# **Hackensack University Health Network**

**(Excluding Legacy Meridian Health System Inc.)**

**UNAUDITED**

**Consolidated Financial Statements  
As of and for the Years Ended  
December 31, 2016 and 2015**

**Hackensack University Health Network  
(Excluding Legacy Meridian Health System Inc.)**

**Consolidated Balance Sheets  
As of December 31, 2016 and 2015**

*(Dollar amounts in thousands)*

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
	<b><u>Unaudited</u></b>	<b><u>Audited</u></b>
<b>Assets</b>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 246,223	\$ 176,684
Investments established to support long-term debt obligations	493,707	469,348
Patients and other accounts receivable (net of allowance for doubtful accounts of \$76,411 and \$58,998 at 12/31/16 and 12/31/15, respectively)	233,933	213,318
Other current assets	80,153	55,602
Total current assets	1,054,016	914,952
Total assets whose use is limited, net of current portion	219,667	151,840
Property and equipment, net	733,257	660,625
Long-term investments and other assets	199,257	128,523
<b>Total assets</b>	<b>\$ 2,206,197</b>	<b>\$ 1,855,940</b>
<b>Liabilities and net assets</b>		
<u>Current Liabilities</u>		
Accounts payable, accrued interest, and other current liabilities	\$ 317,045	\$ 245,331
Current portion of long-term debt	118,657	46,638
Total current liabilities	435,702	291,969
Long-term debt, net of current portion	568,367	642,512
Accrued retirement benefits	283,975	225,072
Other liabilities	118,362	21,595
Total liabilities	1,406,406	1,181,148
<u>Net assets</u>		
Total net assets	799,791	674,792
<b>Total liabilities and net assets</b>	<b>\$ 2,206,197</b>	<b>\$ 1,855,940</b>

*Note: The Consolidated Balance Sheet at December 31, 2016 above includes HackensackUMC Palisades.*

*The Consolidated Balance Sheet at December 31, 2015 above excludes Legacy Palisades Healthcare.*

**Hackensack University Health Network  
(Excluding Legacy Meridian Health System Inc.)**

**Consolidated Statements of Operations  
For the Years Ended December 31, 2016 and 2015**

*(Dollar amounts in thousands)*

	December 31	
	2016	2015
	<u>Unaudited</u>	<u>Audited</u>
<b>Revenues:</b>		
Net patient service revenue after provision for bad debts	\$ 1,638,010	\$ 1,387,045
Other revenue	260,937	246,341
Investment income - net	34,444	(3,932)
Net assets released from restrictions - operations	306	2,283
<b>Total revenues</b>	<u>1,933,697</u>	<u>1,631,737</u>
<b>Expenses:</b>		
Salaries and benefits	947,780	801,865
Supplies and other	741,919	639,092
Depreciation, amortization, and interest	104,855	89,175
Taxes	20,311	15,789
<b>Total expenses</b>	<u>1,814,865</u>	<u>1,545,921</u>
<b>Excess of Revenues over Expenses before Other Adjustments</b>	118,832	85,816
Loss on advance refunding of debt	(6,365)	-
Fair market valuation adjustment - Palisades acquisition	50,883	-
<b>Excess of Revenues over Expenses</b>	163,350	85,816
Pension related adjustments	(36,945)	(17,233)
Distributions to non-controlling interests	(7,738)	(6,709)
Equity transfer	(6,000)	-
Other changes in unrestricted net assets	(9,817)	-
Net assets released from restrictions - capital acquisitions	1,418	7,414
<b>Change in unrestricted net assets</b>	<u>\$ 104,268</u>	<u>\$ 69,288</u>

*Note: The Consolidated Statements of Operations above include HackensackUMC Palisades, effective 3/1/16.*

**Hackensack University Health Network  
(Excluding Legacy Meridian Health System Inc.)**

**Consolidated Statements of Changes in Net Assets  
For the Years Ended December 31, 2016 and 2015**

*(Dollar amounts in thousands)*

	December 31	
	2016	2015
	<u>Unaudited</u>	<u>Audited</u>
<b><u>Unrestricted net assets</u></b>		
Excess of revenues over expenses	\$ 163,350	\$ 85,816
Pension-related adjustments	(36,945)	(17,233)
Distributions to non-controlling interests	(7,738)	(6,709)
Equity Transfer	(6,000)	-
Other changes in unrestricted net assets	(9,817)	-
Net assets released from restrictions - capital acquisitions	1,418	7,414
Increase in unrestricted net assets	<u>104,268</u>	<u>69,288</u>
<b><u>Temporarily restricted net assets</u></b>		
Investment income (loss)	190	(109)
Restricted gifts, bequests, and similar items	14,460	17,356
Other changes in temporarily restricted net assets	474	-
Net assets released from restrictions	(1,724)	(9,697)
Increase in temporarily restricted net assets	<u>13,400</u>	<u>7,550</u>
<b><u>Permanently restricted net assets</u></b>		
Restricted gifts, bequests, and similar items	-	798
Other changes in permanently restricted net assets	95	-
Change in beneficial interest in net assets of the Foundation	7,236	-
Increase in permanently restricted net assets	<u>7,331</u>	<u>798</u>
Increase in net assets	124,999	77,636
Net assets - beginning	<u>674,792</u>	<u>597,156</u>
<b>Net assets - ending</b>	<b><u>\$ 799,791</u></b>	<b><u>\$ 674,792</u></b>

*Note: The Consolidated Statement of Changes in Net Assets as of December 31, 2016 above includes HackensackUMC Palisades.*

*The Consolidated Statement of Changes in Net Assets as of December 31, 2015 above excludes Legacy Palisades Healthcare.*

**Hackensack University Health Network  
(Excluding Legacy Meridian Health System Inc.)**

**Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2016 and 2015**

*(Dollar amounts in thousands)*

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
	<b><u>Unaudited</u></b>	<b><u>Audited</u></b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 124,999	\$ 77,636
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	76,240	62,505
Cash contribution from Palisades Healthcare System 3/1/16	13,982	-
Deficiency received from Palisades Healthcare System 3/1/16	9,817	-
Fair market value adjustment 3/1/16	(50,883)	-
Decrease in long-term accreted bond interest	(3,473)	(1,764)
Change in the value of investments	(42,679)	15,488
Pension-related adjustments	(36,945)	(17,233)
Changes in operating assets and liabilities:		
Patients and other accounts receivable	(1,284)	940
Inventories and other assets	(22,515)	(12,569)
Accounts payable, accrued interest, and other liabilities	141,050	58,764
Net cash provided by operating activities	<u>208,309</u>	<u>183,767</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(65,263)	(171,172)
Change in investments - net	(13,714)	(71,875)
Net cash used in investing activities	<u>(78,977)</u>	<u>(243,047)</u>
<b>Cash flows from financing activities</b>		
Distributions to non-controlling interest	(7,738)	(6,709)
Change in long-term debt	(52,055)	71,516
Net cash (used in) provided by financing activities	<u>(59,793)</u>	<u>64,807</u>
<b>Net increase in cash and cash equivalents</b>	<b>69,539</b>	<b>5,527</b>
Cash and cash equivalents, beginning	176,684	171,157
Cash and cash equivalents, ending	<u><b>\$ 246,223</b></u>	<u><b>\$ 176,684</b></u>
<b>Supplemental disclosures of cash flow information</b>		
Interest paid	\$ 34,218	\$ 24,044
Change in non-cash acquisitions of property and equipment	4,562	5,434

*Note: The Consolidated Statement of Cash Flows as of December 31, 2016 above includes HackensackUMC Palisades.*

*The Consolidated Statement of Cash Flows as of December 31, 2015 above excludes Legacy Palisades Healthcare.*