

King's Daughters Health System
Summary of Operations
Three-Month Period Ending December 31, 2013

	<u>Actual</u>	<u>Budget</u>	<u>Prior</u>	<u>% Var Budget</u>	<u>% Var Prior Yr.</u>
<u>Consolidated Results:</u>					
Operating Income (Loss)	(\$17,742,493)	(\$13,158,120)	(\$594,918)	34.8%	2882.3%
Operating Margin Percentage	-15.7%	-11.7%	-0.5%	-4.0%	-15.3%
Net Income	(\$6,715,229)	(\$11,657,370)	\$3,741,937	-42.4%	-279.5%
Total Margin Percentage	-6.0%	-10.4%	2.9%	4.4%	-8.9%
Cash Balance	\$261,375,175	\$247,171,619	\$284,973,727	5.7%	-8.3%
Days Cash on Hand	198	198	209	0.0%	-5.3%
Medicare Utilization	49.9%	50.6%	48.9%	-0.70%	1.00%
Medicaid Utilization	14.6%	16.2%	15.0%	-1.60%	-0.40%
Blue Cross Utilization	15.3%	14.9%	15.8%	0.40%	-0.50%
Insurance Utilization	13.2%	11.7%	13.0%	1.50%	0.20%
Self Pay Utilization	7.0%	6.6%	7.4%	0.40%	-0.40%
<u>Hospital Volumes</u>					
Admissions	4,590	4,386	5,351	4.7%	-14.2%
Patient Days	18,643	16,728	22,430	11.4%	-16.9%
Total Surgical Procedures	10,196	9,304	11,059	9.6%	-7.8%

Ashland Hospital Corporation and Subsidiaries
d/b/a King's Daughters Medical Center

Consolidated Balance Sheets

	Unaudited	
	December 31, 2013	September 30, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 19,752,459	\$ 19,454,469
Short-term investments	5,450,362	10,412,330
Patient accounts receivable, net	79,719,621	80,104,010
Inventories	11,387,936	11,325,500
Current portion of assets limited as to use	3,794,488	3,794,526
Other current assets	20,268,054	27,762,923
Total current assets	<u>140,372,919</u>	<u>152,853,758</u>
Assets limited as to Use:		
By board of directors	234,577,768	225,961,540
By donors	1,594,587	1,460,093
By self-insurance trust agreements	11,776,648	11,618,465
By bond indenture agreements	9,841,804	10,373,519
Total assets limited as to use	<u>257,790,807</u>	<u>249,413,617</u>
Less assets limited as to use that are required for current liabilities	<u>(3,794,488)</u>	<u>(3,794,526)</u>
	253,996,319	245,619,091
Property, plant and equipment, net of accumulated depreciation	331,632,070	337,883,981
Other assets:		
Deferred financing costs, net	2,526,584	2,556,017
Other	10,118,135	10,116,766
	<u>12,644,719</u>	<u>12,672,783</u>
Total assets	<u><u>\$ 738,646,027</u></u>	<u><u>\$ 749,029,613</u></u>

Ashland Hospital Corporation and Subsidiaries
d/b/a King's Daughters Medical Center

Consolidated Balance Sheets

	Unaudited	
	December 31, 2013	September 30, 2013
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 28,871,412	\$ 31,439,939
Accrued salaries, wages and related liabilities	27,099,854	26,357,863
Accrued interest payable	4,345,212	1,698,185
Estimated third-party payor settlements	15,709,015	17,086,624
Current portion of long-term debt	7,838,812	8,268,661
Total current liabilities	<u>83,864,305</u>	<u>84,851,272</u>
Estimated malpractice liabilities, net of current portion	17,420,823	17,843,823
Long-term debt, net of current portion	235,299,595	235,202,766
Interest rate swap agreements	10,632,215	12,804,081
Accrued pension obligation	10,444,000	10,444,000
Other long-term liabilities	2,051,773	2,139,429
Total liabilities	<u>359,712,710</u>	<u>363,285,370</u>
Net assets:		
Unrestricted net assets	377,375,152	384,186,078
Temporarily restricted net assets	1,419,471	1,421,387
Permanently restricted net assets	138,694	136,778
Total net assets	<u>378,933,317</u>	<u>385,744,243</u>
 Total liabilities and net assets	 <u>\$ 738,646,027</u>	 <u>\$ 749,029,613</u>

Ashland Hospital Corporation and Subsidiaries
d/b/a King's Daughters Medical Center

Consolidated Statements of Operations and
Changes in Net Assets

	Unaudited		Unaudited
	Quarter Ended December 31,		Year Ended
	2013	2012	September 30, 2013
Net patient service revenue (less bad debt expense)	\$ 108,367,648	\$ 123,814,945	\$ 467,386,457
Other revenue	4,433,336	4,245,047	18,500,594
Total unrestricted revenues and other income	112,800,984	128,059,992	485,887,051
Expenses:			
Salaries and wages	57,689,845	57,317,238	228,386,251
Employee benefits	12,814,084	12,881,088	49,358,883
Supplies and other expenses	35,165,977	35,114,718	149,798,401
Purchased services	10,332,965	9,172,912	35,509,088
Depreciation expense	9,959,120	9,644,312	41,303,108
Interest expense	2,682,963	2,622,336	10,523,219
Provider tax expense	1,898,523	1,902,306	7,600,688
Total expenses	130,543,477	128,654,910	522,479,638
Operating income (loss)	(17,742,493)	(594,919)	(36,592,588)
Investment income (loss), net	8,799,879	2,957,648	15,953,385
Change in fair value of interest rate swap agreements	2,171,866	1,323,403	9,259,482
Other loss, net	55,519	55,804	(974,461)
Excess of revenues over expenses	(6,715,229)	3,741,936	(12,354,181)
Pension liability adjustment	0	0	12,094,731
Other	(95,697)	10,313	185,671
Change in net assets	(6,810,926)	3,752,250	(73,779)
Net assets, beginning of year (quarter)	385,744,243	385,818,022	385,818,022
Net assets, end of year (quarter)	\$ 378,933,317	\$ 389,570,272	\$ 385,744,243

Ashland Hospital Corporation and Subsidiaries
d/b/a King's Daughters Medical Center

Consolidated Statements of Cash Flows

	Unaudited		Unaudited
	Quarter Ended December 31,		Year Ended
	2013	2012	September 30,
			2013
Operating activities and other income			
Change in net assets	\$ (6,810,926)	\$ 3,752,250	\$ (73,779)
Adjustments to reconcile change in net assets to net cash provided by operating activities and other income:			
Depreciation and amortization	9,959,120	9,644,312	41,303,107
Provision for bad debts	10,479,035	15,734,910	54,191,252
Unrealized gain on investments	(4,922,550)	(1,977,004)	(5,126,913)
Change in fair value of interest rate swap agreements	(2,171,866)	(1,323,403)	(9,259,482)
Pension liability adjustment	—	—	(12,094,731)
Other changes in assets and liabilities:			
Patient accounts receivable	(10,094,646)	(19,067,578)	(57,207,346)
Short-term investments	4,961,968	96,213	10,517,835
Other current and noncurrent assets	7,431,065	(1,518,169)	(11,355,555)
Estimated third-party payor settlements	(1,377,609)	(282,209)	(5,547,053)
Other current and noncurrent liabilities	732,835	(7,027,851)	(8,350,779)
Estimated malpractice liabilities	(423,000)	1,057,000	4,011,889
Net cash provided by operating activities and other income	7,763,426	(911,529)	1,008,445
Investing activities			
Purchases of property, plant, and equipment, net	(3,677,777)	(12,978,600)	(38,744,920)
Change in assets limited as to use	(3,454,640)	731,186	2,808,838
Net cash used in investing activities	(7,132,417)	(12,247,414)	(35,936,082)
Financing activities			
Repayment of long-term debt	(452,117)	(766,664)	(8,984,612)
Proceeds from note payable	119,096	—	—
Net cash used in financing activities	(333,021)	(766,664)	(8,984,612)
Increase (decrease) in cash and cash equivalents	297,989	(13,925,607)	(43,912,249)
Cash and cash equivalents, beginning of year (quarter)	19,454,470	63,366,719	63,366,719
Cash and cash equivalents, end of year (quarter)	\$ 19,752,459	\$ 49,441,112	\$ 19,454,470