

Management's Discussion and Analysis of Historical Operations and Results

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of the Renown Health and Renown Health Obligated Group's consolidated financial results of operations. This discussion should be read in conjunction with the financial statements.

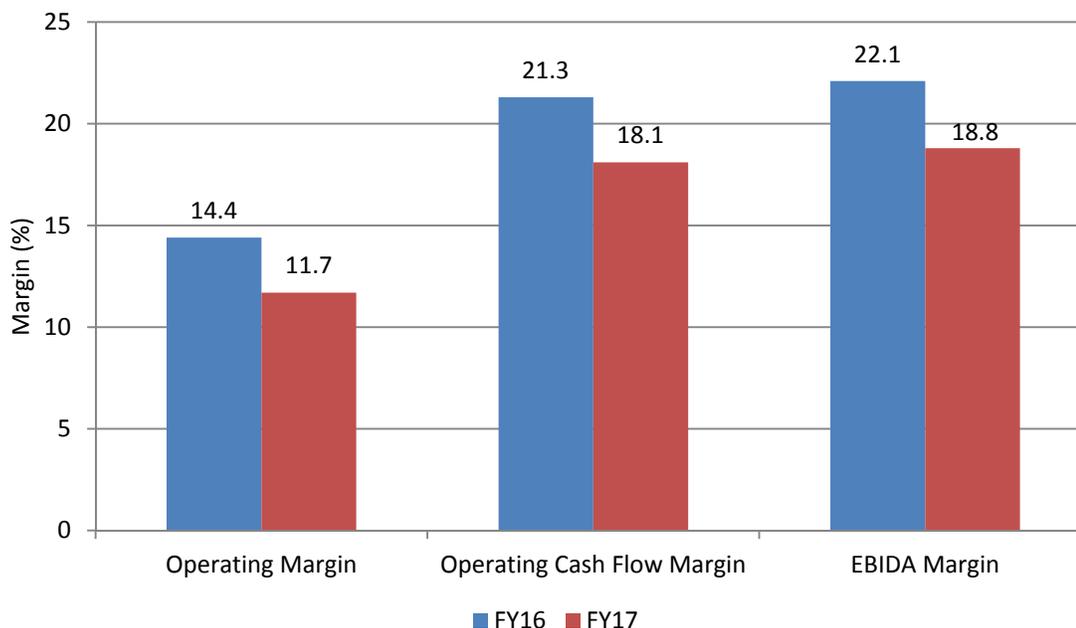
Renown Health - Fiscal Year to Date June 30, 2017 compared to Fiscal Year to Date June 30, 2016

Renown Health's net revenue grew by 10% due to continued volume growth and revenue cycle performance. The organization recorded operating income of \$66.6 million with an operating margin of 5.3%. Total capital equipment and construction spend by the organization totaled \$66.9 million. Investments included the relocation of Hometown Health and Renown Health administrative staff to two newly renovated office locations, the opening of an additional data center, and the continued expansion of Primary Care locations.

Renown Health continues to focus on enhancing key community relationships, which included deepening relationships and program collaboration with the University Of Nevada School Of Medicine. In September 2016, Renown Health and the Desert Research Institute (DRI) began collaborating with 23andMe, a leading personal genetics company, on one of the first community based population health studies in the U.S. that combines health, population and genetic information with environmental data and returns 23andMe genetic results to study participants. Additionally, in 2016 Renown Health partnered with Stanford Health Care, Lucile Packard Children's Hospital Stanford and Stanford University School of Medicine to enable members of Renown's health insurance plan, and their families, greater access to a broad range of highly specialized medical services provided by Stanford physicians. Renown also collaborated with Nye County to bring healthcare services back to residents of Tonopah, using telehealth technology, when the existing clinic closed.

Obligated Group - Fiscal Year to Date June 30, 2017 compared to Fiscal Year to Date June 30, 2016

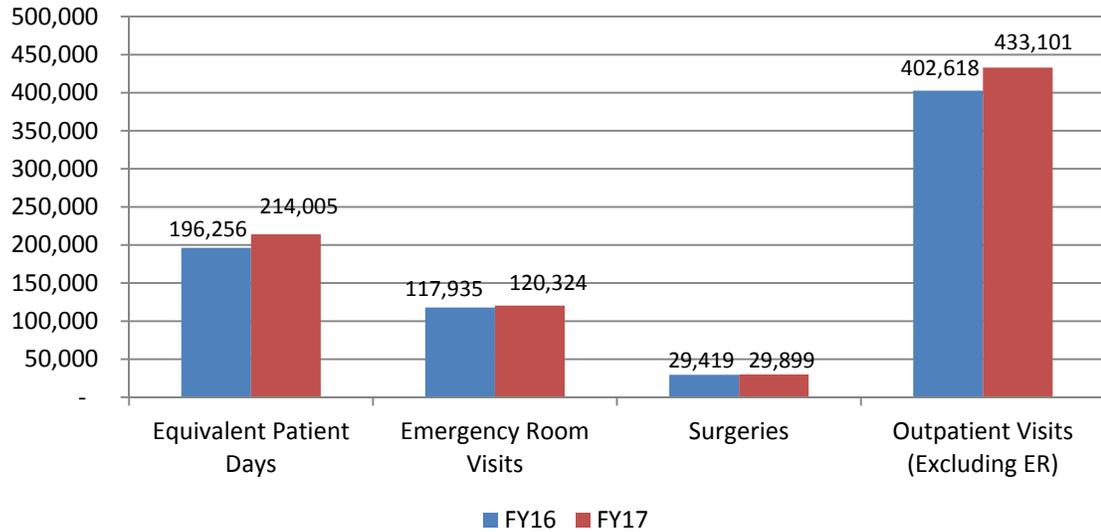
Profitability



- Operating margin of 11.7% declined by 2.7% from prior year driven primarily by increases in operating expense.
- Operating revenue growth of 7% was lower than operating expense growth of 10%.

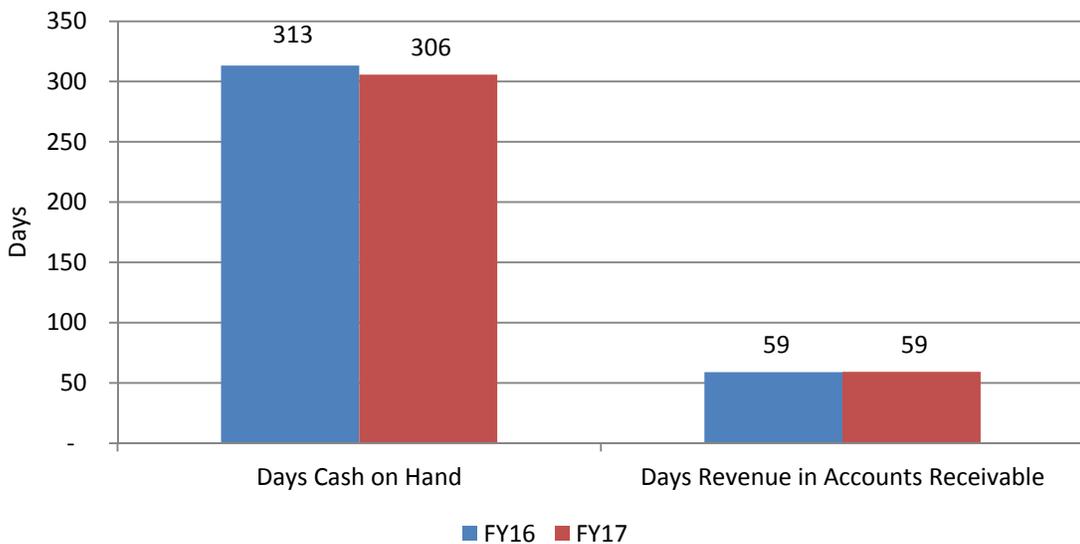
- Operating revenue was \$844 million which was an improvement of \$54 million. The improvement was driven by hospital inpatient and outpatient volume increases.
- Operating expenses increased by \$69 million, reflecting increased volume and increases in contract labor for nursing and administrative expenses, offset by continued cost management efforts.

Growth



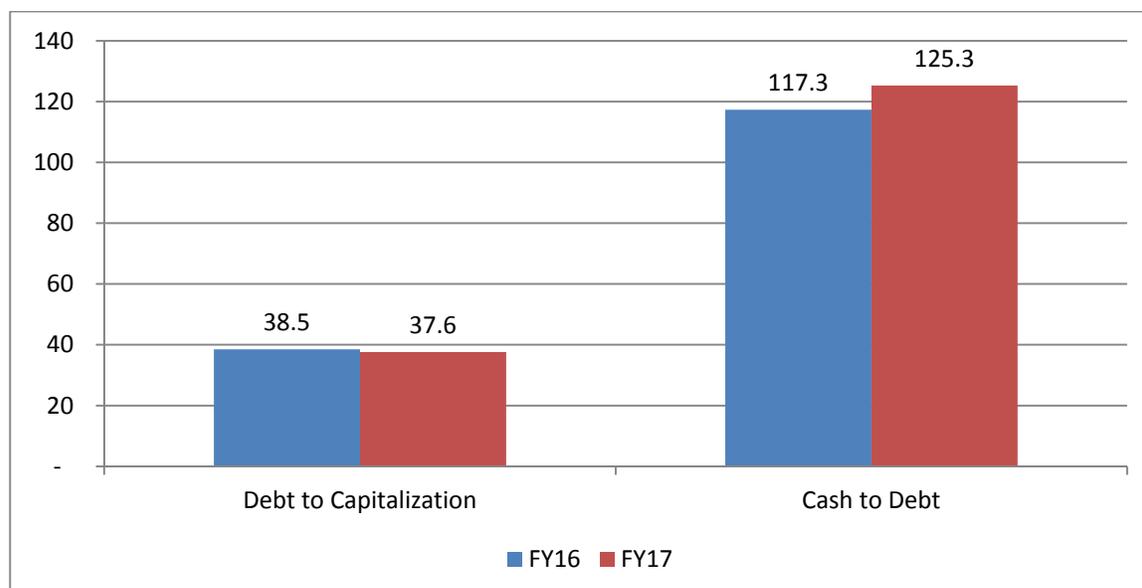
- Inpatient volumes grew, led by an increase of 9% in equivalent patient days, including observations. Equivalent admissions, including observations, decreased by 1%. Length of stay, including observations, increased to 4.3 days, an increase of 10%.
- Outpatient volumes grew by an increase of 8% in outpatient visits. Emergency room visits also grew 2%. Outpatient surgeries were 18,590, a decrease of 2.6%.

Liquidity



- Days Cash on Hand, decreased by 7 days from prior year but continues to exceed rating agency and covenant requirements. The decrease was partly driven by increased capital and operating expenditures necessary to maintain and expand existing operations as well as to develop new initiatives.
- Total collateral posted on interest rate swaps was \$10.5 million compared to \$18.9 million and represents 5.4 days not included in the Days Cash on Hand calculation.

Capital Structure



- Strong operating results and regular principal payments on long-term debt contributed to a 7% improvement in Cash to Debt while Debt to Capitalization remained relatively flat.
- Maximum Annual Debt Service Coverage decreased to 4.8x from 5.3x.
- The obligated group completed \$83 million in interaffiliate transfers that reduced the amount owed from affiliates on the balance sheet and had zero impact on profitability or cash balances.



Combined Financial Statements
June 30, 2017 and 2016

Renown Health

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Independent Auditor's Report

The Board of Directors
Renown Health
Reno, Nevada

Report on the Financial Statements

We have audited the accompanying combined financial statements of Renown Health, which comprise the combined balance sheets as of June 30, 2017 and 2016, and the related combined statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Renown Health as of June 30, 2017 and 2016, and the results of its combined operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma
September 5, 2017

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	<u>2017</u>	<u>2016</u>
	(In Thousands)	
Assets		
Current Assets		
Cash and cash equivalents	\$ 142,148	\$ 121,121
Marketable securities	608,304	558,796
Receivables		
Patient, net of allowance for uncollectible accounts of \$41,687 in 2017 and \$45,268 in 2016	127,521	113,951
Other	25,996	20,302
Inventory	28,512	26,067
Prepaid expenses and other	10,907	10,406
Total current assets	<u>943,388</u>	<u>850,643</u>
Funds Held in Trust	<u>13,650</u>	<u>29,170</u>
Property and Equipment, Net	<u>620,743</u>	<u>608,696</u>
Other Assets		
Goodwill and intangible assets	7,941	7,904
Investments in affiliated companies	28,452	25,980
Other	12,098	14,037
Total other assets	<u>48,491</u>	<u>47,921</u>
Total assets	<u>\$ 1,626,272</u>	<u>\$ 1,536,430</u>

See Notes to Combined Financial Statements

Renown Health
 Combined Balance Sheets
 June 30, 2017 and 2016

	2017	2016
	(In Thousands)	
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ 13,369	\$ 12,631
Accounts payable		
Trade	43,055	41,597
Estimated third-party payor settlements and other	37,803	34,528
Accrued compensation, benefits and other	75,624	56,036
Total current liabilities	169,851	144,792
Other	13,414	19,771
Interest Rate Swaps	43,883	59,505
Long-Term Debt, Less Current Maturities, Unamortized Discount and Premium, and Unamortized Bond Costs	484,029	480,782
Total liabilities	711,177	704,850
Net Assets		
Unrestricted	892,661	809,635
Noncontrolling interest in combined subsidiary	3,723	3,449
Total unrestricted	896,384	813,084
Temporarily restricted	15,286	15,301
Permanently restricted	3,425	3,195
Total net assets	915,095	831,580
Total liabilities and net assets	\$ 1,626,272	\$ 1,536,430

Renown Health
Combined Statements of Operations
Years Ended June 30, 2017 and 2016

	2017	2016
	(In Thousands)	
Unrestricted Revenues, Gains, and Other Support		
Net patient service revenues	\$ 898,159	\$ 812,088
Provision for bad debts	(70,946)	(59,404)
Net patient service revenues less provision for bad debts	827,213	752,684
Premium revenues	384,394	356,766
Other revenues	44,045	41,356
	1,255,652	1,150,806
Expenses		
Salaries and wages	471,071	412,224
Employee benefits	59,026	53,511
Supplies	178,263	161,822
Professional fees	32,553	24,105
Health care expenses	212,383	192,382
Purchased services	89,211	81,261
Repairs and maintenance	6,048	5,167
Utilities and telephone	8,418	8,521
Insurance	3,359	9,586
Provision for depreciation/amortization	54,362	49,729
Interest	21,527	24,381
Rental and lease	10,327	10,998
Other	42,528	34,538
	1,189,076	1,068,225
Operating Income	66,576	82,581
Other Income (Loss)		
Investment income	8,426	9,157
Unrealized gain (loss) on investments	(1,145)	2,124
Income tax benefit (provision)	788	(1,716)
Impairment loss	(696)	-
Gain (loss) on interest rate swaps	14,104	(7,655)
Loss on advance refunding of long-term debt	(22,413)	-
	(936)	1,910
Revenues in Excess of Expenses	65,640	84,491

	2017	2016
	(In Thousands)	
Revenues in Excess of Expenses	\$ 65,640	\$ 84,491
Change in Unrealized Gains and Losses on Investments	21,034	(2,293)
Change in Unrealized Gains and Losses on Interest Rate Swaps	1,517	(9,922)
Other Changes	(5,299)	(657)
Contributions and Grants for Property Acquisitions	408	909
Increase in Unrestricted Net Assets	\$ 83,300	\$ 72,528

Renown Health
Combined Statements of Changes in Net Assets
Years Ended June 30, 2017 and 2016

	2017	2016
	(In Thousands)	
Unrestricted Net Assets		
Revenues in excess of expenses	\$ 65,640	\$ 84,491
Change in unrealized gains and losses on investments	21,034	(2,293)
Change in unrealized gains and losses on interest rate swaps	1,517	(9,922)
Other changes	(5,299)	(657)
Contributions and grants for property acquisitions	408	909
	83,300	72,528
Temporarily Restricted Net Assets		
Contributions and related investment income	3,065	8,227
Net assets released from restrictions	(3,080)	(903)
	(15)	7,324
Permanently Restricted Net Assets		
Contributions and related investment income (loss)	230	(39)
	83,515	79,813
Increase in Net Assets	83,515	79,813
Net Assets, Beginning of Year	831,580	751,767
Net Assets, End of Year	\$ 915,095	\$ 831,580

Renown Health
Combined Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
	(In Thousands)	
Operating Activities		
Change in net assets	\$ 83,515	\$ 79,813
Adjustments to reconcile change in net assets to net cash from operating activities		
Provision for bad debts	70,946	59,404
Provision for depreciation/amortization	54,362	49,729
Contributions and grants for property acquisition	(408)	(909)
Realized loss on sale of property and equipment	423	118
Net loss (gain) on marketable securities	(20,213)	445
Decrease (increase) in fair value on interest rate swaps	(15,621)	17,577
Loss on advance refunding of long-term debt	22,413	-
Permanently restricted contributions and interest income	(45)	(8,189)
Amortization of debt issuance costs and bond discounts/premiums	15	60
Increase (decrease) in malpractice liability	(3,875)	3,717
Gain on equity investment in joint ventures	(2,472)	(1,151)
Acquisition of entity	(37)	(32)
Decrease in postretirement health care benefits liability	(1,403)	(292)
Changes in assets and liabilities		
Receivables	(90,370)	(69,605)
Inventory	(2,445)	(2,176)
Prepaid expenses and other	1,438	4,415
Accounts payable and accrued expenses	21,046	10,524
Other liabilities	2,194	(18,462)
Net Cash from Operating Activities	119,463	124,986
Investing Activities		
Purchase of property, plant and equipment	(66,936)	(62,355)
Proceeds from sales of property, plant and equipment	104	114
Purchase of marketable securities	(465,031)	(341,343)
Sales of marketable securities	435,897	257,185
Decrease in funds held in trust	7,152	3,341
Net Cash used for Investing Activities	(88,814)	(143,058)
Financing Activities		
Additions to long-term debt	162,518	317
Principal payments on long-term debt	(12,428)	(11,847)
Advance refunding of long-term debt	(168,533)	-
Decrease (increase) in swap collateral	8,368	(9,890)
Restricted contributions and related interest income	453	696
Net Cash used for Financing Activities	(9,622)	(20,724)

	2017	2016
	(In Thousands)	
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 21,027	\$ (38,796)
Cash and Cash Equivalents, Beginning of Year	121,121	159,917
Cash and Cash Equivalents, End of Year	\$ 142,148	\$ 121,121
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest, net of interest capitalized of (\$238) in 2017 and (\$331) in 2016	\$ 21,180	\$ 25,104

Note 1 - Organization and Significant Accounting Policies

Organization

Renown Health is a tax-exempt comprehensive integrated health care delivery network located in Reno, Nevada, and includes the operations of the following subordinate corporations:

Renown Regional Medical Center (Regional) is a tax-exempt 501(c)(3) Nevada nonprofit corporation that operates an 808 licensed bed general acute care facility. Regional provides a full range of medical services to both inpatients and outpatients.

Renown South Meadows Medical Center (South Meadows) is a tax-exempt 501(c)(3) Nevada nonprofit corporation that owns and operates a 76-bed acute-care community hospital. South Meadows also has a 40-bed assisted living facility and operates a 62-bed rehabilitation hospital under the name Renown Rehabilitation Hospital (Rehab Hospital).

Renown Businesses is a taxable Nevada for profit corporation that operates professional office buildings. It also owns Northern Sierra Dialysis Center, a taxable dialysis company. In addition, Renown Businesses operates various commercial businesses to provide services to patients, physicians, and employees under the following d/b/a's: Artisans Market and Bistro, The Inn at Renown, The Shops at Renown, Materiel Solutions, Starbucks and Subway. In 2016, its ownership in Remittance Assistance Corporation, a taxable Nevada for profit accounts receivable collection agency was dissolved.

Hometown Health Plan, Inc. (Hometown Plan) is a tax-exempt 501(c)(4) Nevada nonprofit corporation that operates a health maintenance organization.

Hometown Health Management Company (Hometown Management) is a taxable Nevada nonprofit corporation that provides management services to Hometown Plan and a fully owned subsidiary, Hometown Health Providers Insurance Company (Hometown Providers), a taxable Nevada nonprofit corporation that operates a preferred provider organization. In addition, Hometown Management has interests in other health care related businesses in the form of medical groups (d/b/a Renown Health Medical Group), urgent care and specialty clinics.

Renown Transitional Care Services is a tax-exempt 501(c)(3) Nevada nonprofit corporation that acts as the cash repository for Renown Health. In addition, Renown Transitional Care Services operates an obstetrics clinic to improve access to care.

Renown Skilled Nursing is a tax-exempt 501(c)(3) Nevada nonprofit corporation that owns a 160-bed skilled nursing facility.

Renown Health Foundation is a tax-exempt 501(c)(3) Nevada nonprofit corporation that was organized for the purpose of raising funds for Renown Health and its related entities to benefit the community.

Nevada Health Care Cooperative (Nevada Cooperative) is a taxable Nevada nonprofit purchasing cooperative established to enhance the contract terms and conditions for its members, which include certain corporations within Renown Health.

Routt Dialysis, LLC is a joint venture between Renown Businesses (16%), Northern Sierra Dialysis Center (36%) and other partners (48%) for the purposes of providing dialysis services.

Principles of Combination

The combined financial statements include the accounts of Renown Health and its subordinate corporations and subsidiaries. All significant intercompany accounts and transactions have been eliminated in combination.

Tax-exempt Status

Renown Health and its members are organized as Nevada nonprofit entities and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) or 501(c)(4), except for Renown Businesses and its subsidiaries, Nevada Health Care Cooperative and Hometown Management and its subsidiaries. Those entities recognized by the IRS as tax exempt must annually file Returns of Organizations Exempt from Income Tax (Form 990) with the IRS. In addition, the tax exempt entities are subject to income tax on net income derived from business activities that are unrelated to their tax exempt purposes. In those cases, those entities would file an Exempt Organization Business Income Tax Return (Form 990T) with the IRS to report any unrelated business taxable income.

Renown Health believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the combined financial statements. Renown Health would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Income Taxes

Renown Health records income taxes using the liability method. Under this method, deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the currently enacted tax rates and laws that are scheduled to be in effect when the differences are expected to reverse.

Use of Estimates

The preparation of the combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less, excluding funds held in trust.

Marketable Securities and Investment Income

Marketable securities include equity and debt securities which are measured at fair value in the combined balance sheets. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in revenues in excess of expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from revenues in excess of expenses unless the investments are trading securities. Renown Health uses the average cost method to compute realized gains and losses on securities sold.

Patient Receivables

Patient receivables are uncollateralized patient and third-party payor obligations. Renown Health does not charge interest on past due accounts. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

Patient accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, Renown Health analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third party coverage, Renown Health analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), Renown Health analyzes the patients' ability to pay and reduces the patients' balance to the amount for which they are determined by policy to be financially responsible. Renown Health records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates, the patient balance for which the patient is determined by policy to be financially responsible, or the discounted rates, if negotiated, and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Renown Health's process for calculating the allowance for doubtful accounts for self-pay patients has not significantly changed from June 30, 2016 to June 30, 2017. Renown Health does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write offs from third-party payors. Renown Health has not significantly changed its charity care or uninsured discount policies during fiscal years 2016 or 2017

Contributions Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. The fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises.

Inventory

Inventory is stated at average cost.

Funds Held in Trust

Funds held in trust include cash and cash equivalents and money market mutual funds which are measured at amortized cost which approximates fair value. Funds held in trust include amounts held by trustees under indenture agreements for debt service and amounts held by the counterparty to Renown Health's interest rate swap contracts in accordance with the related collateral agreement. Funds held in trust that are available for obligations classified as current liabilities are reported as current assets.

Property and Equipment

Property and equipment acquisitions in excess of \$2,500 (not in thousands) are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the combined financial statements. Interest on amounts borrowed to finance the construction of assets is capitalized. The estimated useful lives of property and equipment are as follows:

Buildings and improvements	15-40 years
Equipment	3-20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net assets and are excluded from revenues in excess of expenses unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when donated or when acquired long-lived assets are placed in service.

Property and equipment is tested for recoverability whenever events or changes in circumstances indicate that its carrying value may not be recoverable. There were impairment losses of \$696 and \$0 recorded on the accompanying combined statements of operations as a result of this review for the years ended June 30, 2017 and 2016.

Unamortized Debt Issuance Costs and Bond Premiums and Discounts

Debt issuance costs and bond premiums and discounts are amortized to interest expense over the period the related obligation is outstanding using the straight-line method, which is a reasonable estimate of the effective interest method. Debt issuance costs and bond premiums and discounts are included within long-term debt on the combined balance sheet.

Goodwill and Intangible Assets

Goodwill represents the excess of cost over fair value of assets acquired from business combinations. On an annual basis and at interim periods when circumstances require, Renown Health tests the recovery of its goodwill. Renown Health recognizes an impairment charge for the amount by which the carrying amount of goodwill exceeds its fair value. There were no impairment losses recognized for the years ended June 30, 2017 and 2016.

Intangible assets consist of patient records and non-compete agreements associated with business combinations. Intangible assets are amortized over their economic life which range from 2 to 15 years. Intangible assets are considered annually for indicators of impairment. There were no impairment losses recognized for the years ended June 30, 2017 and 2016.

Investments in Affiliated Organizations

Investments in affiliated organizations in which Renown Health has the ability to exercise significant influence over operating and financial policies but does not have control are recorded under the equity method of accounting. Under the equity method, the initial investment is recorded at cost and adjusted annually to recognize Renown Health's share of earnings and losses of those entities, net of any additional investments or distributions. Renown Health's share of net earnings or losses of the entities is included in other revenues.

Premium Deficiency Reserve

When the expected claim payments and administrative expenses exceed the premiums to be collected for the remainder of the contract period, a premium deficiency reserve is recorded for the deficiency, with a corresponding charge to operations. Renown Health does not utilize anticipated investment income as a factor in the premium deficiency calculation. The premium deficiency reserve is included in estimated third-party payor settlements and other in the combined balance sheets. The premium deficiency reserves for our Hometown Health insurance business at June 30, 2017 and 2016 was \$0 and \$3,100.

Other Noncurrent Liabilities

Other noncurrent liabilities consist of an estimated liability for professional liability losses, liabilities associated with guarantees, and estimated liabilities for postretirement health care benefits and contributory defined benefit plan.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by Renown Health has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by Renown Health in perpetuity.

Revenues in Excess of Expenses

Revenues in excess of expenses excludes unrealized gains and losses on investments other than trading securities, transfers of assets to and from related parties for other than goods and services, change in net unrealized gains and losses on the effective portion of interest rate swaps, change in net unrealized gains and losses from pension and other postretirement benefit obligations, and contributions of long-lived assets, including assets acquired using contributions which were restricted by donors. Revenues in excess of expenses as reflected in the combined statements of operations is considered the performance indicator.

Net Patient Service Revenue

Renown Health has agreements with third-party payors that provide for payments to Renown Health at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Renown Health recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered, as noted above. For uninsured patients that do not qualify for charity care, Renown Health recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates, if negotiated or provided by policy. On the basis of historical experience, a significant portion of Renown Health's uninsured patients will be unable or unwilling to pay for the services provided. Thus, Renown Health records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Net patient service revenue before the provision for bad debts recognized for the years ended June 30, 2017 and 2016 from these major payor sources is as follows:

	2017	2016
Net patient service revenue		
Third-party payors	\$ 885,170	\$ 800,026
Self-pay	12,989	12,062
Total all payors	\$ 898,159	\$ 812,088

Premium Revenue

Premium revenues are recognized as income during the period in which health care coverage is provided. Premium revenue billed and/or collected in advance is deferred as unearned premium revenue, which is included in third-party settlements and other in the combined balance sheets.

Charity Care

To fulfill its mission of community service, Renown Health provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because Renown Health does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue.

Donor-restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When donor stipulated time restrictions or purpose restrictions are met or accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the combined statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the combined statements of operations.

Health Care Expenses and Incurred but Not Paid Liability

Renown Health maintains provider contracts with health care service providers, including hospitals, physician groups and pharmacies. These providers are paid primarily on a capitation or fee-for-service basis. These costs are recognized in the month in which services are provided and are included as part of health care expenses. Coordination of benefits recoveries are netted against these amounts.

Estimated claims payable includes claims reported as of the combined balance sheet date and estimates (based on projections from historical data) of health care expenses incurred but not paid. These amounts are included as part of third-party settlements and other in the combined balance sheets. Estimates are continually monitored and reviewed, and as settlements are made or estimates adjusted, differences are reflected in current operations. Losses are also recognized when it is probable that expected future health care expenses and maintenance costs related to the contract term of certain existing contracts will exceed anticipated future premiums from the related contracts. Due to the subjective nature of these reserves, there is a reasonable possibility that recorded estimates could differ from actual results in the future.

Derivative Financial Instruments

Renown Health records derivatives on the combined balance sheets at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative qualifies as a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in net assets or income. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings. Amounts previously recognized as a change in net assets are recognized into earnings/income consistent with the underlying derivative instrument.

Reclassifications

Reclassifications have been made to the prior year financial information to make it conform to the current year presentation. The reclassifications had no effect on previously reported operating results or changes in net assets.

Note 2 - Charity Care

Renown Health provides health care services to patients who meet certain criteria under its charity care policy at amounts less than established rates. Since Renown Health does not pursue collection of these amounts, they are not reported as patient service revenue. The estimated cost of providing these services was \$19,280 and \$14,846 for the years ended June 30, 2017 and 2016, calculated by multiplying the ratio of cost to gross charges for Renown Health by the gross uncompensated charges associated with providing charity care to its patients. Renown Health does not receive funds to offset or subsidize charity care services.

Note 3 - Net Patient Service Revenue

Renown Health has agreements with third-party payors that provide for payments to Renown Health at amounts different from its established rates. A summary of the payment arrangements with major third-party payors is as follows:

Medicare: Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are generally paid at prospectively determined rates per encounter. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. Renown Health is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the hospitals and audits thereof by the Medicare fiscal intermediary. Renown Health's Medicare cost reports have been audited by the Medicare fiscal intermediary through the year ended June 30, 2013.

Medicaid: Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed based on prospectively determined rates per length of stay and/or a fee schedule.

Other Insurers: Renown Health also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations for commercial, Medicaid and Medicare Advantage programs. The basis for payment to Renown Health under these agreements includes capitation, prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Net revenues from the Medicare, Medicaid, and other insurers accounted for the following percentages of Renown Health's patient service revenues for the years ended June 30, 2017 and 2016:

	2017	2016
Medicare	36%	37%
Medicaid	12%	11%
PPO/HMO	45%	45%
Other	7%	7%

Laws and regulations governing Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue increased approximately \$6,333 and \$6,784 for the years ended June 30, 2017 and 2016 due to differences in estimated and actual cost report settlements and due to the removal of allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer likely subject to audits, reviews, and investigations. In addition, Renown Health's 2017 net patient service revenue includes a \$4,072 third-party settlement received from Routt Dialysis, LLC.

The Centers for Medicare and Medicaid Services (CMS) has implemented a Recovery Audit Contractor (RAC) program under which claims are reviewed by contractors for validity, accuracy, and proper documentation. A demonstration project completed in several other states resulted in the identification of potential overpayments, some being significant. The potential exists that Renown Health may incur a liability for a claims overpayment at a future date. Renown Health is unable to determine the extent of the liability of overpayments, if any. As the outcome of such reviews is unknown and cannot be reasonably estimated, it is Renown Health's policy to adjust revenue for deductions from overpayment amounts or additions from underpayment amounts determined under the RAC audits at the time a change in reimbursement is agreed upon between Renown Health and CMS.

Note 4 - Funds Held in Trust, Marketable Securities and Investment Income

Funds Held in Trust

The composition of funds held in trust at June 30, 2017 and 2016, is shown in the following table.

	2017	2016
Funds held in trust		
For debt service		
Money market mutual funds	\$ 3,120	\$ 10,269
Interest rate swap collateral		
Cash and cash equivalents	10,530	18,901
	\$ 13,650	\$ 29,170

Investment Income

Investment income and gains and losses on funds held in trust, marketable securities, and cash equivalents consist of the following for the years ended June 30, 2017 and 2016:

	2017	2016
Other income		
Interest and dividends	\$ 10,173	\$ 9,397
Realized gain on sales of securities	(1,370)	17
	8,803	9,414
Less amounts included in changes in temporarily restricted net assets	(377)	(257)
Amounts included in investment income	\$ 8,426	\$ 9,157

Fair Value

Renown Health has determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provides a framework for measuring fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

The fair value of Renown Health's marketable securities measured on a recurring basis at June 30, 2017 and 2016, consists of the following:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Balance
<u>June 30, 2017</u>				
U.S. federal agency securities	\$ -	\$ 82,900	\$ -	\$ 82,900
U.S. equity mutual funds	120,573	-	-	120,573
U.S. federal agency mortgage-backed securities	-	51,426	-	51,426
U.S. government securities	73,628	-	-	73,628
U.S. corporate fixed income securities	-	52,443	-	52,443
U.S. fixed income mutual funds	5,563	-	-	5,563
U.S. corporate fixed income asset-backed securities	-	17,671	-	17,671
U.S. municipal bonds	-	1,509	-	1,509
Foreign equity mutual funds	34,533	-	-	34,533
U.S. equity securities	434	-	-	434
	<u>234,731</u>	<u>205,949</u>	<u>-</u>	<u>440,680</u>
U.S. fixed income comingled funds (A)	-	-	-	70,972
Foreign fixed income comingled funds (A)	-	-	-	67,426
Foreign equity commingled funds (A)	-	-	-	29,226
	<u>-</u>	<u>-</u>	<u>-</u>	<u>167,624</u>
Total marketable securities	<u>\$ 234,731</u>	<u>\$ 205,949</u>	<u>\$ -</u>	<u>\$ 608,304</u>

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Balance
<u>June 30, 2016</u>				
U.S. federal agency securities	\$ -	\$ 82,659	\$ -	\$ 82,659
U.S. equity mutual funds	101,246	-	-	101,246
U.S. federal agency mortgage-backed securities	-	24,661	-	24,661
U.S. government securities	51,548	-	-	51,548
U.S. corporate fixed income securities	-	106,213	-	106,213
U.S. fixed income mutual funds	28,831	-	-	28,831
U.S. corporate fixed income asset-backed securities	-	10,422	-	10,422
Foreign equity mutual funds	28,965	-	-	28,965
U.S. equity securities	573	-	-	573
	<u>211,163</u>	<u>223,955</u>	<u>-</u>	<u>435,118</u>
U.S. fixed income comingled funds (A)	-	-	-	70,689
Foreign fixed income comingled funds (A)	-	-	-	27,714
Foreign equity commingled funds (A)	-	-	-	25,275
	<u>-</u>	<u>-</u>	<u>-</u>	<u>123,678</u>
Total marketable securities	<u>\$ 211,163</u>	<u>\$ 223,955</u>	<u>\$ -</u>	<u>\$ 558,796</u>

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Commingled and other funds are reported at fair value as reported by the fund managers based on discounted cash flows, estimated market values, and other unobservable inputs. Each of the commingled funds report fair value using a calculated net asset value per share (NAV). There are no redemption limitations, except as noted below, or unfunded commitments at June 30, 2017 and 2016.

<u>Commingled Fund</u>	<u>Redemption</u>	<u>Redemption Notice Period</u>	<u>Redemption Availability</u>
			Partial Redemptions within 3 business days after the trade date (subject to liquidity limitations). Full redemptions - 90% of the redemption will be sent on the trade date and the remaining 10% will be sent pending final reconciliation of valuations.
U.S. fixed income commingled fund	Any business day of each month	2 business days prior to trade date	
Foreign fixed income commingled fund	First business day of each month	15th of the month	80% available on 1st business day and remaining within 10 business days
Foreign equity commingled fund	First business day of each month	15th of the month	80% available on 1st business day and remaining within 10 business days

Note 5 - Property and Equipment

A summary of property and equipment at June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Land used in operations	\$ 71,405	\$ 70,789
Land held for future expansion	21,205	25,250
Land held for sale	3,230	-
Buildings and improvements	708,700	688,532
Equipment	464,742	420,394
Construction in progress	6,116	12,346
	<u>1,275,398</u>	<u>1,217,311</u>
Less allowance for depreciation	<u>(654,655)</u>	<u>(608,615)</u>
Net property and equipment	<u>\$ 620,743</u>	<u>\$ 608,696</u>

The gross amount recorded for assets under capital leases was \$10,611 at June 30, 2017 and 2016. The accumulated depreciation recorded for assets under capital leases was \$9,046 and \$8,484 at June 30, 2017 and 2016.

Construction in progress at June 30, 2017 represents Regional campus renovations and various other projects. The estimated costs to complete these projects are \$11,832 which will be financed with Renown Health's funds.

Note 6 - Investments in Affiliated Organizations

Investments of \$28,452 and \$25,980 in various related health care ventures are being recorded on the equity method, with Renown Health's 50% investment in Carson Valley Medical Center (CVMC) accounting for 88% of the total for the years ended June 30, 2017 and 2016. The net gain on these investments, totaling \$2,920 in 2017 and \$1,922 in 2016, is included in other revenue. Renown Health received distributions of \$448 and \$771 from these investments in 2017 and 2016.

The total assets, total liabilities, and revenues in excess of expenses for the affiliated organizations as of and for the years ended June 30, 2017 and 2016 was as follows:

	2017	2016
Assets		
CVMC	\$ 63,204	\$ 60,295
All other	17,309	17,859
Total assets	\$ 80,513	\$ 78,154
Liabilities		
CVMC	\$ 13,173	\$ 14,379
All other	21,210	21,848
Total liabilities	\$ 34,383	\$ 36,227
Revenues in Excess of (Less Than) Expenses		
CVMC	\$ 4,115	\$ 3,551
All other	945	(504)
Revenues in excess of expenses	\$ 5,060	\$ 3,047

Note 7 - Contributions Receivable (or Promises to Give)

Contributions receivable are unconditional promises to give that Renown Health has received from corporations, private foundations and individuals in the community. Certain promises are receivable over a period of time. The following is a summary of contributions receivable at June 30, 2017 and 2016:

	2017	2016
Amounts due in less than one year	\$ 2,152	\$ 2,759
Amounts due in one to five years	3,617	5,775
	5,769	8,534
Less discount to net present value	(662)	(916)
Contributions receivable, net	\$ 5,107	\$ 7,618

As of June 30, 2017 and 2016, these receivables are deemed fully collectible. Based on management's evaluation of collectability of contributions receivable, no allowance for doubtful contributions receivable was recorded at June 30, 2017 and 2016.

Note 8 - Operating Leases

Renown Health leases various buildings, office space, and equipment under noncancelable long-term agreements. The leases expire at various times and have various renewal options and lease payment escalation provisions. Total lease expense for the years ended June 30, 2017 and 2016 was \$10,325 and \$10,998.

Future minimum lease payments at June 30, 2017, by year and in the aggregate, under noncancellable operating leases with initial terms of one year or more consist of the following:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 8,778
2019	6,552
2020	4,801
2021	3,447
2022	2,985
Thereafter	<u>6,863</u>
Total minimum lease payments	<u>\$ 33,426</u>

Note 9 - Long-Term Debt

Long-term obligations consist of the following:

	<u>2017</u>	<u>2016</u>
Public Finance Authority, Nevada Hospital Revenue Refunding Bonds (Renown Regional Medical Center Project) Series 2016A, interest ranging from 3.00% to 5.00% payable monthly; principal installments ranging from \$0 in 2018 to \$15,845 in 2040	\$ 137,180	\$ -
Unamortized debt issuance costs based on imputed interest rate of 4.70% and unamortized bond premium	<u>24,247</u>	<u>-</u>
	161,427	-
Public Finance Authority, Nevada Hospital Revenue Refunding Bonds (Renown Regional Medical Center Project) Series 2015A, interest ranging from 4.00% to 5.00% payable monthly; principal installments ranging from \$2,530 in 2018 to \$7,330 in 2041	141,090	141,290
Unamortized debt issuance costs based on imputed interest rate of 4.23% and unamortized bond premium	<u>6,528</u>	<u>6,764</u>
	147,618	148,054

	2017	2016
City of Reno, Nevada Hospital Revenue Bonds (Renown Regional Medical Center Project):		
Series 2009 A&B, variable interest ranging from .39% to .93% payable monthly; principal installments ranging from \$295 in 2018 to \$7,185 in 2039	\$ 60,840	\$ 61,100
Unamortized debt issuance costs based on imputed interest rate of 3.93%	(1,516)	(1,585)
	59,324	59,515
Series 2008 A&B, variable interest ranging from .39% to .93% payable monthly; principal installments ranging from \$1,550 in 2018 to \$22,400 in 2041	77,400	78,900
Unamortized debt issuance costs based on imputed interest rate of 3.80%	(1,242)	(1,294)
	76,158	77,606
Series 2007A, interest at 5.00%	-	2,190
Unamortized debt issuance costs and unamortized bond premium	-	52
	-	2,242
City of Reno, Nevada Hospital Revenue Bonds (Renown Health Project):		
Series 2006 remaining unamortized debt issuance costs	(845)	(880)
Series 2005 A&B, interest ranging from 4.63% to 6.25% payable semi-annually; principal installments ranging from \$1,950 in 2018 to \$1,785 in 2040	9,435	84,050
Unamortized debt issuance costs based on imputed interest rate of 5.47% and unamortized bond premium	(438)	(3,393)
	8,997	80,657
City of Reno, Nevada Hospital Revenue Bonds (Renown Regional Medical Center Project):		
Series 2004A, interest at 5.50% payable semi-annually; principal payable in installments ranging from \$1,450 in 2018 to \$190 in 2028	3,100	20,600
Unamortized debt issuance costs based on imputed interest rate of 5.63% and unamortized bond premium	(143)	(655)
	2,957	19,945
Series 2004C (converted 2010), interest ranging from 5.00% to 5.38% payable semi-annually; principal payable in installments ranging from \$1,970 in 2018 to \$935 in 2039	14,805	38,860
Unamortized debt issuance costs based on imputed interest rate of 5.23% and unamortized bond premium	(544)	(2,150)
	14,261	36,710

Renown Health
Notes to Combined Financial Statements
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	2017	2016
Series 2004C (converted 2008), interest ranging from 4.50% to 5.50% payable semi-annually; principal payable in installments ranging from \$200 in 2018 to \$475 in 2039	\$ 4,435	\$ 45,775
Unamortized debt issuance costs based on imputed interest rate of 5.40% and unamortized bond premium	(321)	(1,359)
	4,114	44,416
Guaranteed Insured Notes, Series 1995, interest at 7.58%; payable semi-annually; principal payable in installments ranging from \$2,100 in 2018 to \$3,500 in 2025	21,900	23,900
Unamortized debt issuance costs	(406)	(457)
	21,494	23,443
Equipment lease, interest rate ranging from 2.87% to 3.00%; principal and interest payable monthly, due from July 2017 to June 2019	1,729	1,438
Vendor equipment note	164	267
	497,398	493,413
Less current maturities	(13,369)	(12,631)
	\$ 484,029	\$ 480,782

The Series 2016A, 2015A, 2009A&B, 2008A&B, 2007A, 2005A&B, and 2004A&C Hospital Revenue Bonds and a line of credit have been issued under a Master Indenture Agreement that secures the indebtedness by a pledge of the gross revenues of the Obligated Group. Under the Master Trust, Renown Health is required to comply with certain restrictive financial and other covenants. As of June 30, 2017 and 2016, management has asserted that Renown Health was in compliance with all debt covenants.

In July 2016, the Obligated Group issued the 2016A series revenue bonds for the purpose of advance refunding a portion of the 2004A, 2004C, 2005A and 2005B bonds totaling \$137,180. The advance refunding was treated as an extinguishment and a loss of \$22,413 was recorded for the year ended June 30, 2017.

Aggregate principal maturities of long-term obligations, including capital leases, at June 30, 2017, excluding unamortized bond discounts and premiums and unamortized debt issuance costs, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 13,005
2019	13,438
2020	13,160
2021	13,865
2022	14,620
Thereafter	<u>403,990</u>
Total	<u>\$ 472,078</u>

Note 10 - Temporarily and Permanently Restricted Net Assets

Temporarily and permanently restricted net assets are available for the following purposes at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Temporarily restricted		
Children's services	\$ 11,613	\$ 11,780
Post-operative rehabilitation services	559	652
Healing garden/arts	374	406
Cancer services	377	343
Other programs	<u>2,363</u>	<u>2,120</u>
Total temporarily restricted net assets	<u>15,286</u>	<u>15,301</u>
Permanently restricted		
Nursing education	1,200	1,166
Healing garden/arts	588	588
Other programs	<u>1,637</u>	<u>1,441</u>
Total permanently restricted net assets	<u>3,425</u>	<u>3,195</u>
Total temporarily and permanently restricted net assets	<u>\$ 18,711</u>	<u>\$ 18,496</u>

In 2017 and 2016, net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes in the amounts of \$3,080 and \$903. These amounts are included in net assets released from restrictions in the combined financial statements.

Note 11 - Retirement Plans and Postretirement Health Care Benefits

Contributory Defined Benefit Plan

Renown Health sponsors a contributory defined benefit plan (Retirement Plan). The Retirement Plan is not available to employees who did not elect to participate in the plan as of November 17, 1985. Those employees who did elect to participate in the Retirement Plan as of November 17, 1985 are required to contribute 2.5% of their annual earnings. Normal retirement benefits under the Retirement Plan are based on the three highest years of compensation and the employee's years of service. Benefits are reduced for specified benefits received under the Nevada Public Employees' Retirement System. Participants in this plan are fully vested. Renown Health's total retirement benefit expense was not material.

The Retirement Plan was partially funded as of June 30, 2017 and 2016. Renown Health's measurement date for plan assets, pension obligations and net periodic pension cost associated with the retirement plan is June 30. The changes in benefit obligations and plan assets for Renown Health's Retirement Plan are as follows:

	2017	2016
Projected benefit obligation at beginning of year	\$ 13,186	\$ 13,846
Interest cost	396	475
Plan participants' contributions	1	1
Actuarial loss	(546)	(104)
Benefits paid	(1,004)	(1,032)
Projected benefit obligation at measurement date	12,033	13,186
Fair value of plan assets at beginning of year	11,178	11,715
Actual gain on plan assets	1,149	311
Employer contributions	-	183
Plan participants' contributions	1	1
Benefits paid	(1,004)	(1,032)
Fair value of plan assets at measurement date	11,324	11,178
Funded status at end of year	\$ (709)	\$ (2,008)

The accumulated benefit obligation for Renown Health's retirement plan was \$12,033 and \$13,186 at June 30, 2017 and 2016. The liability for the funded status of \$709 and \$2,008 at June 30, 2017 and 2016 is included in other noncurrent liabilities in the accompanying combined financial statements. Renown Health recognized a decrease in unrestricted net assets of \$1,262 and \$84 for the year ended June 30, 2017 and 2016 related to the Retirement Plan. This is included in other changes in unrestricted net assets in the accompanying combined financial statements.

The benefits expected to be paid from Renown Health's Retirement Plan in each of the next five years, and in the aggregate for the next five years are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 1,095
2019	1,063
2020	1,029
2021	994
2022	956
2023-2027	<u>4,203</u>
Total	<u>\$ 9,340</u>

The actuarial assumptions used by Renown Health's Retirement Plan are as follows:

	<u>2017</u>	<u>2016</u>
Weighted average discount rates for calculating pension expense	3.2%	3.6%
Weighted average discount rates for calculating projected benefit obligation	3.3%	3.2%
Weighted average rates of compensation increase for calculating pension expense	4.0%	4.0%
Weighted average rates of compensation increase for calculating projected benefit obligation	4.0%	4.0%
Expected long-term rates of return on plan assets for calculating pension expense	7.0%	7.0%

The components of Renown Health's Retirement Plan's net periodic benefit cost for the years ended June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Interest cost	\$ 395	\$ 475
Expected return on plan assets	(738)	(774)
Recognized gains	<u>305</u>	<u>274</u>
Benefit cost	<u>\$ (38)</u>	<u>\$ (25)</u>

The Retirement Plan weighted average asset allocations at June 30, 2017 and 2016, by asset category are as follows:

Asset Category	Target	Percentage of Plan Assets at	
	2017	June 30, 2017	2016
Interest-bearing cash	0.0%	3.0%	2.0%
Equity securities	60.0%	60.0%	60.0%
Fixed income	40.0%	37.0%	38.0%
Total	100%	100%	100%

Renown Health's investment strategy for the retirement plan assets is to balance the liquidity needs of the Retirement Plan with the long-term return goals necessary to satisfy future obligations. The target asset allocation seeks to reduce volatility while capturing the equity premium from the capital markets over the long-term and maintain security of principal to meet near term expenses and obligations through the fixed income allocation.

Renown Health's Retirement Plan portfolio return assumption of 7% is based on the weighted average return of comparative market indices for the asset classes represented in the portfolio and discounted for retirement plan expenses.

A fair value hierarchy has been established with three levels that prioritize the valuation inputs into each level (see Note 1). The fair value of the Retirement Plan's assets consists of the following as of June 30, 2017 and 2016, except for money market funds, which are valued at historical cost:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Balance
<u>June 30, 2017</u>				
Mutual funds				
U.S. equities funds	\$ 1,765	\$ -	\$ -	\$ 1,765
Index funds	7,531	-	-	7,531
Foreign equity funds	1,726	-	-	1,726
Cash and cash equivalents - at cost				302
Total Retirement Plan	\$ 11,022	\$ -	\$ -	\$ 11,324
<u>June 30, 2016</u>				
Mutual funds				
U.S. equities funds	\$ 1,811	\$ -	\$ -	\$ 1,811
Index funds	7,600	-	-	7,600
Foreign equity funds	1,487	-	-	1,487
Cash and cash equivalents - at cost				280
Total Retirement Plan	\$ 10,898	\$ -	\$ -	\$ 11,178

Defined Contribution Plan

The Renown Health sponsored defined contribution 401(k) plan is Renown Health's primary retirement plan and covers substantially all employees. The plan has a discretionary matching contribution. For fiscal year 2017 and 2016, Renown Health matched 100% of the first 3% of the employee's contribution and 50% of the next 2% of the employee's contribution. Participants vest in any employer matching contributions at the rate of 25% per year after two years of service, and are fully vested after five years. The total cost of the defined contribution 401(k) plan was \$8,546 and \$7,618 for the years ended June 30, 2017 and 2016.

Postretirement Health Care Benefits

In addition to providing pension benefits, Renown Health provides certain health care benefits for eligible retired employees. Generally, employees hired prior to January 1, 1990, who reach normal retirement age while employed by Renown Health, who have retired after a minimum of ten years of service and who qualify for pension benefits are eligible for these benefits. Renown Health's contribution toward retiree health coverage was capped at the January 1, 1994 levels for current retirees. For employees who retire on or after January 1, 1996, the cap will be set at 50% of the plan premium as of January 1, 1994. The benefits for employees who retire after December 31, 1995 are discontinued at the time they are eligible for government-sponsored medical coverage.

The liability for the net accrued postretirement benefit cost of \$563 and \$667 at June 30, 2017 and 2016 is included in other noncurrent liabilities in the accompanying combined financial statements. Renown Health recognized a decrease in unrestricted net assets of \$168 and \$143 for the years ended June 30, 2017 and 2016 related to the Plan. This is included in other changes in unrestricted net assets in the accompanying combined financial statements.

Note 12 - Concentrations of Credit Risk

Renown Health grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at June 30, 2017 and 2016 was as follows:

	2017	2016
Medicare fee for service	21%	21%
Medicaid	5%	6%
PPO/HMO	42%	39%
Other	32%	34%
	100%	100%

Renown Health's cash balances are maintained in various bank deposit accounts. At times, the balance of these deposits may be in excess of federally insured limits.

Note 13 - Functional Expenses

Renown Health provides health care services to residents within its geographic location. Expenses related to providing these services by functional class for the years ended June 30, 2017 and 2016 are as follows:

	2017	2016
Patient health care services	\$ 934,150	\$ 859,421
General and administrative	254,926	208,804
	\$ 1,189,076	\$ 1,068,225

Note 14 - Income Taxes

Renown Health's taxable corporations file tax returns as required under current tax regulations. The tax provision (benefit) for the years ended June 30, 2017 and 2016 was (\$788) and \$1,716.

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amount used for income tax purposes. The significant components of Renown Health's taxable corporation's deferred taxes as of June 30, 2017 and 2016 are as follows:

	2017	2016
Deferred tax assets/liabilities		
Net operating loss carryover	\$ 53,015	\$ 34,163
Allowance for uncollectible accounts	(5)	4,660
Accrued vacation and incentives	4,208	3,195
Depreciation and amortization	(3,607)	(2,709)
Other	(1,070)	(560)
	52,541	38,749
Less valuation allowance	(51,551)	(38,228)
Net deferred tax asset	\$ 990	\$ 521

Net operating loss carryforwards total approximately \$155,927 and will expire between June 30, 2017 and 2036.

The valuation allowance increased \$13,323 during the year ended June 30, 2017 and increased \$6,645 during the year ended June 30, 2016.

Note 15 - Reinsurance Agreements

Renown Health purchases reinsurance for losses on certain inpatient hospital, physician and pharmacy claims from a reinsurance company. Under the terms of this agreement, the reinsurance company will reimburse Renown Health up to a maximum amount in excess of a \$400 deductible for fully-insured commercial and \$300 deductible for Medicare members, as accumulated on an incurred basis (as defined in the reinsurance agreement) subject to certain limits and coinsurance payments.

Note 16 - Interest Rate Swaps

As of June 30, 2017 and 2016, Renown Health has five swap agreements, as follows:

	Notional Amount			Interest Paid
	Original	2017	2016	
Series 2004C	\$ 15,325	\$ 6,650	\$ 7,338	3.697%
Series 2004C	44,000	42,413	42,600	3.897%
Series 2009	15,325	6,650	7,338	3.697%
Series 2009	44,000	42,413	42,600	3.897%
Series 2008	80,000	71,546	72,909	3.788%

For each of these swaps Renown Health receives a floating rate of 60% of 1-month LIBOR, plus 36 basis points, in return for the fixed rates outlined above. The swaps expire between 2031 and 2041.

The objective of the swaps for Renown Health is to offset the variability of the overall cash flows on a portion of its variable rate debt (and their subsequent refinancing) attributable to changes in market interest rates. Changes in the monthly cash flow receipts by Renown Health on the interest rate swap are expected to be highly effective at offsetting the changes in overall cash flows or interest rate payments attributable to fluctuations in Renown Health's hedged variable rate bonds.

Renown Health utilizes the "hypothetical derivative" method to measure the ineffectiveness of the hedge quarterly. Accordingly, the calculation of ineffectiveness will be equal to the excess of (i) the cumulative change in the fair value of the swap over (ii) the cumulative change in the fair value of the hypothetical derivative. Regression analysis is used to assess the hedge effectiveness. The regression analysis measures both the correlation and the "optimal hedging ratio" between the interest costs of the variable rate bonds and the floating rate swap receipt of 60% of 1-month LIBOR plus 36 basis points.

Series 2004C – Renown Health executed the series 2004C swap contracts in June 2004, designated them to the Series 2004C Bonds and achieved hedge treatment. In September 2009, Renown Health determined the two Series 2004C Swaps no longer qualified for hedge treatment. Prospectively, all changes in fair value of the Series 2004C Swaps are included in the performance indicator. In March 2010, Renown Health converted the Series 2004C Bonds from auction rate mode to fixed rate mode.

Series 2009 (was Series 2004B) – Renown Health executed the Series 2009 swap contracts in June 2004, designated them to the Series 2004B Bonds and achieved hedge treatment. In January 2009, the Series 2004B Bonds were extinguished and refunded with the Series 2009 A&B bonds. The 2004B Swap with an original notional amount of \$15,325 was re-designated from the 2004B Series to the 2009 Series and qualified for hedge treatment at the date of refunding. The 2004B Swap with an original notional amount of \$44,000 qualified for hedge treatment in October 2010. At September 30, 2016, the Series 2009 swap no longer maintained hedge treatment. Prospectively, all changes in fair value of the Series 2009 swap are included in the performance indicator.

Series 2008 (was Series 2006) – Renown Health executed the series 2008 swap contract in April 2006, designated it to the Series 2006 Bonds and achieved hedge treatment. In June 2008, the Series 2006 Bonds were extinguished and refunded with the Series 2008 Bonds, which resulted in Renown Health no longer maintaining hedge treatment for the Series 2006 Swap. In August 2008, Renown Health re-designated the Series 2006 Swap to the Series 2008 Bonds and achieved hedge accounting. At June 30, 2016, the Series 2008 Swap no longer maintained hedge treatment. Prospectively, all changes in fair value of the Series 2008 swap are included in the performance indicator.

The effective portion of the change in fair value of the swaps is included as a component of net assets below the performance indicator. The cumulative effective portion included in net assets was a net unrealized loss of \$34,753 and \$36,270 at June 30, 2017 and 2016. The ineffective portion and the amount of change in fair value not attributable to hedging instruments is included above the performance indicator in non-operating income and losses, and was a gain of \$14,104 and a loss of \$7,655 for the years ended June 30, 2017 and 2016. The fair market value of the swaps is determined using quoted market prices based upon observable interest rates and yield curves (Level 2 inputs), and each of the swaps was a liability totaling \$43,883 and \$59,505 at June 30, 2017 and 2016, and were included in noncurrent liabilities. The fair market value of the swaps with hedge treatment was \$0 and \$16,959 and without hedge treatment was \$43,883 and \$42,546 at June 30, 2017 and 2016.

Note 17 - Commitments and Contingencies

Self-Insurance Plans

Renown Health is self-insured for health insurance, workers' compensation, vision, and dental care. The claims under these plans continue to be accrued as the incidents that give rise to them occur. Unpaid claim accruals are based on the estimated ultimate cost of the claims, including claim administration expenses, in accordance with Renown Health's past experience. Renown Health has entered into a reinsurance agreement with insurance companies to limit its losses on claims for health insurance and workers' compensation, with a reinsurance receivable being recorded for \$2,115 and \$2,257 at June 30, 2017 and 2016. Reserves for self-insured plans were \$7,251 and \$7,346 as of June 30, 2017 and 2016 and are included in accrued salaries, wages, and benefits in the combined balance sheets.

Professional Liability Insurance

Renown Health is self-insured for professional liability claims up to \$2,000 per occurrence and maintains professional liability insurance coverage on a claims-made basis for all claims in excess of \$2,000 per occurrence. Reserves for reported professional liability claims and incurred but not reported claims are based on actuarial studies. Management is aware of no potential professional liability claims whose settlement, if any, would be in excess of amounts provided for or would otherwise have a material adverse effect on Renown Health's combined financial position. Total operating expenses increased approximately \$6,010 for the year ended June 30, 2016 due to changes in estimated claim settlement reserves or as a result of final settlements. Renown Health has not changed its process for calculating the reserve for reported and incurred but not reported claims from June 30, 2016 to June 30, 2017. Reserves for reported and incurred but not reported claims, which are discounted using a rate of 3.01% were \$7,598 and \$11,473 as of June 30, 2017 and 2016 and are included in other noncurrent liabilities in the combined balance sheets.

Litigation, Claims, and Disputes

Renown Health is subject to the usual contingencies in the normal course of operations relating to the performance of its task under its various services it offers. In the opinion of management and after consultation with legal counsel, the ultimate settlement of litigation, claims, and disputes in process will not be material to the combined financial position of Renown Health. However, there can be no guarantee that such will be the case.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services.

On June 29, 2016, Renown Health and the Department of Justice entered into a settlement agreement to resolve civil allegations of health care fraud to the Medicare system. The settlement agreement of \$9,500 arises out of a civil lawsuit filed on June 1, 2012 pursuant to the whistleblower provisions of the False Claims Act. The civil lawsuit alleged that Renown submitted false claims to the Medicare program for inpatient hospital services performed at Renown Regional Medical Center and Renown South Meadows Medical Center from June 1, 2006 through June 30, 2014. The settlement agreement states that it is neither an admission of liability by Renown Health nor a confession by the United States that its claims are not well founded.

Compliance Liability

Through its compliance program, Renown Health identified an arrangement which raised potential issues with respect to compliance with Stark (42 U.S.C. §1395nn) and Anti-Kickback Statutes (42 U.S.C. §1320a-7b(b)) requirements. Renown Health self-disclosed this issue to the Office of Inspector General (OIG) on June 27, 2013 utilizing the Self-Referral Disclosure Protocol (SRDP). The OIG retained the disclosure related to a lease and service agreement and referred the physician contract agreements to the Center for Medicare and Medicaid Services (CMS), Division of Technical Payment Policy. In accordance with the OIG instruction, Renown Health self-disclosed the physician contract agreement issue to CMS on August 2, 2013 and January 7, 2014, utilizing the CMS Self-Referral Disclosure Protocol. Lastly, on March 13, 2013, Renown Health supplemented its CMS disclosure to include payment to a physician for travel related expenses.

The OIG has concluded on its review of the disclosure discussed above and reached a settlement of \$598 with Renown Health on December 21, 2015. CMS has not concluded its respective review of the remaining disclosure. However, any settlement monies will be the responsibility of Renown Health and, accordingly, an accrual of approximately \$206 and \$2,552 has been recorded in the combined financial statements for the years ended June 30, 2017 and 2016. Because there is limited information about and experience with the settlement of matters disclosed under the respective protocols, the ultimate outcome is difficult to estimate and it is at least reasonably possible that a change in the estimated liability could occur in the near term. However, Renown Health believes that it has adequately provided for the most likely outcome from the self-disclosure based on the information available at this time.

Collective Bargaining Agreement

Approximately 20% of Renown Health's labor force is represented by a collective bargaining agreement. The most recent labor agreement expires on June 30, 2017.

Purchase Commitments

During 2017, Renown Health entered into noncancelable contractual commitments, primarily related to software license maintenance. As of June 30, 2017, this commitment totaled \$4,249 and is primarily due within three years.

Note 18 - New Accounting Pronouncement

ASU 2016-02, *Leases*

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. This update provides guidance on a new lessee model that includes the recognition of assets and liabilities arising from lease transactions on the balance sheet. Additionally, the guidance provides clarity on the definition of a lease and the distinction between finance and operating leases. Furthermore, the guidance requires certain qualitative and quantitative disclosures pertaining to the amounts recorded in the financial statements. This guidance becomes effective for annual and interim periods beginning after December 15, 2018 and early adoption is permitted. Management has not yet estimated the potential impact that the adoption will have on its combined financial condition or results of operations.

ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*

In January 2016, the FASB issues Accounting Standards Update No. 2016-01 (ASU 2016-01), *Recognition and Measurement of Financial Assets and Financial Liabilities (Suptopic 825-10)*. This guidance replaces guidance to classify equity securities with readily determinable fair values into different categories (trading or available-for-sale) and requires equity securities to be measured at fair value with changes in fair value recognized through net income. Additionally, this guidance eliminates the method and significant assumptions used to estimate the fair value of financial instruments measured at amortized cost. It requires financial instruments to be measured at fair value using the exit price notion. This update becomes effective for fiscal years beginning after December 15, 2017. Management has not yet estimated the potential impact that the adoption will have on its combined financial condition or results of operations. Management did elect to early adopt a specific provision of ASU 2016-01 as of June 30, 2016, that removed the requirement to disclose the fair value of financial instruments not measured at fair value on the combined balance sheets.

ASU 2014-09, *Revenue from Contracts with Customers*

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers (Topic 606)*. The guidance provides a principles-based approach for determining revenue recognition and supersedes all existing guidance, such as current transaction and industry-specific revenue recognition guidance. The core principle of ASU 2014-09 is that an entity will recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (payment) to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 identifies a five-step process in order to recognize revenue. In addition, there are also enhanced disclosures and more comprehensive guidance for transactions such as service revenue, contract modifications, and multiple-element arrangements. The guidance is in effect for years beginning after December 15, 2017. It is required to be applied retrospectively and early application is not permitted.

The effective date of this guidance was delayed due to the issuance of ASU 2015-14, *Revenue from Contracts with Customers (Topic 606) – Deferral of the Effective Date*. The guidance is now in effect for years beginning after December 15, 2017. Management has not yet estimated the potential impact that the adoption will have on its combined financial condition or results of operations.

ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*

In August 2016, the FASB issues Accounting Standards Update No. 2016-14 (ASU 2016-14), *Presentation of Financial Statements of Not-for-Profit Entities*, with the stated purpose of improving financial reporting by not-for-profit entities. Among other provisions, ASU 2016-14 reduces the number of classes of net assets from three to two, required the presentation of expenses in both natural and functional classifications, and eliminates the requirement to prepare a reconciliation in the statement of cash flows when applying the direct method. This guidance becomes effective for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. Management has not yet estimated the potential impact that the adoption will have on its combined financial condition or results of operations.

Note 19 - Subsequent Events

Renown Health has evaluated subsequent events through September 5, 2017, the date which the combined financial statement were issued.



Supplementary Information
June 30, 2017 and 2016

Renown Health Obligated Group



Independent Auditor's Report on Combining and Supplementary Information

The Board of Directors
Renown Health
Reno, Nevada

We have audited the combined financial statements of Renown Health as of and for the years ended June 30, 2017 and 2016, and our report thereon dated September 5, 2017, which expressed an unmodified opinion on those combined financial statements, appears on pages 1 and 2. Our audits were performed for the purpose of forming an opinion on the combined financial statements taken as a whole. The the obligated group schedules as of and for the years ended June 30, 2017 and 2016 on pages 37 to 39 are presented for the purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

The statistical and other information, on page 40 to 42, which are the responsibility of management, have not been subjected to the auditing procedures applied in the audit of the combined financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Oklahoma City, Oklahoma
September 5, 2017

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	<u>2017</u>	<u>2016</u>
	(In Thousands)	
Assets		
Current Assets		
Cash and cash equivalents	\$ 53,417	\$ 56,498
Marketable securities	541,916	494,582
Receivables		
Patient, net of allowance for uncollectible accounts of \$39,496 in 2017 and \$44,350 in 2016	132,996	125,474
Other	1,685	1,887
Inventory	26,295	23,613
Prepaid expenses and other	2,462	3,188
Total current assets	<u>758,771</u>	<u>705,242</u>
Funds Held in Trust	<u>13,650</u>	<u>29,170</u>
Property and Equipment, Net	<u>424,718</u>	<u>444,462</u>
Due from Renown Health	<u>153,203</u>	<u>144,842</u>
Other Assets		
Goodwill	6,662	6,662
Other	13	199
Total other assets	<u>6,675</u>	<u>6,861</u>
Total assets	<u>\$ 1,357,017</u>	<u>\$ 1,330,577</u>

Renown Health Obligated Group
 Combined Balance Sheets
 June 30, 2017 and 2016

	2017	2016
	(In Thousands)	
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ 10,897	\$ 10,631
Accounts payable		
Trade	19,556	18,015
Estimated third-party payor settlements and other	9,841	11,952
Accrued compensation, benefits and other	19,516	18,936
Total current liabilities	59,810	59,534
Other	43,883	59,505
Long-Term Debt, Less Current Maturities, Unamortized Discount and Premium, and Unamortized Bond Costs	464,251	459,339
Total liabilities	567,944	578,378
Unrestricted Net Assets	789,073	752,199
Total liabilities and net assets	\$ 1,357,017	\$ 1,330,577

Renown Health Obligated Group
 Combined Statements of Operations and Changes in Net Assets
 Years Ended June 30, 2017 and 2016

	2017	2016
	(In Thousands)	
Unrestricted Revenues, Gains, and Other Support		
Net patient service revenues	\$ 891,271	\$ 828,848
Provision for bad debts	(62,077)	(53,028)
Net patient service revenue less provision for bad debts	829,194	775,820
Other revenues	14,559	13,605
Total unrestricted revenues, gains, and other support	843,753	789,425
Expenses		
Salaries and wages	255,964	232,977
Employee benefits	47,844	43,452
Supplies	163,755	150,350
Professional fees	48,570	39,925
Purchased services	150,856	130,247
Purchased charity care	3,240	3,066
Repairs and maintenance	4,829	3,858
Utilities and telephone	4,671	5,028
Insurance	894	937
Provision for depreciation/amortization	34,485	32,140
Interest	19,763	22,368
Rental and lease	4,667	6,723
Other	5,908	5,022
Total expenses	745,446	676,093
Operating Income	98,307	113,332
Other Income (Loss)		
Investment income	7,108	8,176
Unrealized gain (loss) on investments	(665)	1,880
Gain (loss) on interest rate swaps	14,104	(7,654)
Loss on advance refunding of long-term debt	(22,413)	-
Other income, net	(1,866)	2,402
Revenues in Excess of Expenses	96,441	115,734
Change in Unrealized Gains and Losses on Investments	20,083	(2,025)
Change in Unrealized Gains and Losses on Interest Rate Swaps	1,517	(9,922)
Interaffiliate Transfers	(82,563)	(87,604)
Other Changes	(2)	(1)
Contributions and Grants for Property Acquisitions	1,398	979
Increase in Unrestricted Net Assets	36,874	17,161
Net Assets, Beginning of Year	752,199	735,038
Net Assets, End of Year	\$ 789,073	\$ 752,199

Renown Health Obligated Group
 Combined Statements of Cash Flows
 Years Ended June 30, 2017 and 2016

	2017	2016
	(In Thousands)	
Operating Activities		
Change in net assets	\$ 36,874	\$ 17,161
Adjustments to reconcile change in net assets to net cash from by operating activities		
Provision for bad debts	62,077	53,028
Provision for depreciation/amortization	34,485	32,140
Contributed equipment	(1,398)	(979)
Realized loss on sale of property	339	18
Net gains and losses on marketable securities	(19,419)	318
Change in fair value on interest rate swaps	(15,622)	17,576
Loss on advance refunding of long-term debt	22,413	-
Amortization of debt issuance costs and bond discounts/premiums	(36)	9
Interaffiliate transfers	82,563	87,604
Changes in operating assets and liabilities		
Patient accounts receivable and other receivables, less interest receivable	(69,557)	(78,118)
Inventory	(2,682)	(2,310)
Prepaid expenses and other	912	(355)
Due from Renown Health	(90,924)	(51,484)
Accounts payable and accrued expenses	10	(414)
Net Cash from Operating Activities	40,035	74,194
Investing Activities		
Purchase of property, plant and equipment	(13,786)	(29,721)
Sales of property, plant and equipment	104	106
Purchase of marketable securities	(442,477)	(315,231)
Sales of marketable securities	414,722	234,329
Decrease in funds held in trust	7,150	3,342
Net Cash used for Investing Activities	(34,287)	(107,175)
Financing Activities		
Additions to long-term debt	161,367	317
Principal payments on long-term debt	(10,033)	(9,857)
Advance refunding of long-term debt	(168,533)	-
Decrease (increase) in swap collateral	8,370	(9,890)
Net Cash used for Financing Activities	(8,829)	(19,430)
Net Decrease in Cash and Cash Equivalents	(3,081)	(52,411)
Cash and Cash Equivalents, Beginning of Year	56,498	108,909
Cash and Cash Equivalents, End of Year	\$ 53,417	\$ 56,498
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest, net of interest capitalized of (\$66) in 2017 and (\$292) in 2016	\$ 18,952	\$ 21,610

Renown Health Obligated Group
Selected Utilization Statistics (Unaudited)

	2013	2014	2015	2016	2017
Renown Regional Medical Center					
Licensed beds	808	808	808	808	808
Available beds	651	643	643	659	706
Patient Days	142,478	136,590	145,823	152,947	173,713
Observation Days	11,442	12,949	18,520	17,816	12,727
Equivalent Patient Days	153,920	149,539	164,343	170,763	186,440
Admissions	27,679	27,021	27,003	28,083	30,826
Observations	10,766	13,350	15,557	15,501	11,782
Equivalent Admissions	38,445	40,371	42,560	43,584	42,608
Average length of stay	5.1	5.1	5.4	5.4	5.6
Average daily census (1)	422	410	450	467	511
Occupancy percent (1) (2)	64.8%	63.7%	70.0%	70.8%	72.4%
Case mix index - total	1.6522	1.6552	1.8100	1.8300	1.8610
Case mix index - Medicare	1.9142	1.8705	2.0900	2.0300	2.0261
Number of surgeries	19,925	19,862	20,828	22,019	22,611
Emergency room visits	85,550	88,899	93,383	93,520	95,077
Deliveries	4,073	4,146	4,060	4,063	4,065
Outpatient visits	225,407	292,225	310,380	367,185	397,301
Renown South Meadows Medical Center					
Licensed beds	76	76	76	76	76
Available beds	76	76	76	76	76
Patient Days	9,159	8,701	8,843	9,564	12,285
Observation Days	1,643	1,623	2,096	2,568	2,065
Equivalent Patient days	10,802	10,324	10,939	12,132	14,350
Admissions	2,908	2,913	2,896	3,087	4,070
Observations	1,735	2,005	2,337	2,678	2,200
Equivalent Admissions	4,643	4,918	5,233	5,765	6,270
Average length of stay	3.1	3.0	3.1	3.1	3.0
Average daily census (1)	30	28	30	33	39
Occupancy percent (1) (2)	38.9%	37.2%	39.4%	43.7%	51.7%
Number of surgeries	7,813	7,782	7,678	7,400	7,288
Emergency room visits	20,272	21,705	23,979	24,415	25,247
Outpatient visits	32,435	28,507	28,811	35,433	35,800
Renown Rehabilitation Hospital					
Licensed beds	62	62	62	62	62
Available beds	62	62	62	62	62
Patient days	14,587	13,550	13,590	13,361	13,216
Admissions	1,045	899	879	807	819
Average length of stay	14.0	15.1	15.5	16.6	16.1
Average daily census	40	37	37	37	36
Occupancy percent (2)	64.5%	59.9%	60.1%	59.0%	58.4%

(1) Based on equivalent admissions & equivalent days

(2) Based on available beds

Renown Health Obligated Group
Historical Performance Financial Ratios (Unaudited)
As of and For The Years Ended June 30, 2017 and 2016

	<u>2017</u>
Days Revenue in Accounts Receivable, Net	58.5
Days Cash on Hand	305.8
Cash to Debt (%)	125.3
Debt to Capitalization (%)	37.6
Maximum Annual Debt Service Coverage	4.8
Debt to Cash Flow	3.4
Net Operating Margin (%)	11.7
Operating Cash Flow Margin (%)	18.1
EBITDA Margin	18.8

Renown Health Obligated Group Financial Ratio Definitions:

Days Revenue in Accounts Receivable, Net: Net patient accounts receivable divided by (net patient revenue divided by the days in the year).

Days Cash on Hand: Cash and marketable securities divided by [total operating expenses — provisions for depreciation — (gain)/loss on disposal of equipment (divided by the days in the year)].

Cash to Debt: Cash and marketable securities divided by long-term debt.

Debt to Cash Flow: Long-term debt divided by (income + provisions for depreciation).

Maximum Annual Debt Service Coverage: (Income + provision for depreciation + interest expense + (gain)loss on disposal of equipment + loss(gain) on interest rate swaps + unrealized loss(gain) on investments + loss on extinguishment of debt) divided by maximum annual debt service.

Debt to Capitalization: Long-term debt, including current maturities, divided by net assets + long-term debt, including current maturities.

Operating Cash Flow Margin: (Income from operations + interest expense + provision for depreciation) divided by total operating revenues.

Net Operating Margin: Income from operations divided by total operating revenues.

EBITDA Margin: Operating Income + investment income + interest expense + provision for depreciation + provision for taxes divided by total operating revenues + investment income.