



Allina Health

**Quarterly Financial Disclosure Statement
Nine Months Ended
September 30, 2016**

*For additional information please visit www.AllinaHealth.org.
For past quarterly and annual disclosures please visit www.dacbond.com or EMMA www.emma.msrb.org.
Direct questions regarding disclosure information to treasury@allina.com.*

Allina Health System
Quarterly Financial Disclosure Statement
September 30, 2016

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ALLINA HEALTH SYSTEM
Quarterly Financial Disclosure Statement
Nine Months Ended September 30, 2016

OVERVIEW OF THE SYSTEM

Introduction

Allina Health System, doing business as Allina Health, is a Minnesota nonprofit corporation that delivers health care services to patients in Minnesota and western Wisconsin. As a mission-driven organization, Allina Health is committed to improving the health of the communities it serves. With nearly 26,500 full and part-time employees, Allina Health is one of the largest employers in Minnesota. Allina Health consolidated net revenue for nine months ended September 30, 2016 was \$2.9 billion. As an integrated health system that includes hospitals; employed physicians; emergency, ambulatory, homecare and hospice services; and an automated electronic medical record system, Allina Health is positioned as a leader in healthcare in the Minneapolis/St. Paul area and is well-positioned for health care reform.

Allina Health owns and operates twelve hospitals and jointly owns and operates one other hospital. These include urban tertiary care, suburban community and rural hospitals. Allina Health hospitals provided more than 77,400 inpatient admissions and nearly 1,048,600 outpatient visits during the nine months ended September 30, 2016. As of September 30, 2016, Allina Health hospitals had licensed bed capacity of 2,451 acute care beds, 1,716 of which were staffed for inpatient services.

Allina Health provides clinical services through its Allina Health Group and hospital-based physicians and employs 1,370 physicians. Allina Health Group controls and operates 67 clinics, operates the clinical services lines, and includes approximately 760 physicians. Allina Health also operates three hospitalist programs on the Abbott Northwestern, United, and Unity hospital campuses with approximately 170 hospitalists. Allina Specialty Associates, Inc. ("ASA"), operating under the name Minneapolis Heart Institute®, includes approximately 90 physicians, consisting of cardiologists, cardiothoracic and vascular surgeons. In addition, Allina Health hospitals have approximately 350 specialty physicians including intensivists, perinatologists, and psychiatrists. Allina Health physicians and allied professionals generated over 5,504,100 work RVUs¹ during the nine months ended September 30, 2016. The Allina Integrated Medical ("AIM") Network aligns Allina Health physicians, 1,875 independent medical physicians, and over 20 hospitals to deliver market-leading quality and efficiency in patient care. Allina Health is a comprehensive health care system and has one of the largest physician networks in Minnesota.

The Minneapolis/Saint Paul metropolitan market has experienced stable population growth for the past several years. Overall hospital inpatient volume in the metropolitan market has declined around 8.5% from 2008 to 2015. Allina Health continues to have a stable and leading market share in the metropolitan area, with a 31.0% inpatient market share as of March 31, 2016.

¹ Relative Value Unit ("RVU") is a measure of relative resource utilization.

Board Member Updates

The Allina Health Board added two new members in September 2016.

The new member is:

<u>Name</u>	<u>Profession/Association</u>	<u>Term Expiration</u>
Clay Ahrens	Retired Health Care Executive	2019
Sahra Noor	CEO People's Center Health Services	2019

Executive Leadership Team

Following are the Executive Leadership Team members and their biographies:

Penny Wheeler, M.D. (58) – *President and Chief Executive Officer*

Dr. Wheeler is the President and Chief Executive Officer. Prior to her appointment as CEO, effective January 1, 2015, she served as the Chief Clinical Officer, a position she held since March 2006. As a board-certified obstetrician/gynecologist, Dr. Wheeler has served patients at Women's Health Consultants in Minneapolis and taught as an associate professor of obstetrics and gynecology at the University of Minnesota. She has served as President of Abbott Northwestern Hospital's medical staff, as Chair and Vice-Chair of the hospital's obstetrics and gynecology department and on numerous committees. Dr. Wheeler served on the Allina Health Board of Directors from 2002 until 2006, where she was Chair of the Quality Committee. Her educational background includes an undergraduate degree with honors from the University of Minnesota, and Doctor of Medicine from the University of Minnesota Medical School.

Chris Bent (46) – *Executive Vice President, Allina Health Group*

Ms. Bent leads the Allina Health Group, responsible for integrating primary care, specialty care and clinical service line capabilities to better serve the patients of Allina Health. Earlier in her career, Ms. Bent was the chief operating officer of the Minneapolis Heart Institute® where, in conjunction with the physician president, she provided professional management to the 125-bed Heart Hospital within Abbott Northwestern Hospital and Minneapolis Heart Institute®'s extensive outreach program. Her background is in physician practice management in both independent practices and integrated health care delivery systems. Ms. Bent graduated from Carleton College in Northfield, Minnesota with a Bachelor's Degree in Psychology and obtained her Master of Health Services Administration from the University of Minnesota.

Duncan Gallagher (56) – *Executive Vice President, Chief Administrative Officer and Chief Financial Officer*

Mr. Gallagher was appointed Chief Financial Officer in August 2009. Prior to joining Allina Health, Mr. Gallagher was the Executive Vice President and Chief Operating/Financial Officer of Iowa Health System based in Des Moines, Iowa. He was also a partner in the healthcare consulting practice of KPMG LLP in Dallas, Texas with twelve years of experience at KPMG. Mr. Gallagher previously held various finance positions with HealthEast Care System in St. Paul, Minnesota. Mr. Gallagher received his Bachelor's Degree in Accounting from the University of South Dakota, and a Master of Business Administration from the University of Minnesota. In addition to Finance, Mr. Gallagher also has operational responsibility for Information Systems, Payer Relations and Contracting, Lab, Supply Chain Management and Revenue Cycle Management.

Robert Wieland, M.D. (53) - *Executive Vice President, Network/Integration Division*

Dr. Wieland assumed the role of Executive Vice President, Network/Integration Division in November 2014. Dr. Wieland has been employed by Allina Health in various roles since 1994, and served as the Executive Vice President, Clinic and Community Division from November 2008 until November 2014, and prior to that he was Vice President of Medical Affairs at Abbott Northwestern Hospital. Earlier in his career he was District Medical Director within the Allina Medical Clinic and is co-founder of the Hospitalist Service at Abbott Northwestern Hospital. Dr. Wieland earned his Bachelor's Degree in Mechanical Engineering at the University of Minnesota, medical degree at the University of Minnesota Medical School and Internal Medicine training at Abbott Northwestern Hospital. Dr. Wieland has accountability for the Allina Integrated Medical Network, Strategy and Business Development, Care Management, Allina Health Pharmacy; Allina Home Oxygen and Medical Equipment; and Allina Home Care, Hospice and Palliative Care; and Marketing and Communication.

Elizabeth Truesdell Smith (53) – Senior Vice President, General Counsel

Ms. Smith assumed the role of General Counsel in February 2009. She joined the Allina Health Legal and Risk Management department in 2000. In 2007, Ms. Smith began leading Allina Health's medical-legal team as its Vice President. Before coming to Allina Health, Ms. Smith practiced as a trial lawyer for eight years with a focus on hospital and health law, medical professional liability and medical products liability litigation. She has worked in biomedical laboratory research at Harvard Medical School and in biomedical ethics at Boston University and the University of Minnesota. Ms. Smith earned a Master's of Public Health with a health law and bioethics concentration from Boston University School of Public Health and a Juris Doctor from the University of Minnesota Law School. Ms. Smith also has operational responsibility for Risk Services.

Ben Bache-Wiig, M.D. (59) – Senior Vice President, west region and President, Abbott Northwestern Hospital

Dr. Bache-Wiig was appointed President of Abbott Northwestern Hospital in October 2011. He served as Vice President of Medical Affairs for Abbott Northwestern Hospital since 2009. Dr. Bache-Wiig was previously Medical Director and Physician President of the North Clinic for 20 years. Dr. Bache-Wiig completed his undergraduate studies at Michigan State University and Doctor of Medicine at the University of Wisconsin. He is board certified in internal medicine. Dr. Bache-Wiig also has operational responsibility for New Ulm Medical Center, Owatonna and District One Hospitals, WestHealth Ambulatory Center, and medical operations.

Sara J. Criger (55) – Senior Vice President, north region and President, Mercy Hospital

Ms. Criger was appointed President of Mercy Hospital in July 2012. Prior to joining Allina Health, Ms. Criger was Vice President, HealthEast Care System and Chief Executive Officer, St. Joseph's Hospital, both based in St. Paul, Minnesota, for five years. Ms. Criger has more than 28 years of experience in managing large hospitals and clinics. Ms. Criger holds a Bachelor's Degree in Business Administration from Western Connecticut State University and a Master of Health Services Administration from the University of St. Francis. Ms. Criger also has operational responsibility for Buffalo, Cambridge and Unity Hospitals and patient experience.

Tom O'Connor (50) – Senior Vice President, east region and President, United Hospital

Mr. O'Connor was appointed President of United Hospital in January 2012. Previously, he served as President of Mercy Hospital for five years and President of St. Francis Regional Medical Center for five years. Before St. Francis, he served for a year as the Divisional Vice President of Operations of Allina Healthcare Improvement Resources and for four years as the Vice President of Operations of Allina Regional Health Services. He also spent three years as Chief Operating Officer of HCA Capital Medical Center in Tallahassee Florida and two years as an Assistant Administrator and Quality Coach at the HCA Gulf Coast Hospital in Panama City, Florida. Mr. O'Connor holds a Bachelor of Arts Degree from St. Olaf College, a Master of Health Services Administration and a Master of Business Administration from the University of Minnesota. Mr. O'Connor also has operational responsibility for Regina and River Falls Area Hospitals; St. Francis Regional Medical Center; Allina Health Emergency Medical Services; and staffing management.

Christine Moore (46) – Senior Vice President, Chief Human Resource Officer

Ms. Moore joined Allina Health as Senior Vice President, Chief Human Resource Officer in August 2015. Prior to joining Allina Health, Ms. Moore was Vice President of Talent and Organization Development of Ecolab. Ms. Moore holds a Bachelor Degree in Economics from Scripps College and a doctorate in organizational psychology from Claremont Graduate University.

Timothy Sielaff, M.D. (53) – Chief Medical Officer and Senior Vice President, Specialty Care and Research

Dr. Sielaff was appointed Chief Medical Officer and Senior Vice President, Specialty Care and Research in February 2015. Dr. Sielaff has been a hepatopancreatobiliary surgeon for 15 years. Dr. Sielaff's educational background includes a Bachelor of Science Degree from the University of Wisconsin-Madison, a Doctor of Medicine from the Medical College of Virginia, a Doctor of Philosophy from the University of Minnesota-Department of Surgery, and a Master of Health Care Administration from the University of St. Thomas.

Chief Financial Officer Succession

Duncan Gallagher, Executive Vice President, Chief Administrative Officer and Chief Financial Officer, has announced his resignation at the end of 2016. Richard Magnuson, Senior Vice President, Finance and Treasury, has been appointed the next Chief Financial Officer, beginning in January 2017. Mr. Gallagher joined Allina Health in 2009, becoming the longest-tenured Chief Financial Officer in the history of Allina Health, and his leadership has contributed to many successes and key strategic initiatives. Richard Magnuson rejoined Allina Health in March 2016; Mr. Magnuson previously served Allina Health from 1987 to 2004. Prior to rejoining Allina Health, Mr. Magnuson most recently served as Chief Financial Officer of City of Hope in Southern California. Mr. Magnuson brings twelve years of payer and provider Chief Financial Officer experience to his new role having also served as Chief Financial Officer for Group Health in Seattle, Washington and Fletcher Allen Health Care in Burlington, Vermont.

Recent Initiatives and Developments

Minnesota Nurses Association 2016 Labor Negotiations

On October 13, 2016 the Minnesota Nurses Association announced that Allina Health nurses voted to ratify the agreement reached with the union. The new contract is effective through May 31, 2019. Nurses returned to work on October 16, 2016 after an open-ended strike that began on September 5, 2016. The union also called a seven-day strike from June 19-26, 2016. Allina Health and the Minnesota Nurses Association had been in negotiations for contracts covering nurses at Abbott Northwestern, Phillips Eye Institute, and Mercy, United and Unity hospitals since February 2016 on a contract that expired on May 31, 2016. Allina Health was committed to bargaining in good faith to reach a settlement that is fair to both our valued nurses and to the patients and communities we serve. The hospitals affected remained open and fully staffed during both strikes. The financial impact is discussed in more detail in the management and discussion and analysis section of the financial disclosure.

North Metro Hospital Care

Allina Health will be integrating hospital care in the north metro region through a “One Hospital, Two Campuses” initiative in the Mercy and Unity hospitals’ service area. Allina Health will reconfigure the services provided at the two hospitals over the next few years. The reconfiguration will ensure access to high quality care and service and improve the practice and work environment for providers and staff. The two campuses will function as one hospital, each providing its specific services for the entire north metro region, rather than both hospitals duplicating most services. However, Allina Health will continue to offer emergency care and other basic care services at each campus that patients need most often. The reconfiguration will continue to optimize the services around what is best for patients and the community. Allina Health will invest approximately \$103 million in the reconfiguration and related infrastructure needs over the next several years.

Clinic Transaction

In February 2016, the Allina Health Board of Directors approved capital investments to create new clinics in Isanti, MN and River Falls, WI. The new clinics will enable Allina Health to improve access and meet patient demand. Construction will begin in 2016 with a projected opening in 2017.

United Hospital OB Project

In December 2014, the Allina Health Board of Directors approved a capital investment in The Mother Baby Center –St. Paul in collaboration with Children’s. Allina Health funded \$7.9 million and \$8.0 million was funded through philanthropic funds. Phase one of the project was completed in October 2015, and phase two was completed in June 2016.

Abbott Northwestern Hospital Emergency Department Renovation and Expansion

In June 2015, the Allina Health Board of Directors approved a capital investment to renovate and expand the Abbott Northwestern Hospital Emergency Department. Total capital cost of this project is \$20.7 million, of which Allina Health will fund \$13.2 million and the remaining \$7.5 million will be funded through philanthropic funds. The project is expected to be complete in the summer of 2017.

Medicare and Medicaid Electronic Health Records Incentive Programs (Meaningful Use)

The American Recovery and Reinvestment Act of 2009 established the Health Information Technology for Economic and Clinical Health (HITECH) Act. The HITECH Act authorized the Centers for Medicare & Medicaid Services (CMS) to establish the Meaningful Use Program to achieve national healthcare goals through the use of electronic health records. Through the Meaningful Use Program, organizations and eligible providers will receive incentives for meeting steadily more challenging electronic health record use criteria from 2011 through 2015.

The hospitals of Allina Health attested with the federal government that they met 19 objective measures and 15 quality measures in Stage Two, Year Two of Meaningful Use. The physicians of Allina Health also continue to meet Stage One measures along with the new Stage Two requirements of the Meaningful Use physician attestation process. As a result, Allina Health has recorded Medicare payments of \$3.7 million, \$14.8 million, \$23.5 million, \$20.4 million and \$25.8 million for 2015, 2014, 2013, 2012, and 2011 respectively.

Credit Ratings

In August 2015, Fitch Ratings affirmed Allina Health's bond rating of AA-. The outlook is stable.

In August 2015, Standard & Poor's Ratings Services affirmed the AA- rating of Allina Health. The outlook is stable.

In August 2015, Moody's Investor Services affirmed Allina Health's bond rating of Aa3. The outlook is stable.

The complete rating agency reports are available at www.dacbond.com; www.moodys.com; www.fitchratings.com; or www.standardandpoors.com.

Awards and Recognition

In March 2016, Truven Health Analytics named Mercy Hospital one of the nation's 100 Top Hospitals in the large community hospitals group. This is the fifth time Mercy Hospital has been named a Top 100 Hospital.

In April 2016, Modern Healthcare listed Penny Wheeler, MD, President and CEO of Allina Health, one of the nation's "50 most Influential Physician Executives and Leaders." The list honors physicians working in the healthcare industry who are deemed by their peers and an expert panel to be the most influential in terms of demonstrating leadership and impact.

In August 2016, U.S. News & World Report named Abbott Northwestern, Mercy, and United hospitals among the top five hospitals in the metro and top ten in Minnesota in the 2015-2016 Best Hospitals rankings. Abbott Northwestern Hospital retained first place ranking for the Best Hospital in the Twin Cities and second best in Minnesota.

In September 2016, Penny Wheeler, MD, president and Chief Executive Officer, was named one of the 110 Physician Leaders of Hospitals and Health Systems for 2016 by Becker's Hospital Review for demonstrating outstanding leadership and clinical expertise and improving the care of the communities we serve.

ALLINA HEALTH SYSTEM
Consolidated Balance Sheets
(Unaudited)
(Dollars in thousands)

	September 30 2016	December 31 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 123,529	\$ 349,115
Short-term investments	451,660	351,062
Patient accounts receivable, net	468,544	465,058
Inventories	63,567	61,297
Other current assets	99,346	100,341
	<u>1,206,646</u>	<u>1,326,873</u>
Long-term investments	1,318,540	1,247,229
Investments with limited uses	173,380	149,313
Land, buildings, and equipment, net	1,136,949	1,142,461
Other assets	280,659	261,313
Total assets	<u>\$ 4,116,174</u>	<u>\$ 4,127,189</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 375,244	\$ 434,851
Current portion - long-term debt	23,346	23,948
Other current liabilities	84,625	95,093
	<u>483,215</u>	<u>553,892</u>
Long-term debt	839,924	844,436
Other liabilities	440,121	415,578
Total liabilities	<u>1,763,260</u>	<u>1,813,906</u>
Net assets:		
Unrestricted	2,180,731	2,152,102
Temporarily restricted	116,609	105,903
Permanently restricted	55,574	55,278
Total net assets	<u>2,352,914</u>	<u>2,313,283</u>
Total liabilities and net assets	<u>\$ 4,116,174</u>	<u>\$ 4,127,189</u>

ALLINA HEALTH SYSTEM
Consolidated Statements of Operations and Changes in Net Assets
(Unaudited)
(Dollars in thousands)

	Nine Months Ended		Three Months Ended	
	September 30 2016	September 30 2015	September 30 2016	September 30 2015
Revenue:				
Patient service revenue net of contractual adjustments	\$ 2,794,665	\$ 2,680,728	\$ 925,473	\$ 892,586
Provision for bad debts	(62,607)	(80,365)	(24,013)	(29,813)
Net patient service revenue	2,732,058	2,600,363	901,460	862,773
Other operating revenue	181,723	194,091	61,155	57,313
Total revenues	2,913,781	2,794,454	962,615	920,086
Expenses:				
Salaries and benefits	1,848,751	1,728,027	617,779	581,398
Supplies and services	622,627	627,749	217,688	216,255
Depreciation and amortization	123,113	114,147	41,164	39,287
Financing costs	28,179	18,671	9,492	6,635
State assessments and taxes	59,120	57,912	14,713	14,236
Utilities and maintenance	51,306	52,629	16,865	18,889
Other operating expenses	89,458	93,098	27,975	31,200
Total expenses	2,822,554	2,692,233	945,676	907,900
Operating income before strike expenses	91,227	102,221	16,939	12,186
Strike expenses	(104,883)	-	(84,680)	-
Operating (loss) income	(13,656)	102,221	(67,741)	12,186
Nonoperating:				
Investment return	73,600	(43,625)	36,494	(56,729)
Interest rate swap agreements	(30,964)	(18,760)	(757)	(15,967)
Contributions received in acquisitions	-	34,911	-	(1,807)
Other	(2,357)	(1,629)	(865)	(473)
Excess (deficiency) of revenues over expenses	\$ 26,623	\$ 73,118	\$ (32,869)	\$ (62,790)

Continued on next page.

ALLINA HEALTH SYSTEM
Consolidated Statements of Operations and Changes in Net Assets (continued)
(Unaudited)
(Dollars in thousands)

	Nine Months Ended		Three Months Ended	
	September 30 2016	September 30 2015	September 30 2016	September 30 2015
Unrestricted net assets				
Excess of revenue over expenses	\$ 26,623	\$ 73,118	\$ (32,869)	\$ (62,790)
Net assets released from restrictions for capital purposes	3,484	2,656	1,059	251
Amortization of unrealized loss on interest rate swap agreement	655	655	218	218
Other	(2,133)	2,572	(1,000)	(863)
Increase (decrease) in unrestricted net assets	<u>28,629</u>	<u>79,001</u>	<u>(32,592)</u>	<u>(63,184)</u>
Temporarily restricted net assets				
Contributions	15,789	15,191	3,728	4,202
Investment return	6,291	(3,608)	3,587	(4,754)
Net assets released from restrictions	(10,475)	(9,717)	(4,115)	(2,713)
Other	(899)	(174)	1,614	689
Increase (decrease) in temporarily restricted net assets	<u>10,706</u>	<u>1,692</u>	<u>4,814</u>	<u>(2,576)</u>
Permanently restricted net assets				
Contributions for endowment funds	187	211	157	61
Investment return	109	(49)	65	(65)
Increase (decrease) in permanently restricted net assets	<u>296</u>	<u>162</u>	<u>222</u>	<u>(4)</u>
Increase (decrease) in net assets	39,631	80,855	(27,556)	(65,764)
Net assets at beginning of period	<u>2,313,283</u>	<u>2,178,133</u>	<u>2,380,470</u>	<u>2,324,752</u>
Net assets at end of period	<u>\$ 2,352,914</u>	<u>\$ 2,258,988</u>	<u>\$ 2,352,914</u>	<u>\$ 2,258,988</u>

See accompanying notes.

ALLINA HEALTH SYSTEM
Consolidated Statement of Cash Flows
(Unaudited)
(Dollars in thousands)

	Nine Months Ended	
	September 30 2016	September 30 2015
Operating activities		
Increase in net assets	\$ 39,631	\$ 80,855
Adjustments to reconcile increase in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	123,113	114,147
Provision for bad debts	62,607	80,365
Gain on sale of properties	(1,929)	(1,773)
Unrealized loss (gain) on interest rate swaps, net	21,413	8,744
Realized and unrealized gain on investments, net	(61,939)	63,785
Restricted contributions	(15,976)	(15,402)
Contributions of cash for long-lived assets	(2,323)	(1,363)
Contributions received in acquisitions	-	(34,911)
Earnings on equity investments	(12,440)	(9,124)
Change in assets and liabilities net of impact from acquisitions:		
Accounts receivable	(66,093)	(100,269)
Other current assets	(1,275)	589
Accounts payable and other current liabilities	(70,075)	(15,427)
Other assets and liabilities	5,101	5,031
Net cash and cash equivalents provided by operating activities	19,815	175,247
Investing activities		
Proceeds from sales of properties	26,365	4,419
Purchases of land, buildings, and equipment	(142,037)	(145,095)
Contributions of cash for long-lived assets	2,323	1,363
Cash received in acquisitions	-	987
Draws on construction fund	-	13
Purchases and sales of investments classified as trading, net	(116,865)	(8,129)
Purchases and sales of investments with limited uses, net	(17,172)	(7,766)
Distributions received from equity investments	8,564	7,316
Contributions to joint ventures	(17,428)	(20,704)
Net cash and cash equivalents used in investing activities	(256,250)	(167,596)
Financing activities		
Restricted contributions	15,976	15,402
Principal payments of long-term debt	(5,127)	(331)
Proceeds from issuance of long-term debt	-	250,000
Deferred debt acquisition costs	-	(2,632)
Net cash and cash equivalents provided by financing activities	10,849	262,439
(Decrease) increase in cash and cash equivalents	(225,586)	270,090
Cash and cash equivalents at beginning of year	349,115	180,985
Cash and cash equivalents at end of period	<u>\$ 123,529</u>	<u>\$ 451,075</u>
Schedule of noncash financing activities		
Capitalized lease	\$ -	\$ 10,756

See accompanying notes.

ALLINA HEALTH SYSTEM
Abridged Notes to Consolidated Financial Statements
Nine months ended September 30, 2016 and 2015
(Unaudited)
(Dollars in thousands)

1. Adoption of New Accounting Standards

On January 1, 2016, Allina Health adopted guidance under Accounting Standards Update (ASU) 2015-03, Interest-Imputation of Interest, which amended Accounting Standards Codification (ASC) Subtopic 835-30. The amendment required that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts, rather than a long-term asset. The adoption of the authoritative guidance resulted in a reclassification of \$6,072 of unamortized deferred financing costs from other assets to long-term debt on the balance sheet as of January 1, 2016. The December 31, 2015 balance was also reclassified to conform to the 2016 presentation. Other than this reclassification, the adoption of the authoritative guidance did not have an impact on the consolidated financial statements.

2. Net Patient Revenue and Accounts Receivable

Allina Health has agreements with third-party payers who provide payments for health care services at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, discounted charges, and per diem payments. Other payments are received in the form of pay for performance, shared savings, care management, or medical home management per patient fees.

Allina Health recognizes significant amounts of patient service revenue at the time services are rendered even though it does not assess the patient's ability to pay. For uninsured patients who do not qualify for charity care, Allina Health recognizes revenue on the basis of discounted rates. On the basis of historical experience, a significant portion of Allina Health's patients will be unable or unwilling to pay for the services provided. Thus, Allina Health records a significant provision for bad debts related to uninsured patients and self-pay balances of insured patients who are unable or unwilling to pay for the services provided.

Allina Health grants credit without collateral to its patients, most of whom are residents in the communities that it serves and are insured under third-party payer agreements. Allina Health reduces its patient accounts receivable by an allowance for doubtful accounts. Deductibles and coinsurance are classified as either third-party or self-pay receivables on the basis of which party has the primary remaining financial responsibility, while the total gross revenue remains classified based on the primary payer at the time of service. In evaluating the collectability of accounts receivable, Allina Health analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Allina Health used a consistent methodology to estimate the allowance and provision for bad debts in the periods presented in the consolidated financial statements. For receivables associated with self-pay patients after satisfaction of amounts due from insurance, Allina Health follows established guidelines for charging off certain past-due patient balances against the allowance for doubtful accounts. Allina Health has not changed its charity care or uninsured discount policies during the periods presented in the consolidated financial statements. Allina Health does not maintain an allowance for doubtful accounts from third-party payers, nor did it have significant write-offs from third-party payers.

ALLINA HEALTH SYSTEM
Abridged Notes to Consolidated Financial Statements
Nine months ended September 30, 2016 and 2015
(Unaudited)
(Dollars in thousands)

3. Fair Value Disclosures

Allina Health determines the fair value of its financial instruments based on the fair value hierarchy established in the Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements*, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

Level 1 Inputs: 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: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.

Level 3 Inputs: unobservable inputs for the asset or liability, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability (including risk assumptions) developed based on the best information available in the circumstances.

Inputs and valuation techniques for significant other observable and significant unobservable inputs are:

For level 2 and level 3 cash equivalents and fixed income assets that rely on significant other observable inputs and significant unobservable inputs, Allina Health employs multiple third-party information providers to help determine the fair value of the assets. Level 2 and level 3 securities in separately managed accounts are held at Bank of New York Mellon ("BNYMellon"), who acts as Trustee and Custodian for the assets. As Custodian, BNYMellon uses multiple pricing services to value the assets. The investment managers utilize their own pricing services and valuation processes. Any significant discrepancies between Custodian and investment manager values are reconciled on a monthly basis by the managers and BNYMellon. Allina Health also employs an investment consultant who researches significant pricing differences between the manager and custodian on a security by security basis. The consultant will notify the Custodian of any significant pricing issues. Level 2 available-for-sale securities are held at Wells Fargo Bank, who acts as Trustee for the assets. Wells Fargo Bank also uses multiple pricing services to value the assets.

For funds of hedge funds, limited partnership assets and commingled monthly valued funds, Allina Health utilizes net asset value per share or its equivalent to determine the fair value of the assets. Further detail is given in the table labeled "Fair Value Measurements of Investments in Certain Entities that Calculate Net Asset Value per Share or its Equivalent".

ALLINA HEALTH SYSTEM
Abridged Notes to Consolidated Financial Statements
Nine months ended September 30, 2016 and 2015
(Unaudited)
(Dollars in thousands)

3. Fair Value Disclosures (continued)

Allina Health's financial assets and liabilities that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at September 30, 2016 as follows:

	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Cash and Cash Equivalents				
Cash	\$ 41,927	41,927	-	-
Money Market Funds	81,602	81,602	-	-
Total Cash and Cash Equivalents	\$ 123,529	123,529	-	-
Investments - Trading Securities				
Short-Term Fixed Income	\$ 8,375	7,292	1,083	-
Money Market Fund	27,859	27,859	-	-
Total Short-Term Fixed and Money Market	36,234	35,151	1,083	-
Equity				
Financials	20,348	20,348	-	-
Consumer	10,330	10,330	-	-
Industrials	8,561	8,561	-	-
Technology	3,272	3,272	-	-
Healthcare	2,493	2,493	-	-
Global Equity Mutual Funds	117,065	117,065	-	-
Other Equity	14,588	10,826	3,762	-
Total Equity	176,657	172,895	3,762	-
Fixed Income				
U.S. Treasury Securities	164,717	164,717	-	-
U.S. Agency Securities	147,912	-	147,912	-
Corporate Bonds	195,767	-	195,767	-
Mortgage, Commercial, & Asset Backed Securities	107,479	-	107,479	-
Sovereigns	7,033	-	7,033	-
Term Loan/Private Placements	72,476	-	71,972	504
All Asset Mutual Fund	48,875	48,875	-	-
Unconstrained Fixed Income Mutual Funds	178,246	178,246	-	-
Other	25,327	17	25,310	-
Total Fixed Income	947,832	391,855	555,473	504
Investments Accounted for at Net Asset Value	609,477			
Total Investments - Trading Securities	\$ 1,770,200	599,901	560,318	504
Total Unrestricted Cash and Investments	\$ 1,893,729	723,430	560,318	504

ALLINA HEALTH SYSTEM
Abridged Notes to Consolidated Financial Statements
Nine months ended September 30, 2016 and 2015
(Unaudited)
(Dollars in thousands)

3. Fair Value Disclosures (continued)

	Total	Fair value measurements using		
		Level 1	Level 2	Level 3
Investments with Limited Uses - Trading Securities				
Short-Term Fixed Income	\$ 23,475	\$ 23,427	\$ 48	\$ -
Money Market Fund	\$ 12,529	\$ 12,529	\$ -	\$ -
Equity	\$ 14,226	\$ 13,923	\$ 303	\$ -
Fixed Income	\$ 60,113	\$ 26,293	\$ 33,779	\$ 41
Investments Accounted for at Net Asset Value	\$ 49,078			
Restricted Foundation Trusts	\$ 7,683	\$ -	\$ 7,683	\$ -
Total Investments with Limited Uses - Trading Securities	<u>167,104</u>	<u>76,172</u>	<u>41,813</u>	<u>41</u>
Investments with Limited Uses - Available-for-Sale Securities				
Money Market Fund	<u>6,276</u>	<u>6,276</u>	<u>-</u>	<u>-</u>
Total Investments with Limited Uses - Available-for-Sale Securities	<u>6,276</u>	<u>6,276</u>	<u>-</u>	<u>-</u>
Total Investments with Limited Uses	<u>\$ 173,380</u>	<u>82,448</u>	<u>41,813</u>	<u>41</u>
Total Cash and Investments	<u>\$2,067,109</u>	<u>805,878</u>	<u>602,131</u>	<u>545</u>
Liabilities:				
Interest Rate Swaps	\$ 116,511	-	116,511	-

Fair Value Measurements, Level 3

	<u>Term Loan</u>
Balance December 31, 2015	\$ 1,178
Total Realized and Unrealized Gains (Losses)	25
Purchases	298
Sales	(956)
Balance September 30, 2016	<u>\$ 545</u>

ALLINA HEALTH SYSTEM
Abridged Notes to Consolidated Financial Statements
Nine months ended September 30, 2016 and 2015
(Unaudited)
(Dollars in thousands)

3. Fair Value Disclosures (continued)

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of September 30, 2016, is as follows:

	Net Asset Value*	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global Bond Fund	\$ 79,774	-	Monthly	15 Days
Emerging Markets Equity Fund	68,507	-	Daily/Weekly	5/10 Days
Global Equity Fund	239,010	-	Daily/Bi-Monthly	1-7 Days
Fund of Hedge Funds	951	-	Quarterly	90 Days
Private Equity Funds	59,449	\$ 24,483	10 Years	NA
Equity Long/Short Hedge Funds	73,742	-	Monthly/Quarterly	30-90 Days
Emerging Market Debt Fund	30,137	-	Daily	Same Day
Opportunistic Fixed Income Hedge Funds	106,985	-	Quarterly	45-90 Days
	<u>\$ 658,555</u>	<u>\$ 24,483</u>		

* Includes restricted and unrestricted assets

The Global Bond Fund includes fixed and floating rate debt securities of governments and government-related entities, as well as derivatives. The net asset value of the fund has been estimated using the net asset value per share of the investment. The fund provides full disclosure of the underlying holdings.

The Emerging Markets Equity Funds include two funds that invest in emerging market equities. The net asset value of the funds have been estimated using the net asset value per share of the investments. The funds provide full disclosure of the underlying holdings.

The Global Equity Funds include two funds that invest in global equities. The net asset value of the funds have been estimated using the net asset value per share of the investments. The funds provide full disclosure of the underlying holdings.

Fund of Hedge Funds include investments in fund of hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The value of the investments in this category has been estimated using the net asset value per share of the investments. The fund is currently in liquidation and is making quarterly redemptions to shareholders.

The Private Equity Funds include a limited partnership investment that focuses on health care services and information technology companies as well as a limited partnership that invests in distressed and opportunistic real estate investments. The fair value of the portfolio companies is determined using valuation techniques and procedures in accordance with recommendations by the AICPA for valuing private companies.

Equity Long/Short Hedge Funds include investments in hedge funds that invest both long and short in U.S. and global common stocks through a hedge funds structure. The value of the investments in this category has been estimated using the net asset value per share of the investments.

The Emerging Markets Debt Fund is an investment in a fund that invests in emerging market debt. The net asset value of the fund has been estimated using the net asset value per share of the investment. The fund provides full disclosure of the underlying holdings.

Opportunistic Fixed Income Hedge Funds include investments in strategic fixed income and distressed debt hedge fund managers. These managers have the ability to invest across the capital structure and around the globe. The value of the investments in this category has been estimated using the net asset value per share of the investment.

ALLINA HEALTH SYSTEM
Abridged Notes to Consolidated Financial Statements
 Nine months ended September 30, 2016 and 2015
(Unaudited)
(Dollars in thousands)

3. Fair Value Disclosures (continued)

The estimated fair value of long-term debt was \$944,339, compared to \$866,501 par value of long-term debt, as of September 30, 2016. Interest rates that are currently available to Allina Health for issuance of debt with similar terms and remaining maturities are used to estimate the fair value of fixed rate debt through the use of discounted cash flow analyses. The fair value measurement was done using level 2 fair value hierarchy criteria. The carrying amount of variable rate bonds and other notes payable approximates fair value.

4. Derivative Instruments

Allina Health uses interest rate swaps as a part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt. Four of the five interest rate swaps are used to hedge identified debt and interest rate exposures and are not used for speculative purposes. One of the interest rate swaps was issued in advance of an expected debt issuance and is not tied directly to any outstanding debt. Interest rate swaps are recognized as either other long term assets or other long term liabilities in accordance with the netting provisions in the counterparty agreement and are measured at fair value.

Allina Health accounts for its interest rate swaps as required by accounting guidance for derivatives and hedging. Allina Health's interest rate swaps are not designated as effective hedges for accounting purposes. Gains or losses resulting from changes in the fair values of the interest rate swaps are reported as non-operating gains or losses. Any differences between interest received and paid under non-hedged swap agreements are reported with the change in fair value of the swaps as non-operating gains or losses.

The following tables provide details regarding Allina Health's fair value of the derivative instruments:

Fixed Payer Interest Rate Swaps						
<u>Swap</u>	<u>Balance Sheet Location</u>	<u>Fair Value Liability</u>	<u>Notional Outstanding</u>	<u>Rate Paid</u>	<u>Rate Received</u>	<u>Counterparty</u>
2009B & C	Other liabilities	44,517	123,394	3.73%	% of Libor	JP Morgan
2009B & C	Other liabilities	14,869	41,131	3.74%	% of Libor	Wells Fargo
2007C	Other liabilities	33,587	120,500	3.58%	% of Libor	US Bank
2001	Other liabilities	21,398	50,000	5.17%	SIFMA	Goldman Sachs
1998A	Other liabilities	2,140	15,075	4.44%	SIFMA	Goldman Sachs
Total		\$ 116,511	\$ 350,100			

As of September 30, 2016 Allina Health had \$18,170 of collateral posted related to the swaps.

Fair value swap valuations require non-performance risk (i.e. credit risk) to be included in the valuation. Non-performance risk is defined as the risk that the obligation will not be fulfilled and affects the value at which the liability is transferred. This non-performance risk is determined by adjusting the discounting rate by a credit spread as of the reporting date. The addition of the credit spread to the discounting rate reduces the reported liability. The fair value reported liability of the swaps is approximately \$2,591 less than the mark-to-market valuations.

ALLINA HEALTH SYSTEM
Abridged Notes to Consolidated Financial Statements
Nine months ended September 30, 2016 and 2015
(Unaudited)
(Dollars in thousands)

4. Derivative Instruments (continued)

The following table provides details regarding the gains and (losses) from Allina Health's derivative instruments in the consolidated statements of operations, none of which are currently designated as hedging instruments. The 1998A swap was designated as a hedging instrument until December 31, 2008.

	Amount of gain (loss) on change in fair value recognized as non- operating: interest rate swap agreements		Amount of loss reclassified from unrestricted net assets into revenues over expenses as non- operating: interest rate swap agreements		Amount of interest paid to counterparty recognized as non- operating: interest rate swap agreements		Totals	
	Nine months ended Sep. 30		Nine months ended Sep. 30		Nine months ended Sep. 30		Nine months ended Sep. 30	
	2016	2015	2016	2015	2016	2015	2016	2015
2009 B&C	\$ (12,341)	\$ (4,513)	\$ -	\$ -	\$ (3,846)	\$ (4,032)	\$ (16,187)	\$ (8,545)
2007C	(6,373)	(2,316)	-	-	(2,741)	(2,909)	(9,114)	(5,225)
2001	(2,939)	(1,822)	-	-	(1,845)	(1,924)	(4,784)	(3,746)
1998A	240	(93)	(655)	(655)	(464)	(496)	(879)	(1,244)
	\$ (21,413)	\$ (8,744)	\$ (655)	\$ (655)	\$ (8,896)	\$ (9,361)	\$ (30,964)	\$ (18,760)
	Three months ended Sep 30		Three months ended Sep 30		Three months ended Sep 30		Totals	
	2016	2015	2016	2015	2016	2015	2016	2014
2009 B&C	\$ 762	\$ (6,620)	\$ -	\$ -	\$ (1,271)	\$ (1,340)	\$ (509)	\$ (7,960)
2007C	750	(3,749)	-	-	(902)	(960)	(152)	(4,709)
2001	580	(2,117)	-	-	(592)	(640)	(12)	(2,757)
1998A	284	(156)	(218)	(218)	(150)	(167)	(84)	(541)
	\$ 2,376	\$ (12,642)	\$ (218)	\$ (218)	\$ (2,915)	\$ (3,107)	\$ (757)	\$ (15,967)

5. Contingencies and Litigation

Allina Health is, from time to time, a defendant in various lawsuits arising in the ordinary course of business. Although the outcome of these lawsuits cannot be predicted with certainty, Allina Health believes the ultimate disposition of such lawsuits will not have a material adverse effect on Allina Health's financial condition.

Allina Health operates a Medicare and Medicaid billing compliance program designed to foster a culture that promotes prevention, detection and resolution of billing errors. It is a comprehensive program of policies, documentation, education, monitoring, reporting and enforcement designed to ensure to the maximum extent possible that claims submitted on behalf of the organization are accurate and supported by reliable documentation. The goal of Allina Health's compliance programs is to minimize the level of error and facilitate correction of errors as soon as they are detected. Detection of such errors may result in disclosures to various regulatory agencies from time to time, the outcomes of which cannot be predicted with certainty. It is possible that such disclosures could result in allegations of noncompliance with certain health care laws, which could ultimately involve material payments, fines, and penalties. Nonetheless, management believes that these programs are functioning well and that they continuously improve Allina Health's compliance with billing requirements.

6. Subsequent Events

Allina Health has evaluated subsequent events from the consolidated balance sheet date through November 14, 2016, the date at which the consolidated financial statements were issued, and determined there are no other items to disclose.

ALLINA OBLIGATED GROUP
Combined Balance Sheets
(Unaudited)
(Dollars in thousands)

	September 30 2016	December 31 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 116,005	\$ 342,556
Short-term investments	451,660	351,062
Patient accounts receivable, net	447,431	443,268
Inventories	63,433	61,163
Other current assets	101,959	105,961
	<u>1,180,488</u>	<u>1,304,010</u>
Long-term investments	1,259,708	1,189,474
Investments with limited uses	35,626	17,866
Beneficial interest in net assets of Allina		
Foundations	206,406	198,093
Land, buildings, and equipment, net	1,126,106	1,126,447
Other assets	214,443	195,114
Total assets	<u><u>\$ 4,022,777</u></u>	<u><u>\$ 4,031,004</u></u>
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 361,564	\$ 418,847
Current portion long-term debt	22,692	23,293
Other current liabilities	84,625	95,093
	<u>468,881</u>	<u>537,233</u>
Long-term debt	835,776	839,776
Other liabilities	388,281	356,774
Total liabilities	<u>1,692,938</u>	<u>1,733,783</u>
Net assets:		
Unrestricted	2,113,656	2,091,052
Temporarily restricted	160,609	150,891
Permanently restricted	55,574	55,278
Total net assets	<u>2,329,839</u>	<u>2,297,221</u>
Total liabilities and net assets	<u><u>\$ 4,022,777</u></u>	<u><u>\$ 4,031,004</u></u>

ALLINA OBLIGATED GROUP
Combined Statements of Operations and Changes in Net Assets
(Unaudited)
(Dollars in thousands)

	Nine Months Ended		Three Months Ended	
	September 30	September 30	September 30	September 30
	2016	2015	2016	2015
Revenue:				
Patient service revenue net of contractual adjustments	\$ 2,781,165	\$ 2,667,836	\$ 921,095	\$ 888,358
Provision for bad debts	(62,881)	(80,507)	(23,974)	(29,799)
Net patient service revenue	2,718,284	2,587,329	897,121	858,559
Other operating revenue	170,583	181,304	57,834	53,972
Total revenues	2,888,867	2,768,633	954,955	912,531
Expenses:				
Salaries and benefits	1,838,849	1,717,401	614,504	577,996
Supplies and services	591,947	597,636	207,496	206,434
Depreciation and amortization	121,717	113,455	41,228	39,035
Financing costs	27,912	18,404	9,407	6,581
State assessments and taxes	58,616	57,003	14,549	13,967
Utilities and maintenance	50,843	52,242	16,726	18,798
Other	105,183	104,489	31,901	35,279
Total expenses	2,795,067	2,660,630	935,811	898,090
Operating income before strike expenses	93,800	108,003	19,144	14,441
Strike expenses	(104,883)	-	(84,680)	-
Operating (loss) income	(11,083)	108,003	(65,536)	14,441
Nonoperating:				
Investment return	72,473	(41,348)	35,793	(54,218)
Interest rate swap agreements	(30,964)	(18,760)	(757)	(15,967)
Contributions received in acquisition	-	34,911	-	(1,807)
Other	(1,448)	(1,107)	(724)	(358)
Excess (deficiency) of revenues over expenses	\$ 28,978	\$ 81,699	\$ (31,224)	\$ (57,909)

Continued on next page.

ALLINA OBLIGATED GROUP
Combined Statements of Operations and Changes in Net Assets (continued)
(Unaudited)
(Dollars in thousands)

	Nine Months Ended		Three Months Ended	
	September 30 2016	September 30 2015	September 30 2016	September 30 2015
Unrestricted net assets				
Excess of revenues over expenses	\$ 28,978	\$ 81,699	\$ (31,224)	\$ (57,909)
Net assets released from restrictions for capital purposes	3,548	2,939	1,085	353
Amortization of unrealized loss on interest rate swap agreement	655	655	218	218
Capital contributions from (to) nonobligated group affiliates, net	(9,860)	(8,323)	(4,566)	(2,255)
Other	(717)	5,199	(446)	143
Increase (decrease) in unrestricted net assets	<u>22,604</u>	<u>82,169</u>	<u>(34,933)</u>	<u>(59,450)</u>
Temporarily restricted net assets				
Contributions	2,323	1,363	126	126
Investment return	184	(86)	97	(133)
Net assets released from restrictions	(2,323)	(1,363)	(126)	(126)
Change in beneficial interest in net assets of Allina Foundations	8,090	(4,479)	2,200	(8,334)
Other	1,444	284	1,667	855
Increase (decrease) in temporarily restricted net assets	<u>9,718</u>	<u>(4,281)</u>	<u>3,964</u>	<u>(7,612)</u>
Permanently restricted net assets				
Contributions for endowment funds	23	27	11	9
Investment return	50	(35)	27	(43)
Change in beneficial interest in net assets of Allina Foundations	223	170	184	30
Increase (decrease) in permanently restricted net assets	<u>296</u>	<u>162</u>	<u>222</u>	<u>(4)</u>
Increase (decrease) in net assets	32,618	78,050	(30,747)	(67,066)
Net assets at beginning of period	<u>2,297,221</u>	<u>2,160,336</u>	<u>2,360,586</u>	<u>2,305,452</u>
Net assets at end of period	<u>\$ 2,329,839</u>	<u>\$ 2,238,386</u>	<u>\$ 2,329,839</u>	<u>\$ 2,238,386</u>

ALLINA OBLIGATED GROUP
Combined Statement of Cash Flows
(Unaudited)
(Dollars in thousands)

	Nine Months Ended	
	September 30 2016	September 30 2015
Operating activities		
Increase in net assets	\$ 32,618	\$ 78,050
Adjustments to reconcile increase in net assets to net cash and cash equivalents provided by operating activities:		
Increase in additional liability related to benefit plan		
Depreciation and amortization	121,717	113,455
Provision for bad debts	62,881	80,507
Gain on sale of properties and equity investments	(1,833)	(1,060)
Unrealized loss (gain) on interest rate swaps, net	21,413	8,744
Realized and unrealized gain on investments, net	(54,645)	57,971
Restricted contributions	(2,346)	(1,390)
Contributions of cash for long-lived assets	(2,323)	(1,363)
Beneficial interest in net assets of Allina Foundations	(8,313)	4,309
Capital contributions to non-obligated group affiliates, net	9,860	8,323
Contributions received in acquisition	-	(34,911)
Earnings on equity investments	(12,440)	(9,124)
Change in assets and liabilities net of impact from acquisitions:		
Accounts receivable	(67,044)	(101,257)
Other current assets	1,732	341
Accounts payable and other current liabilities	(67,751)	(17,680)
Other assets and liabilities	11,701	5,991
Net cash and cash equivalents provided by operating activities	45,227	190,906
Investing activities		
Proceeds from sales of properties	25,742	25
Purchases of land, buildings, and equipment	(145,285)	(141,767)
Contributions of cash for long-lived assets	2,323	1,363
Cash received in acquisitions	-	987
Draws on construction funds	-	13
Purchases and sales of investments classified as trading, net	(133,947)	(10,416)
Distributions received from equity investments	8,564	7,316
Contributions to joint ventures	(17,428)	(20,704)
Capital contributions to non-obligated group affiliates, net	(9,860)	(8,323)
Net cash and cash equivalents used in investing activities	(269,891)	(171,506)
Financing activities		
Restricted contributions	2,346	1,390
Principal payments of long-term debt	(4,233)	(278)
Retirements of long-term debt	-	250,000
Deferred debt acquisition costs	-	(2,632)
Net cash and cash equivalents (used in) provided by financing activities	(1,887)	248,480
(Decrease) increase in cash and cash equivalents	(226,551)	267,880
Cash and cash equivalents at beginning of year	342,556	175,655
Cash and cash equivalents at end of period	\$ 116,005	\$ 443,535
Schedule of noncash financing activities		
Capitalized lease	\$ -	\$ 5,225

ALLINA HEALTH SYSTEM

Consolidating Balance Sheet

(Unaudited)
(Dollars in thousands)

September 30, 2016

	Obligated Group	Other Allina Health Entities*	Allina Health System
Assets			
Current assets:			
Cash and cash equivalents	\$ 116,005	\$ 7,524	\$ 123,529
Short-term investments	451,660	-	451,660
Patient accounts receivable, net	447,431	21,113	468,544
Inventories	63,433	134	63,567
Other current assets	101,959	(2,613)	99,346
	<u>1,180,488</u>	<u>26,158</u>	<u>1,206,646</u>
Long-term investments	1,259,708	58,832	1,318,540
Investments with limited uses	35,626	137,754	173,380
Beneficial interest in net assets of Allina			
Foundations	206,406	(206,406)	-
Land, buildings, and equipment, net	1,126,106	10,843	1,136,949
Other assets	214,443	66,216	280,659
Total assets	<u>\$ 4,022,777</u>	<u>\$ 93,397</u>	<u>\$ 4,116,174</u>
Liabilities and net assets			
Current liabilities:			
Accounts payable and accrued expenses	\$ 361,564	\$ 13,680	\$ 375,244
Current portion long-term debt	22,692	654	23,346
Other current liabilities	84,625	-	84,625
	<u>468,881</u>	<u>14,334</u>	<u>483,215</u>
Long-term debt	835,776	4,148	839,924
Other liabilities	388,281	51,840	440,121
Total liabilities	<u>1,692,938</u>	<u>70,322</u>	<u>1,763,260</u>
Net assets:			
Unrestricted	2,113,656	67,075	2,180,731
Temporarily restricted	160,609	(44,000)	116,609
Permanently restricted	55,574	-	55,574
Total net assets	<u>2,329,839</u>	<u>23,075</u>	<u>2,352,914</u>
Total liabilities and net assets	<u>\$ 4,022,777</u>	<u>\$ 93,397</u>	<u>\$ 4,116,174</u>

*Including eliminations.

ALLINA HEALTH SYSTEM
Consolidating Statement of Operations and Changes in Net Assets
(Unaudited)
(Dollars in thousands)

Nine Months Ended September 30, 2016

	Obligated Group	Other Allina Health Entities*	Allina Health System
Revenue:			
Patient service revenue net of contractual adjustments	\$ 2,781,165	\$ 13,500	\$ 2,794,665
Provision for bad debts	(62,881)	274	(62,607)
Net patient service revenue	2,718,284	13,774	2,732,058
Other operating revenue	170,583	11,140	181,723
Total revenues	2,888,867	24,914	2,913,781
Expenses:			
Salaries and benefits	1,838,849	9,902	1,848,751
Supplies and services	591,947	30,680	622,627
Depreciation and amortization	121,717	1,396	123,113
Financing costs	27,912	267	28,179
State assessments and taxes	58,616	504	59,120
Utilities and maintenance	50,843	463	51,306
Other	105,183	(15,725)	89,458
Total expenses	2,795,067	27,487	2,822,554
Operating income (loss) before strike expenses	93,800	(2,573)	91,227
Strike expenses	(104,883)	-	(104,883)
Operating (loss) income	(11,083)	(2,573)	(13,656)
Nonoperating:			
Investment return	72,473	1,127	73,600
Interest rate swap agreements	(30,964)	-	(30,964)
Other	(1,448)	(909)	(2,357)
Excess of revenues over expenses	\$ 28,978	\$ (2,355)	\$ 26,623

*Including eliminations.

Continued on next page.

ALLINA HEALTH SYSTEM
Consolidating Statement of Operations and Changes in Net Assets (continued)
(Unaudited)
(Dollars in thousands)

Nine Months Ended September 30, 2016

	Obligated Group	Other Allina Health Entities*	Allina Health System
Unrestricted net assets			
Excess of revenue over expenses	\$ 28,978	\$ (2,355)	\$ 26,623
Net assets released from restrictions for capital purposes	3,548	(64)	3,484
Amortization of unrealized loss on interest rate swap agreement	655	-	655
Capital contributions from nonobligated group affiliates, net	(9,860)	9,860	-
Other	(717)	(1,416)	(2,133)
Increase in unrestricted net assets	<u>22,604</u>	<u>6,025</u>	<u>28,629</u>
Temporarily restricted net assets			
Contributions	2,323	13,466	15,789
Investment return	184	6,107	6,291
Net assets released from restrictions	(2,323)	(8,152)	(10,475)
Change in beneficial interest in net assets of Allina Foundations	8,090	(8,090)	-
Other	1,444	(2,343)	(899)
Increase in temporarily restricted net assets	<u>9,718</u>	<u>988</u>	<u>10,706</u>
Permanently restricted net assets			
Contributions for endowment funds	23	164	187
Investment return	50	59	109
Change in beneficial interest in net assets of Allina Foundations	223	(223)	-
Increase in permanently restricted net assets	<u>296</u>	<u>-</u>	<u>296</u>
Increase in net assets	32,618	7,013	39,631
Net assets at beginning of period	2,297,221	16,062	2,313,283
Net assets at end of period	<u>\$ 2,329,839</u>	<u>\$ 23,075</u>	<u>\$ 2,352,914</u>

*Including eliminations.

ALLINA HEALTH SYSTEM

Management's Discussion and Analysis of Results of Operations

Nine Months Ended September 30, 2016

(Dollars in millions)

Operating Results

Allina Health's operating margin before strike expenses was 3.1% for the nine months ended September 30, 2016 compared to 3.7% for the same period in 2015. Operating income decreased by \$11.0 million when compared to the same period in 2015. The decrease in operating income was due primarily to softer than expected hospital volumes coupled with continued investment in clinical service line capabilities and the redesign of the primary care clinical delivery model. Allina Health incurred \$104.9 million of expenses for the nine months ended September 30, 2016 related to strikes called by the Minnesota Nurses Association ("MNA"). Allina Health and the MNA succeeded in negotiating a new three year contract that was ratified as of October 13, 2016. Because of the unusual nature of the strike, for purposes of evaluating our performance, we are excluding the strike expenses incurred in 2016.

Allina Health's Earnings Before Interest, Depreciation and Amortization (EBIDA) margin was 8.3% before strike expenses for the nine months ended September 30, 2016 compared to 8.4% for the same period in 2015. Non operating investment return and swap unrealized losses were consistent with market conditions.

EARNINGS SUMMARY	ALLINA HEALTH		OBLIGATED GROUP	
	Nine Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
EBIDA	\$ 241.6	\$ 233.9	\$ 243.0	239.6
Interest income	1.0	1.1	0.4	0.3
Financing costs	(28.2)	(18.7)	(27.9)	(18.4)
Depreciation and amortization	(123.1)	(114.1)	(121.7)	(113.5)
Operating Income before strike expenses	91.3	102.2	93.8	108.0
Strike expenses	(104.9)	-	(104.9)	-
Operating Income	(13.6)	102.2	(11.1)	108.0
Investment return	73.6	(43.6)	72.5	(41.3)
Interest rate swap agreements	(31.0)	(18.8)	(31.0)	(18.8)
Contributions received in acquisitions	-	34.9	-	34.9
Non-operating other	(2.4)	(1.6)	(1.4)	(1.1)
Excess of revenues over expenses	<u>\$ 26.6</u>	<u>\$ 73.1</u>	<u>\$ 29.0</u>	<u>\$ 81.7</u>

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Revenues

Allina Health's revenue increased \$119.3 million, or 4.3% for the nine months ended September 30, 2016 as compared to 2015 due to increased volumes. Hospital net patient revenue growth was 2.8%. Through September 2016, 40.7% of net patient revenue is net inpatient revenue, up from 40.1% in 2015. The clinics (excluding hospital based) experienced an overall 4.8% increase in net patient revenue, due to clinical volumes that grew 4.5% year over year. Outpatient and clinic revenue increased 3.1% over the prior year, and decreased to 59.3% as a percent of net patient revenue in 2016 when compared to 59.9% in 2015.

REVENUE	ALLINA HEALTH		OBLIGATED GROUP	
	Nine Months Ended		Nine Months Ended	
	September 30		September 30	
	2016	2015	2016	2015
Hospital Net Patient Revenue	\$ 2,048.4	\$ 1,992.5	\$ 2,048.4	\$ 1,992.5
Change	2.8%		2.8%	
Clinic Net Patient Revenue	536.0	511.6	522.4	498.7
Change	4.8%		4.8%	
Other Net Patient Revenue	210.3	176.6	210.4	176.6
Change	19.1%		19.1%	
Bad Debt	(62.6)	(80.4)	(62.9)	(80.5)
Change	-22.1%		-21.9%	
Other Revenue	181.7	194.2	170.6	181.3
Change	-6.4%		-5.9%	
Total Revenue	<u>\$ 2,913.8</u>	<u>\$ 2,794.5</u>	<u>\$ 2,888.9</u>	<u>\$ 2,768.6</u>
Change	4.3%		4.3%	

Payer Mix

Allina Health net patient revenue reflects a consistent significant concentration of revenue from managed care (negotiated payer) sources. The payer mix schedule below combines Medicare managed care products with Medicare and managed care state public program products with Medicaid. The single largest payer within contracted payers was Blue Cross Blue Shield at 25.5% of total net patient revenue and 17.1% of total gross patient revenue for the nine months ended September 30, 2016.

ALLINA HEALTH	Net Patient Revenue		Gross Patient Revenue	
	September 30		September 30	
PAYER MIX PERCENTAGE	2016	2015	2016	2015
Medicare	29.7%	29.5%	42.1%	41.8%
Medicaid	10.2	10.1	15.4	15.2
Contracted Payers	56.2	53.1	37.7	37.2
Self Pay	2.4	2.2	1.9	1.7
Other	1.5	5.1	2.9	4.1
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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Uncompensated Care

Allina Health provides medical care without charge or at reduced cost to patients who live in the communities that it serves through the provision of charity care. Allina Health identifies patients that qualify for charity care based upon certain guidelines related to a patient's ability to pay for services. The Allina Health hospitals provide a discount on billed charges for medically necessary care delivered to patients who are uninsured, underinsured, and ineligible for government programs or otherwise medically indigent. Allina Health has also created a billing and collection policy in connection with a state-wide agreement with the Minnesota Attorney General's Office.

Uncompensated care (the combination of uninsured, charity care, and bad debt expense) decreased \$4.2 million in gross charges, or 3.3% in 2016 compared to prior year. Decreases in charity care and uninsured discounts are attributable to increases in Medicaid and Prepaid Medical Assistance Program (PMAP) enrollment under MNsure, the State of Minnesota's solution under the federally mandated Accountable Care Act (ACA).

The schedule below reflects uncompensated care at gross charges forgone. The estimated cost of providing charity care, by applying a cost to charge ratio to charges identified as charity care, was \$15.5 million and \$11.5 million for the nine months ended September 30, 2016 and 2015, respectively.

UNCOMPENSATED CARE AT GROSS CHARGES	ALLINA HEALTH	
	Nine Months Ended	
	September 30	
	2016	2015
Uninsured Discount	\$ 23.8	\$ 19.1
Charity Care Discount	36.1	27.2
Bad Debt Expense	62.6	80.4
Total Uncompensated Care	<u>\$ 122.5</u>	<u>\$ 126.7</u>
Change	-3.3%	
Total Uncompensated Care as a % of Gross Patient Charges	1.9%	2.0%

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Volume

Allina Health experienced stable inpatient volumes and strong outpatient volumes in the nine months ended September 30, 2016. Inpatient admissions decreased by 0.1%, and inpatient surgeries increased 1.5% for the nine months ended September 30, 2016 from 2015. Outpatient hospital admissions and clinic work RVUs increased 2.3%, and 4.5%, respectively while outpatient surgeries decreased by 0.1%. The growth of outpatient compared to inpatient is expected as Allina Health becomes more successful in quality and care goals for patients with chronic conditions and is consistent with the longer term goals of health care reform.

VOLUME STATISTICS	ALLINA HEALTH	
	Nine Months Ended September 30	
	2016	2015
Inpatient Hospital Admissions	77,423	77,494
Inpatient change from prior period	-0.1%	
Observation days	16,663	16,139
Observation days change from prior period	3.2%	
Outpatient Hospital Admissions	1,048,553	1,025,006
Outpatient change from prior period	2.3%	
Average Length of Stay (days)	4.1	4.0
Hospital Patient Days	315,232	313,109
Patient days change from prior period	0.7%	
Hospital Occupancy (based on staffed beds)	67.0%	67.9%
Inpatient Surgeries	22,501	22,179
Outpatient Surgeries	42,685	42,710
Total Surgeries	65,186	64,889
Total surgeries change from prior period	0.5%	
Clinic Work RVUs	5,504,149	5,268,147
Work RVUs change from prior period	4.5%	
Total Case Mix	1.48	1.44
Medicare Case Mix	1.83	1.79

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Market Share

Allina Health continues to hold its market leading position. The following market share data from the Minnesota Hospital Association (MHA) statistical database for the eleven county metropolitan hospital inpatient market is updated as of March 31, 2016.

MARKET SHARE STATISTICS	ALLINA HEALTH	
	March 31 2016	December 31 2015
Allina Metro Hospital Inpatient Market Share *	31.0%	31.4%
Change in Total Metro Market Volume**	-0.2%	0.1%
* Hospitals Include: Abbott Northwestern, United, Mercy, Unity, Phillips Eye Institute, Regina and St. Francis		
** year over year change of the eleven county metro hospital inpatient market volume for the twelve months ending March 2016 and December 2015		

Non-Operating Gains & Losses

Allina Health investments include a diversified portfolio of money market, fixed income, equity, hedge funds, private equity, and real asset investments. The total return on unrestricted long term investments was 5.6% for the nine months ended September 30, 2016, consistent with the market conditions for the period. To mitigate changes in interest rates on debt, Allina Health has entered into fixed-payer swaps, which are marked to market.

NON-OPERATING GAINS	ALLINA HEALTH		OBLIGATED GROUP	
	Nine Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Interest and dividends	\$ 18.1	\$ 16.5	\$ 18.0	\$ 16.5
Realized (losses) gains on sales of investments	14.4	0.2	13.8	(0.1)
Unrealized (losses) gains on investments	41.1	(60.3)	40.7	(57.7)
Interest rate swap agreements - fair value	(21.4)	(8.7)	(21.4)	(8.7)
Interest rate swap agreements - counterparty interest	(9.6)	(10.1)	(9.6)	(10.1)
Contributions received in acquisitions	-	34.9	-	34.9
Other	(2.4)	(1.6)	(1.4)	(1.1)
Total non-operating gains	<u>\$ 40.2</u>	<u>\$ (29.1)</u>	<u>\$ 40.1</u>	<u>\$ (26.3)</u>

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Balance Sheet and Cash Flow

Allina Health had 192 days cash on hand (DCOH) as of September 30, 2016, compared with 204 days at December 31, 2015.

Leverage decreased to 28.4% at September 30, 2016 down from 28.7% in December 31, 2015. Cash to debt is 219.4% as of September 30, 2016 compared to 224.3% at December 31, 2015.

System level capital spending was \$142.0 million for the nine months ended September 30, 2016 compared to capital spending of \$145.1 million for the same time period in 2015.

The one-time strike expenses have been excluded from the balance sheet and liquidity statistics as applicable.

BALANCE SHEET & LIQUIDITY STATISTICS	ALLINA HEALTH		OBLIGATED GROUP	
	September 30 2016	December 31 2015	September 30 2016	December 31 2015
Unrestricted cash & investments	\$ 1,893.7	\$ 1,947.4	\$ 1,827.4	\$ 1,883.1
Days cash on hand	192	204	187	200
Total Debt	\$ 863.3	\$ 868.4	\$ 858.5	\$ 863.1
Unrestricted net assets	\$ 2,180.7	\$ 2,152.1	\$ 2,113.7	\$ 2,091.1
Debt to capitalization *	28.4%	28.7%	30.2%	30.3%
Patient receivables	\$ 468.5	\$ 465.1	\$ 447.4	\$ 443.3
Days revenue in receivables, net	47	48	45	46
Cash to debt	219%	224%	213%	218%
Historical annual debt service coverage	5.7	7.0	5.8	7.1

* Obligated Group includes Letters of Credit and Surety indebtedness

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DAYS CASH ON HAND ROLL-FORWARD	ALLINA HEALTH	
	Cash	Days
December 31, 2015	\$1,947.4	203.5
Operations	(6.6)	(0.7)
Growth in daily expenditures		(6.3)
Investment gains	73.6	7.5
Proceeds from sales of properties	26.4	2.7
Capital expenditures	(142.0)	(14.4)
Debt payments	(5.1)	(0.5)
September 30, 2016	<u>\$1,893.7</u>	<u>191.8</u>

DEBT TO CAPITALIZATION ROLL-FORWARD	ALLINA HEALTH		
	Debt	Equity	Cap %
December 31, 2015	\$ 868.4	\$ 2,152.1	28.7%
Operating income		(13.6)	
Investment gains		73.6	
Loss on interest rate swap agreements		(31.0)	
Other non-operating losses		(2.4)	
Other changes in net assets		2.0	
Debt payments and amortization of bond premium, net	(5.1)		
September 30, 2016	<u>\$863.3</u>	<u>\$2,180.7</u>	28.4%

ALLINA HEALTH SYSTEM
Consolidated Utilization Statistics

	Nine Months Ended		Twelve months ended	
	September 30	September 30	December 31	December 31
	2016	2015	2015	2014
Hospitals				
Admissions *	77,423	77,494	103,530	102,748
Patient Days *	315,232	313,109	419,174	418,567
Average length of stay	4.1	4.0	4.0	4.1
Observation days	16,663	16,139	21,372	19,192
Licensed beds	2,451	2,451	2,451	2,436
Staffed beds	1,716	1,737	1,736	1,692
Outpatient admissions	1,048,553	1,025,006	1,377,687	1,231,449
Emergency room visits	237,093	237,872	317,061	298,543
Inpatient surgical procedures	22,501	22,179	30,388	29,861
Outpatient surgical procedures	42,685	42,710	57,874	61,938
Physicians and allied professionals				
Work RVUs	5,504,149	5,268,147	7,095,287	6,662,869
Ambulance transports	54,907	52,628	70,991	68,228

* Results exclude newborns.

ALLINA HEALTH SYSTEM
Debt and Investment Appendix
(Dollars in thousands)

Debt Structure

Allina Health's current debt structure as of September 30, 2016					
Series	\$ Outstanding	Structure	Final Maturity	Credit Enhancement	YTD Average Int. Rate*
2015	250,000	Fixed Rate	2045	None	4.81%
2014	19,210	Fixed Rate	2028	None	2.55%
2009A	173,415	Fixed Rate	2029	None	4.89%
2009B	114,525	Daily VRDB	2035	JP Morgan LOC	0.27%
2009C	50,000	Weekly VRDB	2035	Wells Fargo LOC	0.32%
2007A	97,030	Fixed Rate	2022	MBIA Insured	5.06%
2007C	120,500	Weekly VRDB	2034	Wells Fargo LOC	0.32%
1998A	14,575	Auction Rate	2022	MBIA Insured	0.56%
1993B	17,000	Auction Rate	2017	Ambac Insured	0.42%
	<u>856,255</u>	Total Bonds			
Other ***	<u>7,015</u>				
	863,270	Total Debt			
Fixed Rate	\$ 539,655	62.5%			
Hedged Variable Rate**	299,600	34.7%	(2009B, 2009C, 2007C & 1998A)		
Unhedged Variable Rate	17,000	2.0%			
Other	<u>7,015</u>	0.8%			
Total	\$ 863,270				

* Interest rates are interest cost only, and do not include premium/discount, administrative, credit facility, broker or other costs related to the issuance of the bonds.

** There is a \$50,000 swap that does not have any underlying associated debt and the 1998A swap has \$500 in additional notional value relative to the outstanding debt. If the \$50,000 swap and additional \$500 1998A notional were applied to current unhedged variable rate bonds, all bonds would be fixed or hedged, with hedged variable rate debt making up 36.7% of total debt, totaling \$316,600.

*** Other debt includes any premiums or discounts associated with fixed rate debt, capital leases, other small notes and loans that are included in debt on the balance sheet.

Allina Health provides liquidity support for its Variable Rate Demand Bonds through the use of bank issued letters of credit. The chart below outlines the termination triggers for ratings downgrades and the term out provisions related to the holding of bank bonds. Allina Health does not currently have any bank bonds, nor has Allina Health ever had bank bonds.

Liquidity Support						
Debt	Liquidity Support	Amount	Expiration	Termination Trigger - Rating	Term-Out Provisions	Counterparty
2009B	Letter of Credit	\$ 114,525	January 2018	Allina Rating Less Than BBB	5 Year	JP Morgan
2009C	Letter of Credit	50,000	January 2018	Allina Rating Less Than BBB	5 Year	Wells Fargo
2007C	Letter of Credit	<u>120,500</u>	January 2018	Allina Rating Less Than BBB	5 Year	Wells Fargo
		<u>\$ 285,025</u>				

Asset Allocation and Liquidity

Allina Health maintains its unrestricted investments in cash, money market funds and short term fixed income ("liquidity assets"), which are utilized for liquidity and preservation of capital, and diversified long term investments ("long-term assets"), which are utilized for capital growth. The allocation between liquidity and long-term assets depends on the liquidity and strategic needs of the organization. The following table allocates assets based on investment strategy, and will vary from the fair value footnote, which looks through the investment strategies to the underlying holdings.

Allina Health periodically reviews asset allocation to ensure that the organization is maintaining the appropriate portfolio allocation, considers other asset classes and to address shifts in market expectations.

Unrestricted Cash and Investments - Asset Allocation					
Unrestricted Balances	Target	9/30/2016		9/30/2015	
Cash and Money Market		6.5%	123,529	23.3%	451,075
Short-Term Fixed Income		23.9%	451,660	18.0%	349,369
Total Liquidity Assets	25.0%	30.4%	575,189	41.3%	800,444
Long-Term Assets	75.0%	69.6%	1,318,540	58.7%	1,137,789
Total Unrestricted Assets		100.0%	1,893,729	100.0%	1,938,233

Asset Allocation - Asset Class					
Investment	Current Target Allocation	9/30/2016 % of Long Term Assets	9/30/2016 % Total Unrestricted Investments	9/30/2015 % of Long Term Assets	9/30/2015 % Total Unrestricted Investments
Global Equity	32.0%	32.2%	22.3%	30.3%	17.8%
Long/Short Equity Hedge Funds	5.0%	5.2%	3.6%	5.6%	3.3%
Global Fixed Income	35.0%	35.1%	24.4%	36.3%	21.3%
Fund of Hedge Funds	0.0%	0.1%	0.1%	0.1%	0.1%
Opportunistic and Other	20.0%	20.1%	14.0%	19.7%	11.6%
Real Return	8.0%	7.3%	5.1%	8.0%	4.6%
Total Long-Term	100.0%	100.0%	69.6%	100.0%	58.7%
Cash and Money Market			6.5%		23.3%
Short-Term Fixed Income			23.9%		18.0%
Total Liquidity			30.4%		41.3%

Allina Health is invested in eight direct hedge funds. Three of these direct hedge funds are invested in distressed debt and strategic fixed income and are included in the opportunistic and other allocation. Five additional long/short equity direct hedge funds are considered a part of the overall global equity component. There is one other fund of hedge funds manager that is in liquidation. Allina Health also has four direct investments in private capital with funding commitments that will be drawn down over the next several years. As of September 30, 2016 these private capital holdings represented approximately 2.9% of unrestricted assets.

Allina Health Summary of Key Financial Ratios

Indicators	Nine Months Ended September 30,		Year Ended December 31,		
	2016	2015	2015	2014	2013
Liquidity Ratios:					
Monthly DCOH*	169	179	174	163	156
Annual DCOH**	186	201	199	187	181
Traditional DCOH	192	205	204	190	182
Days Cash on Hand (Obligated Group)	187	200	200	185	185
Cash to Debt	219%	217%	224%	271%	240%
Days Revenue in Receivables, net					
Hospitals	49	48	51	48	50
Clinics	28	26	24	24	25
VRDB Debt (in millions)	\$285	\$286	\$285	\$286	\$290
Monthly liquidity to VRDB debt	586%	592%	585%	516%	465%
Capital Structure Ratios:					
Historical Coverage Ratio (x) (Obligated Group)	5.8	7.8	7.1	6.6	8.0
Cushion Ratio (x) (Obligated Group)	29.3	36.2	34.8	33.2	29.2
Leverage (Obligated Group)	30.2%	31.8%	30.3%	26.1%	28.3%
Leverage	28.4%	30.0%	28.7%	24.0%	26.0%
Profitability Ratios:					
EBIDA Margin	8.3%	8.4%	8.7%	9.1%	8.6%
Operating Margin	3.1%	3.7%	3.9%	4.3%	3.9%
Net Income Margin	0.9%	2.6%	3.4%	4.3%	9.5%
Revenue Growth	4.3%	6.3%	5.4%	5.3%	4.3%

Note: All ratios are for Allina Health consolidated financial results, unless otherwise noted.
All ratios exclude strike expenses.

- * Days cash on hand available within 0 – 30 days
 ** Days cash on hand available within 0 – 365 days