



INOVA HEALTH SYSTEM



**Consolidated Financial  
Statements and Other  
Supplementary Information**

**Period Ended  
June 30, 2014**

**Inova Health System**  
**Consolidated Financial Statements**  
**and Other Supplementary Information**  
**June 30, 2014 and 2013**

Consolidated Financial Statements

Management's Discussion and Analysis.....	1-5
Consolidated Balance Sheets .....	6
Consolidated Statements of Operations and Changes in Net Assets .....	7
Consolidated Statements of Cash Flows .....	8

Other Supplementary Information

Obligated Group Consolidating Balance Sheets .....	9
Obligated Group Consolidating Statements of Operations .....	10
Obligated Group Consolidated Statements of Cash Flows .....	11

**Inova Health System**  
**Management's Discussion and Analysis of Results of Operations and Financial Position**  
**As of and for the Six Months Ended June 30, 2014**

**Introduction**

Inova Health System ("IHS") is a not-for-profit health care system serving Northern Virginia, Washington, D.C. and parts of Maryland, and offers a comprehensive array of services at multiple access points. IHS includes five hospitals with over 1,700 acute care beds to provide inpatient services, and provides other outpatient health services including emergency and urgent care, senior services, home care, mental health and blood donor services. Services range from health promotion and disease prevention to the most advanced treatment services, with specialty distinction in a number of areas, including cardiology, neuroscience, orthopedics, women's and children's services and cancer care. IHS also owns and operates *INTotal Health*, a Medicaid health plan licensed in Virginia with approximately 56,000 members. IHS' mission is to provide quality care and improve the health of the diverse communities it serves.

The following discussion and analysis provides information that IHS management believes is relevant to an assessment and understanding of IHS' results of operations and financial position. This analysis should be read in conjunction with IHS' financial statements for the six months ended June 30, 2014 and 2013. The discussion and analysis focuses on IHS as a whole, which management believes provides a fair description and analysis, in all material respects, of the Obligated Group's results of operations and financial condition, insofar as the Obligated Group accounted for approximately 87.9% of total operating revenues and 99.0% of unrestricted net assets of IHS as of and for the six months ended June 30, 2014.

**Results of Operations as of and for the six months ended June 30, 2014 and 2013**

**Operating Revenues.** Total operating revenues for IHS for the six months ended June 30, 2014 were \$1.3 billion, up 3.7% over the comparable period in 2013. Net patient service revenue of \$1.2 billion increased 3.5% over the comparable period in 2013 primarily due to a favorable payor mix and increased outpatient surgical volumes versus prior year, offset by a \$21.1 million increase in the provision for bad debts. Other operating revenue includes Medicare EHR incentive payments of approximately \$1.1 million and \$4.2 million for the periods ended June 30, 2014 and 2013, respectively.

**Operating Expenses.** Total operating expenses for the six months ended June 30, 2014 were \$1.2 billion, a decrease of 0.1% over the comparable period in 2013. Salaries and benefits decreased \$20.2 million, or 3.5%, primarily driven by a reduction in the EpicCare project staffing, the outsourcing of dietary services as well as other strategic cost cutting measures implemented in the second half of 2013. In 2013, IHS substantially completed the conversion to EpicCare, an electronic health record technology and revenue cycle system. Other operating expenses increased \$18.9 million, or 4.2%, primarily due to the outsourced dietary expenses as well as consulting work related to the ICD10 project and Epic consulting that is expensed now that the system is in use.

**Operating Income.** Operating income for IHS was \$111.2 million or 8.5% of total operating revenues for the six months ended June 30, 2014, as compared to \$63.4 million, or 5.0% of total operating revenues, for the comparable period in 2013. The operating cash flow margin of IHS was 16.1% for the six months ended June 30, 2014, as compared to 12.9% for the comparable period in 2013.

**Investment Performance and Other Non-Operating Activity.** The following table shows the components of *investment income and other, net* from IHS' consolidated statements of operations for the six months ended June 30, 2014 and 2013 along with unrealized gains on investments and interest rate swaps (dollars in thousands).

<b>Description</b>	<b>2014</b>	<b>2013</b>
Interest and other income, net	\$23,482	\$28,564
(Losses) gains in fair market value of interest rate swaps	(4,014)	3,608
Realized gains	116,947	49,783
Other than temporary declines in fair market value of investments	-	(13,301)
Other	(2,582)	(5,784)
<i>Investment income and other, net</i>	<u>\$133,833</u>	<u>\$62,870</u>
Unrealized gains on investments, net	4,080	15,056
Change in fair value of effective hedging interest rate swaps	<u>248</u>	<u>19,983</u>
Total investment and swap related activity	\$138,161	\$97,909

On December 31, 2013, IHS changed the classification of certain investments from Available for Sale to Trading. As a result, investment activity through June 30, 2013 is reported under the Available for Sale method. All market changes for the trading investments are reported as realized gains (losses) in the non-operating revenues section within the consolidated statements of operations and changes in net assets.

## Financial Position as of June 30, 2014

**Current Assets and Liquidity.** IHS' unrestricted cash and investments at June 30, 2014 were \$3.9 billion, of which \$1.3 billion represented investments that could not be liquidated within 3 days. In addition to its unrestricted cash position at June 30, 2014, IHS had \$123.1 million of Series 2012A and B bond proceeds available to fund current and future construction projects.

**Investments.** The following table summarizes the asset allocation for the Strategic Fund and the Capital Fund, which together comprised the Plant Replacement and Expansion Fund and the Construction Projects Fund as of June 30, 2014 (dollars in thousands):

<b>Asset Class</b>	<b>Amount</b>	<b>%</b>
<b><u>Strategic Fund</u></b>		
Cash and cash equivalent	\$52,987	1.5%
Global bonds	261,624	7.2%
Core bonds	484,052	13.3%
Domestic equity	243,033	6.7%
Global equity	836,802	23.0%
Hedge fund / fund of funds	587,159	16.2%
Opportunistic	224,624	6.2%
Inflation sensitive	619,079	17.0%
	<u>3,309,360</u>	<u>91.1%</u>
<b><u>Capital Fund</u></b>	<u>321,861</u>	<u>8.9%</u>
<b><u>Total</u></b>	<u><u>\$3,631,221</u></u>	<u><u>100.0%</u></u>

The global bonds and core bonds are fixed income instruments and are typically investment quality with maturities ranging from one year to 30 years. Equity investments can be domestic or global, and are typically exchange traded stocks. The Opportunistic asset class is primarily private debt and private equity, while Inflation sensitive assets include REITs, private real estate, and tactical positions in commodities and other assets.

IHS maintains a special portfolio comprised of limited maturity, high quality bonds (Capital Fund). This fund was established to ensure that IHS would have sufficient liquidity to complete critical construction projects in the event of a major financial market disruption.

**Property, Plant and Equipment.** Capital expenditures were \$168.8 million for the six months ended June 30, 2014 including \$100.8 million related to the Inova Fairfax Hospital 2015 project (as described below), \$25.8 million related to major projects for other facilities, and \$32.2 million related to acute care equipment replacement and minor renovations.

At the end of second quarter 2014, IHS had expended approximately \$575.6 million of its \$1.1 billion of board approved hospital related project funds. The largest capital project involves a new patient tower; new women's and pediatric hospital; extensive renovation to the hospital's

main patient tower; and extensive infrastructure and site work on the Inova Fairfax Hospital campus (the “IFH 2015 Project”). The IFH 2015 Project was budgeted for approximately \$850.0 million through 2016, of which \$443.5 million was spent as of June 30, 2014. Because of the favorable construction market for buyers, the IFH 2015 Project is anticipated to be completed for \$810.0 million. As of June 30, 2014, IHS had proceeds of \$123.1 million from the 2012A and B financing available to pay costs of these and other projects.

All planned capital expenditures are regularly evaluated based upon business need, economic conditions and IHS’ financial position. IHS management currently anticipates that capital expenditures will be financed with a combination of operating cash flow, existing cash reserves, donations and tax-exempt borrowing. The actual undertaking of any construction project or equipment purchase program contemplated by IHS is dependent upon a number of factors, including receipt of appropriate Certificates of Public Need from the Virginia Department of Health and subject to changes in the methods and requirements pertaining to the delivery of necessary health care services.

***Debt Structure and Liability Management.*** At June 30, 2014, total long-term debt outstanding was \$1.4 billion, or 24.2% of capitalization.

IHS maintains a taxable commercial paper (“CP”) program under which it is authorized to borrow and have outstanding from time to time up to \$100.0 million of short term debt having maturity dates from one to 270 days. IHS maintains a self-liquidity program to fund the purchase of any CP that is not remarketed. As of June 30, 2014, the amount of CP outstanding was \$100.0 million, which is included in notes payable and other liabilities in the current liabilities section of the balance sheet.

IHS also maintains unsecured lines of credit with two large commercial banks in a combined available principal amount of \$87.5 million. There were no amounts outstanding on these credit lines as of June 30, 2014.

In 2014, IHS modified a fixed payer swap by lowering the fixed payer interest rate. As of June 30, 2014, IHS had \$100.0 million notional amount of fixed payer swaps with a fair value of \$(26.6) million.

***Commitments.*** In July 2013, IHS and Valley Health System, a not-for-profit health system based in Winchester, Virginia (“Valley”), announced a collaborative alliance to work together to improve the continuity of care to the patients they serve through closer operational, technological and clinical integration, particularly in the areas of clinical research, information technology, population health and selected clinical services. In order to facilitate the objectives of this strategic relationship, IHS is extending its Epic Applications to Valley and assisting Valley with the implementation of these systems. It is the intent of the parties that Valley reimburse IHS for any costs incurred in extending its Epic Application to Valley in this manner.

## Other Financial Information

The following are selected financial indicators for IHS as of and for the six months ended June 30, 2014 and 2013:

<b>Financial Indicator</b>	<b>2014</b>	<b>2013</b>
Operating Margin <sup>1</sup>	8.5%	5.0%
Operating Cash Flow Margin <sup>2</sup>	16.1%	12.9%
Net Days in Accounts Receivable <sup>3</sup>	39.3	43.1
Days in Unrestricted Cash <sup>4</sup>	634.9	540.4
Unrestricted Cash to Debt <sup>5</sup>	2.7x	2.2x
Debt Service Coverage <sup>6</sup>	9.3x	7.2x

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1 Operating income divided by Operating Revenue

2 (Operating income plus interest expense, depreciation and amortization expense) divided by Operating Revenue

3 Net Patient Receivables divided by Three-Month Average Daily Net Patient Revenue

4 (Cash and Short-Term Investments plus Unrestricted cash reserves and Unrestricted LT Investments) divided by (Operating Expenses less depreciation, amortization expense and loss on extinguishment of debt and termination of swaps)

5 (Cash and Short-Term investments plus Unrestricted cash reserves plus Unrestricted LT Investments) divided by (Debt-current portion plus Debt-long-term portion)

6 Income Available for Debt Service (annualized) divided by Long-Term Debt Service Requirement

**Inova Health System**  
**Consolidated Balance Sheets**  
**June 30, 2014 and December 31, 2013**  
(In thousands)

	<b>June 30, 2014</b> <b>(Unaudited)</b>	<b>December 31, 2013</b> <b>(Audited)</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 270,578	\$ 252,679
Assets whose use is limited		
By board for plant replacement and expansion	227,550	228,870
Patient accounts receivable less allowance for doubtful accounts	259,677	250,250
Third-party settlements	4,818	1,946
Other current assets	95,213	92,306
<b>Total Current Assets</b>	<b>857,836</b>	<b>826,051</b>
 <b>Total Property, Equipment and Leasehold Interests, net</b>	 <b>1,581,563</b>	 <b>1,498,627</b>
 <b>Assets Whose Use Is Limited</b>		
Held by bond trustee	132,022	251,602
By board for plant replacement and expansion	3,309,360	3,085,713
By board for construction projects	321,861	317,784
By donor	91,218	87,813
For professional liability	87,366	84,078
For health plan liability	12,056	12,037
	<b>3,953,883</b>	<b>3,839,027</b>
Less amounts required to meet current obligations	(227,550)	(228,870)
<b>Total Assets Whose Use Is Limited</b>	<b>3,726,333</b>	<b>3,610,157</b>
 <b>Other Assets</b>		
Investments in and receivables from affiliates	35,686	37,493
Prepaid pension asset	59,784	54,534
Goodwill and other intangible assets	72,091	72,844
Other long-term assets	28,033	24,731
<b>Total Other Assets</b>	<b>195,594</b>	<b>189,602</b>
 <b>TOTAL ASSETS</b>	 <b>\$ 6,361,326</b>	 <b>\$ 6,124,437</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 189,400	\$ 194,731
Accrued salaries, wages and benefits	101,545	105,951
Third-party settlements	54,728	52,528
Notes payable and other liabilities	148,722	142,924
Current portion of long-term debt	257,603	258,359
<b>Total Current Liabilities</b>	<b>751,998</b>	<b>754,493</b>
 <b>Non-current Liabilities</b>		
Long-term debt, less current portion	1,109,200	1,127,972
Interest rate swap liability	26,606	22,841
Estimated professional and other insurance liabilities	32,662	32,775
Other non-current obligations	51,355	55,232
<b>Total Non-current Liabilities</b>	<b>1,219,823</b>	<b>1,238,820</b>
 <b>Net Assets</b>		
Unrestricted	4,274,183	4,019,846
Temporarily restricted	75,137	72,029
Permanently restricted	40,185	39,249
<b>Total Net Assets</b>	<b>4,389,505</b>	<b>4,131,124</b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ 6,361,326</b>	 <b>\$ 6,124,437</b>

**Inova Health System**  
**Consolidated Statements of Operations and Changes in Unrestricted Net Assets**  
**For the Periods Ended June 30, 2014 and 2013**  
(Unaudited, in thousands)

	<u>2014</u>	<u>2013</u>
<b>Operating Revenues</b>		
Net patient service revenue	\$ 1,238,498	\$ 1,178,183
Provision for bad debts	(64,852)	(43,759)
<b>Net Patient Service Revenue Less Provision for Bad Debts</b>	<u>1,173,646</u>	<u>1,134,424</u>
Premium revenue	90,849	88,370
Other operating revenue	45,676	40,701
<b>Total Operating Revenues</b>	<u>1,310,171</u>	<u>1,263,495</u>
<b>Operating Expenses</b>		
Salaries and benefits	561,472	581,706
Other operating expenses	465,363	446,508
Medical claims	72,015	68,905
Depreciation and amortization	86,718	85,381
Interest	13,443	14,594
Loss on swap termination	-	2,975
<b>Total Operating Expenses</b>	<u>1,199,011</u>	<u>1,200,069</u>
<b>Operating Income</b>	<b>111,160</b>	<b>63,426</b>
<b>Non-operating Revenues (Expenses)</b>		
Investment income and other, net	133,833	62,870
Excess of Revenues Over Expenses	<u>244,993</u>	<u>126,296</u>
Unrealized gains on investments, net	4,080	15,056
Change in fair value of effective hedging interest rate swaps	248	19,983
Change in plan assets and benefit obligations of pension	4,338	3,424
Net assets released from restriction for purchase of equipment and land rights	-	5
Other	678	2,683
<b>Increase in Unrestricted Net Assets</b>	<u><u>\$ 254,337</u></u>	<u><u>\$ 167,447</u></u>

**Inova Health System**  
**Consolidated Statements of Cash Flows**  
**For the Periods Ended June 30, 2014 and 2013**  
(Unaudited, in thousands)

	<b>2014</b>	<b>2013</b>
<b>Operating Activities</b>		
Change in net assets	\$ 258,381	\$ 173,321
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	86,718	84,162
Change in plan assets and benefit obligations of pension	(4,900)	(3,424)
Net realized and unrealized gains on investments	(122,133)	(66,527)
Other than temporary declines in fair market value of investments	-	13,301
Change in fair value of interest rate swaps	5,765	(18,398)
Equity investment losses (earnings)	2,714	(875)
(Increase) decrease in accounts receivable and third-party settlements, net	(12,299)	2,445
Increase (decrease) in accounts payable and other current liabilities	1,168	(18,365)
Decrease in accrued salaries, wages and benefits	(4,406)	(4,324)
Increase in prepaid pension asset	(350)	(1,440)
(Decrease) increase in estimated professional liability and other deferred liability items	(3,783)	757
Restricted contributions received	(5,328)	(6,258)
Restricted interest and dividend income	(649)	(913)
Other	(6,593)	4,991
<b>Net Cash Provided by Operating Activities</b>	<b>194,305</b>	<b>158,453</b>
<b>Investing Activities</b>		
Capital expenditures	(168,779)	(169,328)
Investments in and advances to joint ventures and affiliates	(2,549)	(23,331)
Purchases of marketable securities	(1,169,263)	(1,325,739)
Proceeds from sale of marketable securities	1,176,539	1,339,680
Other	1,697	4,736
<b>Net Cash Used in Investing Activities</b>	<b>(162,355)</b>	<b>(173,982)</b>
<b>Financing Activities</b>		
Restricted contributions received	5,328	6,258
Restricted interest and dividend income	649	913
Principal payments on long-term debt	(19,175)	(24,990)
Proceeds from issuance of long-term debt	1,000	-
Proceeds from short-term borrowings	1,500	-
Swap termination and modification payments	(2,000)	(11,323)
Other	(1,353)	(1,578)
<b>Net Cash Used in Financing Activities</b>	<b>(14,051)</b>	<b>(30,720)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>17,899</b>	<b>(46,249)</b>
Cash and Cash Equivalents at Beginning of Period	252,679	216,672
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 270,578</b>	<b>\$ 170,423</b>

INOVA HEALTH SYSTEM

**Other  
Supplementary  
Information**

**Inova Health System Obligated Group**  
**Consolidated Balance Sheets**  
**June 30, 2014 and December 31, 2013**  
(In thousands)

	<b>June 30, 2014</b> <b>(Unaudited)</b>	<b>December 31, 2013</b> <b>(Audited)</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 230,961	\$ 208,750
Assets whose use is limited		
By board for plant replacement and expansion	227,550	228,870
Patient accounts receivable less allowance for doubtful accounts	248,987	239,967
Third-party settlements	4,818	1,946
Other current assets	67,931	66,190
<b>Total Current Assets</b>	<b>780,247</b>	<b>745,723</b>
<b>Property, Equipment and Leasehold Interests, net</b>		
Land and land improvements	155,168	155,111
Buildings, fixed equipment and leasehold improvements	1,680,962	1,644,885
Major movable equipment	1,146,149	1,118,086
	<b>2,982,279</b>	<b>2,918,082</b>
Less allowances for depreciation and amortization	(1,800,587)	(1,719,725)
	1,181,692	1,198,357
Construction-in-progress	350,632	254,342
<b>Total Property, Equipment and Leasehold Interests, net</b>	<b>1,532,324</b>	<b>1,452,699</b>
<b>Assets Whose Use Is Limited</b>		
Held by bond trustee	132,022	251,602
By board for plant replacement and expansion	3,308,354	3,085,167
By board for construction projects	321,861	317,784
By donor	76,969	74,925
	<b>3,839,206</b>	<b>3,729,478</b>
Less amounts required to meet current obligations	(227,550)	(228,870)
<b>Total Assets Whose Use Is Limited</b>	<b>3,611,656</b>	<b>3,500,608</b>
<b>Other Assets</b>		
Investments in and receivables from affiliates	146,780	149,566
Prepaid pension asset	59,784	54,534
Other long-term assets	76,511	66,526
<b>Total Other Assets</b>	<b>283,075</b>	<b>270,626</b>
<b>TOTAL ASSETS</b>	<b>\$ 6,207,302</b>	<b>\$ 5,969,656</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 177,111	\$ 179,895
Accrued salaries, wages and benefits	96,492	101,332
Third-party settlements	54,491	52,319
Notes payable and other liabilities	123,017	122,478
Current portion of long-term debt	254,262	255,117
<b>Total Current Liabilities</b>	<b>705,373</b>	<b>711,141</b>
<b>Non-current Liabilities</b>		
Long-term debt, less current portion	1,094,446	1,112,559
Interest rate swap liability	26,606	22,841
Estimated professional and other insurance liabilities	17,064	16,556
Other non-current obligations	37,420	40,919
<b>Total Non-current Liabilities</b>	<b>1,175,536</b>	<b>1,192,875</b>
<b>Net Assets</b>		
Unrestricted	4,232,873	3,975,832
Temporarily restricted	59,644	56,928
Permanently restricted	33,876	32,880
<b>Total Net Assets</b>	<b>4,326,393</b>	<b>4,065,640</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,207,302</b>	<b>\$ 5,969,656</b>

NOTE: The Obligated Group consists of Inova Health System Foundation, Inova Health Care Services and Loudoun Hospital Center, and the financial statements presented for the Obligated Group includes only their accounts, which includes their investment interest in controlled, affiliated entities, but does not include in the revenues, expenses, assets or liabilities of the Obligated Group the revenues, expenses, assets or liabilities of any of those controlled, affiliated entities.

**Inova Health System Obligated Group**  
**Consolidated Statements of Operations and Changes in Unrestricted Net Assets**  
**For the Periods Ended June 30, 2014 and 2013**  
(Unaudited, in thousands)

	<u>2014</u>	<u>2013</u>
<b>Operating Revenues</b>		
Net patient service revenue	\$ 1,177,527	\$ 1,108,847
Provision for bad debts	(64,070)	(42,535)
<b>Net Patient Service Revenue Less Provision for Bad Debts</b>	<u>1,113,457</u>	<u>1,066,312</u>
Other operating revenue	38,726	38,689
<b>Total Operating Revenues</b>	<u>1,152,183</u>	<u>1,105,001</u>
<b>Operating Expenses</b>		
Salaries and benefits	523,847	541,950
Other operating expenses	429,844	404,520
Depreciation and amortization	83,135	80,782
Interest	12,906	13,961
Loss on swap termination	-	2,975
<b>Total Operating Expenses</b>	<u>1,049,732</u>	<u>1,044,188</u>
<b>Operating Income</b>	<b>102,451</b>	<b>60,813</b>
<b>Non-operating Revenues (Expenses)</b>		
Investment income and other, net	144,679	75,750
Excess of Revenues Over Expenses	<u>247,130</u>	<u>136,563</u>
Unrealized gains on investments, net	3,752	13,884
Change in fair value of effective hedging interest rate swaps	248	19,982
Change in plan assets and benefit obligations of pension	4,338	3,424
Net assets released from restriction for purchase of equipment and land rights	-	5
Other	1,573	(5,446)
<b>Increase in Unrestricted Net Assets</b>	<u><u>\$ 257,041</u></u>	<u><u>\$ 168,412</u></u>

NOTE: The Obligated Group consists of Inova Health System Foundation, Inova Health Care Services and Loudoun Hospital Center, and the financial statements presented for the Obligated Group includes only their accounts, which includes their investment interest in controlled, affiliated entities, but does not include in the revenues, expenses, assets or liabilities of the Obligated Group the revenues, expenses, assets or liabilities of any of those controlled, affiliated entities.

**Inova Health System Obligated Group**  
**Consolidated Statements of Cash Flows**  
**For the Periods Ended June 30, 2014 and 2013**  
(Unaudited, in thousands)

	<u>2014</u>	<u>2013</u>
<b>Operating Activities</b>		
Change in net assets	\$ 260,753	\$ 172,313
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	83,135	79,853
Change in plan assets and benefit obligations of pension	(4,900)	(3,424)
Net realized and unrealized gains on investments	(118,566)	(65,013)
Other than temporary declines in market value of investments	-	13,291
Change in fair value of interest rate swaps	5,765	(18,398)
Equity investment earnings	(5,884)	(8,785)
(Increase) decrease in accounts receivable and third-party settlements, net	(10,587)	2,239
Decrease in accounts payable and other current liabilities	(654)	(20,722)
Decrease in accrued salaries, wages and benefits	(4,840)	(3,878)
Increase in prepaid pension asset	(350)	(1,440)
(Decrease) increase in post employment health care benefits	(81)	3,604
(Decrease) increase in estimated professional liability and other deferred liability items	(2,910)	1,747
Restricted contributions received	(4,652)	(4,352)
Restricted interest and dividend income	(445)	(641)
Other	(12,325)	(10,576)
<b>Net Cash Provided by Operating Activities</b>	<u>183,459</u>	<u>135,818</u>
<b>Investing Activities</b>		
Capital expenditures	(162,839)	(154,816)
Investments in and advances to joint ventures and affiliates	7,029	(17,079)
Purchases of marketable securities	(1,161,142)	(1,318,180)
Proceeds from sale of marketable securities	1,169,980	1,332,473
Other	1,596	2,033
<b>Net Cash Used in Investing Activities</b>	<u>(145,376)</u>	<u>(155,569)</u>
<b>Financing Activities</b>		
Restricted contributions received	4,652	4,352
Restricted interest and dividend income	445	641
Principal payments on long-term debt	(17,616)	(23,443)
Swap termination and modification payments	(2,000)	(11,323)
Other	(1,353)	(1,579)
<b>Net Cash Used in Financing Activities</b>	<u>(15,872)</u>	<u>(31,352)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>22,211</u>	<u>(51,103)</u>
Cash and Cash Equivalents at Beginning of Period	208,750	191,413
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u><u>\$ 230,961</u></u>	<u><u>\$ 140,310</u></u>

NOTE: The Obligated Group consists of Inova Health System Foundation, Inova Health Care Services and Loudoun Hospital Center, and the financial statements presented for the Obligated Group includes only their accounts, which includes their investment interest in controlled, affiliated entities, but does not include in the revenues, expenses, assets or liabilities of the Obligated Group the revenues, expenses, assets or liabilities of any of those controlled, affiliated entities.