

**TEMPLE UNIVERSITY HEALTH SYSTEM**  
Financial Summary  
For the twelve months ended June 30, 2017

# Temple University Health System Management Discussion and Analysis June 30, 2017

## Overview

Temple University Health System reported net income of \$7,365,000 for the year ended June 30, 2017 versus budgeted net income of \$30,061,000 and prior year net income of \$17,156,000 for an unfavorable budget variance of (\$22,696,000) and an unfavorable year-over-year variance of (\$9,791,000). The unfavorable variances are largely due to the implementation of the EPIC Inpatient Clinical Health Record (“EPIC”) at Temple University Hospital (“TUH-Main”). The reported net income also includes the proceeds of the approved Temple University Academic Health Center (“TU AHC”) Non Preferred Appropriation from the Commonwealth of Pennsylvania of \$6,229,000 which is slightly favorable to budget and prior year.

## Actual versus Budget Summary

TUHS reported net income of \$7,365,000 for the year ended June 30, 2017 compared to budgeted net income of \$30,061,000 for an unfavorable variance of (\$22,696,000).

### Healthcare Performance:

Salaries were unfavorable to budget by (\$34,363,000). TUH-Main accounted for (\$26,709,000) of the variance primarily due to higher than budgeted staffing needs related to the EPIC go live totaling (\$15,130,000). The remaining variance at TUH-Main related to the impact of implementing EPIC on the ability to achieve various operations improvement goals and maintain a high performing length of stay average, as well as costs related to the Pennsylvania Association of Staff Nurses & Allied Professionals contract settlement. Also contributing to the salaries variance were unfavorable vacation liability adjustments at American Oncologic Hospital (“AOH”) and the Institute for Cancer Research (“ICR”) due to a change in the paid time off policy, and overtime in the nursing departments at AOH to cover pool positions for employees on disability and vacant positions.

Supplies and Pharmaceuticals were (\$17,350,000) unfavorable to budget primarily due to higher outpatient bone marrow transplant drug volume, unfavorable spending in the operating room at TUH-Main in part related to acuity driven by growth in transplants and other high-end surgery, and more expensive drugs used at AOH.

Insurance expense was (\$9,978,000) unfavorable to budget due to unfavorable claims experience in the professional liability program.

Professional fees were unfavorable to budget by (\$3,811,000) due to higher than budgeted consulting support related to EPIC and lab information systems. Also contributing to the variance was unbudgeted Huron Healthcare expenses related to the upgrading of critical tool sets that are used to manage the revenue cycle, a review of the current organizational structure and updated skill training of the revenue cycle

leadership team.

Utilities expense was \$4,108,000 favorable to budget primarily due to a prior year telecommunications rebate from Temple University (“TU”).

Inpatient revenues were \$2,938,000 or 0.4% favorable largely due to a favorable variance of \$10,900,000 at TUH-Main, partially offset by unfavorable variances of (\$3,729,000) and (\$2,743,000) at Jeanes Hospital (“JH”) and AOH, respectively. The favorable variance at TUH-Main was driven by favorable case mix and payer mix variances, positive development on the valuation of high-charge cases, and prior year Medicare cost report adjustments, partially offset by unfavorable volumes. The unfavorable variance at JH was due to unfavorable volumes and payer mix, retractions from commercial insurance companies, as well as a true-up of year-to-date estimates based on review of open patient accounts receivable balances. The unfavorable variance at AOH was due to unfavorable payer mix.

#### Contribution Revenue:

Contribution revenue was \$4,006,000 favorable to budget due to receipt of several large estate gifts by TUH-Main and ICR.

#### Net Commonwealth Funding:

Net Commonwealth reimbursement was \$4,718,000 favorable to budget primarily due to more than anticipated inpatient and outpatient supplemental funding paid through managed care companies under the provisions of the state wide Quality Assessment (tax) Program partially offset by upper payment limit reserves.

#### Population Health Performance:

Population health activity consists partially of revenues earned through pay-for-performance contracts coordinated by Temple Center for Population Health (“TCPH”). These agreements with third-party payers incentivize improvements in quality, utilization and cost effectiveness, chronic disease management, health and wellness, and transitions of care. The second component of population health revenue is TUHS’s share of Health Partners Plans (“HPP”) operating results. As member owners of HPP, TUH-Main and Episcopal Hospital Corporation each receive an allocation of HPP’s earnings or losses. HPP results for Temple were \$17,570,000 favorable as a result of above budget hospital specific allocations for the Medicaid product line and an above budget pay-for-performance bonus, partially offset by negative budget variances for the hospital and non-hospital specific allocations of the Medicare product line. TCPH revenues were \$6,110,000 above budget mainly due to favorable adjustments made to the calendar years 2015 and 2016 IBC incentive payments.

### **Year over Year Summary**

TUHS reported net income of \$7,365,000 for the year ended June 30, 2017 compared to net income of \$17,156,000 in the prior year for an unfavorable variance of (\$9,791,000). Included in the fiscal year 2017 performance were EPIC costs of \$43,313,000 at TUH (versus \$18,977,000 of costs incurred in fiscal year 2016) and the proceeds of the TU AHC Non Preferred Appropriation from the Commonwealth of Pennsylvania of \$6,229,000 and \$6,210,000 for the years ended June 30, 2017 and 2016, respectively.

Total net patient service revenue increased by \$68,915,000 driven by improved outpatient revenue of \$50,058,000 and increased funding from the Commonwealth of \$26,270,000. The increase in outpatient revenue was driven by considerable growth of the TUH-Main outpatient pharmacy and continued growth in outpatient volumes at AOH. AOH's outpatient operations and diagnostic imaging studies increased by 11.9% and 4.6%, respectively, compared to the prior year. Also contributing to the outpatient revenue increase was a settlement with an insurance company valued at \$11,885,000 that primarily impacted AOH. The increase in Commonwealth funding is related to an increase in federalized funding primarily related to additional inpatient and outpatient supplemental funding paid through managed care companies under the provisions of the state wide Quality Assessment (tax) Program compared to the prior year.

Population Health revenue increased by \$27,870,000 due to improved performance of the HPP Medicaid product line and an increase in TCPH incentive revenues from IBC.

Operating expenses increased by (7.3%) or (\$119,825,000) compared to the prior year period, primarily driven by increases of (\$105,545,000) or (11.4%) at TUH-Main and (\$25,444,000) or (9.3%) at AOH. TUH-Main salaries and purchased services increased by (\$28,362,000) and (\$5,203,000), respectively, year-over-year largely due to the EPIC implementation. In addition, faculty support increased by (\$33,510,000) at TUH-Main due to an increase of (\$18,348,000) in federalized dollars received and passed through to the faculty practice plan and an increase of (\$11,523,000) in professional liability support provided to Temple University Physicians ("TUP"). Supplies and pharmaceuticals increased by (\$15,996,000) at TUH-Main primarily due to growth of the outpatient retail pharmacy and an increase in transplant volume of 10.1%. Insurance expense increased by (\$12,736,000) at TUH-Main due to unfavorable claims experience in the professional liability program. At AOH, supplies and pharmaceuticals increased by (\$10,856,000) year-over-year as a result of high drug expense due to an increase in outpatient volumes. Purchased services and other expenses at AOH increased by (\$7,431,000), primarily due to a new anesthesia contract with TUP.

## **Liquidity**

Liquidity at June 30, 2017 was \$356,717,000 compared to liquidity at June 30, 2016 of \$332,594,000 and budgeted June 30, 2017 liquidity of \$350,026,000.

The favorable variance of \$24,123,000 to the June 30, 2016 liquidity balance is primarily the result of the following items:

- Timing of collection of Commonwealth receivable – \$45,036,000
- 2012 bond construction funds drawn from trustee – \$20,750,000
- Line of credit drawn in June 2017 – \$15,000,000
- Increase in payments to vendors and TU – (\$18,085,000)
- Increase in patient accounts receivable due to the collection cycle and business growth – (\$22,205,000)
- Overpayments repaid to Medicare, primarily at AOH – (\$11,928,000)

The favorable variance of \$6,691,000 to the June 30, 2017 budgeted liquidity is primarily the result of the following items:

- Timing of payments on other current and long-term liabilities - \$27,177,000
- 2012 bond construction funds drawn from trustee - \$20,750,000
- Line of credit drawn in June 2017 – \$15,000,000
- Increase in HPP and Commonwealth receivables – (\$35,361,000)
- Net income was (\$22,696,000) lower than budgeted, leading to a reduction in liquidity compared to budget.

**TEMPLE UNIVERSITY HEALTH SYSTEM**  
Consolidated Financial Management Report  
For the twelve months ended June 30, 2017  
Actual versus Budget

**Temple University Health System**  
**Key Operating Indicators**  
For the twelve months ended June 30, 2017

UNAUDITED  
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***TUHS Consolidated***

	YTD Actual	%	YTD Budget	%	Variance
<b>Patient Discharges:</b>					
Inpatient Acute Discharges	35,510	73.7%	37,424	74.5%	(1,914)
Behavioral Health Discharges	2,277	4.7%	2,400	4.8%	(123)
Subtotal Acute Discharges (Med/Surg & Behavioral Hlth.)	<u>37,787</u>	<u>78.4%</u>	<u>39,824</u>	<u>79.3%</u>	<u>(2,037)</u>
CDU Observation Discharges	1,077	2.2%	1,978	3.9%	(901)
Non-CDU Observation Discharges	9,318	19.3%	8,433	16.8%	885
Subtotal Observation Discharges	<u>10,395</u>	<u>21.6%</u>	<u>10,411</u>	<u>20.7%</u>	<u>(16)</u>
Total Discharges including Observations	48,182	100.0%	50,235	100.0%	(2,053)
<b>Births</b>	2,650		2,922		(272)
<b>Case Mix Index - Total</b>	1.82		1.77		0.05
<b>PATIENT LENGTH OF STAY - ALL EXCEPT BIRTHS</b>					
Inpatient Acute Discharges	5.78		5.30		(0.48)
Behavioral Health LOS	17.15		17.32		0.17
CDU Observation LOS	1.39		1.31		(0.08)
Non-CDU Observation LOS	1.60		1.59		(0.01)
<b>Patient Days Including Observation</b>	260,598		255,879		4,719
<b>Census Patient Days Including Observation Cases</b>	264,176		254,919		9,257
<b>Average Daily Census Including Observation</b>	724		698		25
Staffed Beds (% Occupancy including Observations)	81.03%		77.93%		3.09%

**Temple University Health System**  
**Key Operating Indicators**  
For the twelve months ended June 30, 2017

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***TUHS Consolidated***

	YTD Actual	%	YTD Budget	%	Variance
<b>Inpatient Acute Discharges - Payer Mix</b>					
Medicaid	14,117	37.4%	15,506	38.9%	(1,389)
Medicare	16,619	44.0%	16,096	40.4%	523
Blue Cross	4,601	12.2%	5,095	12.8%	(494)
Managed Care	2,319	6.1%	2,488	6.2%	(169)
Other	131	0.3%	639	1.6%	(508)
Total Acute Discharges- All Except Births	37,787	100.0%	39,824	100.0%	(2,037)
<b>EMERGENCY DEPARTMENT:</b>					
Inpatient Discharges (admitted from ED)	20,904		22,282		(1,378)
Percentage of Acute Inpatient Discharges (admitted from ED)	58.9%		59.5%		(0.7)%
ED Visits	175,192		181,192		(6,000)
<b>OPERATING ROOM:</b>					
Inpatient	11,571		12,126		(555)
Outpatient	14,289		13,877		412
Total Operations	25,860		26,003		(143)
<b>Transplants</b>	326		303		23
<b>Total Outpatient Registrations</b>	497,406		521,317		(23,911)
<b>FULL TIME EQUIVALENTS - TOTAL HEALTH SYSTEM</b>					
Based on total paid hours	8,426		8,239		(187)
Based on total adjusted hours including contracted services,	7,941		7,739		(202)



# Temple University Health System

## Operating Statement

(In thousands)

For the twelve months ended June 30, 2017

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### TUHS Consolidated

		Year-to-Date		
		Actual	Budget	Variance
REVENUES:	Line #			
Net patient service revenue:				
Inpatient	1	759,100	756,162	2,938
Outpatient	2	609,683	609,452	232
Physician revenue	3	85,174	85,245	(71)
Commonwealth reimbursement	4	185,132	157,814	27,319
<b>Net patient service revenue before provision for doubtful accounts</b>	5	1,639,090	1,608,672	30,417
Provision for doubtful accounts	6	(26,233)	(25,098)	(1,135)
<b>Total Net Patient Service Revenue</b>	7	1,612,857	1,583,575	29,282
Research Revenue	8	35,189	36,875	(1,687)
Population Health	9	36,582	12,902	23,680
Contribution Revenue	10	11,251	7,245	4,006
Other Revenue - F/S	11	49,441	50,259	(818)
Investment Income - Revenue	12	843	1,113	(270)
<b>Total Revenues</b>	13	1,746,162	1,691,969	54,193
EXPENSES:				
Salaries	14	694,391	660,028	(34,363)
Employee benefits	15	197,072	196,517	(555)
Professional fees	16	52,066	48,254	(3,811)
Faculty support	17	122,894	92,837	(30,057)
Supplies and pharmaceuticals	18	353,092	335,742	(17,350)
Purchased services and other expense	19	123,221	122,442	(780)
Maintenance	20	17,945	20,553	2,608
Utilities	21	18,783	22,891	4,108
Leases	22	18,523	18,422	(101)
Insurance	23	26,949	28,862	1,914
Depreciation and amortization	24	51,131	53,353	2,222
Interest	25	28,595	29,449	854
Assessment Programs	26	46,786	46,787	1
Asset impairment	27	213	0	(213)
Loss or (Gain) on Disposal of Fixed Assets	28	260	0	(260)
<b>Total Expenses</b>	29	1,751,920	1,676,137	(75,784)
Healthcare Performance	30	(5,758)	15,833	(21,591)
Non preferred appropriations	31	6,229	6,210	19
<b>Operating Income(Loss)</b>	32	471	22,043	(21,572)
Other investment income	33	6,894	8,018	(1,124)
<b>Net Income (Loss)</b>	34	7,365	30,061	(22,696)

# Temple University Health System

## Operating Statement

(In thousands)

For the twelve months ended June 30, 2017

UNAUDITED  
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### TUHS Consolidated

		Year-to-Date		
		Actual	Budget	Variance
<b>OTHER CHANGES IN UNRESTRICTED NET ASSETS</b>				
	Line #			
Unrestricted unrealized gain/loss	35	15,534	0	15,534
Net asset released from restriction used for purchase of PPE	36	1,728	0	1,728
Transfers from (to) affiliates	37	0	0	0
Transfers from (to) non affiliates	38	(7,822)	(1,470)	(6,352)
Interfund Transfer	39	0	0	0
Other comprehensive income pension	40	30,590	0	30,590
<b>TOTAL INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	<b>41</b>	<u><b>47,395</b></u>	<u><b>28,591</b></u>	<u><b>18,804</b></u>
 <b>TEMPORARILY RESTRICTED NET ASSETS</b>				
Contribution income	42	5,849	0	5,849
Investment income (loss)	43	2,610	0	2,610
Net assets released from restrictions	44	(8,690)	0	(8,690)
Net unrealized gains (losses) on investments	45	111	0	111
Temporarily restricted net assets	46	<u>(121)</u>	<u>0</u>	<u>(121)</u>
 <b>PERMANENTLY RESTRICTED NET ASSETS</b>				
Change in value of beneficial interests	47	13,590	0	13,590
Contributions	48	2,050	0	2,050
Investment income (loss)	49	(283)	0	(283)
Net unrealized gains (losses) on investments	50	948	0	948
Permanently restricted net assets	51	<u>16,305</u>	<u>0</u>	<u>16,305</u>
 <b>TOTAL INCREASE (DECREASE) IN NET ASSETS</b>	 <b>.</b>	 <u><u><b>63,579</b></u></u>	 <u><u><b>28,591</b></u></u>	 <u><u><b>34,988</b></u></u>

**TEMPLE UNIVERSITY HEALTH SYSTEM**  
Consolidated Financial Management Report  
For the twelve months ended June 30, 2017  
Year Over Year Comparison

Temple University Health System  
Key Operating Indicators Year Over Year  
For the twelve months ended June 30, 2017

*TUHS Consolidated*

	Year-to-Date				
	Actual	%	Prior Year Actual	%	Prior Year Variance
<b>Patient Discharges:</b>					
Inpatient Acute Discharges	35,510	73.7%	36,471	74.4%	(961)
Behavioral Health Discharges	2,277	4.7%	2,365	4.8%	(88)
Subtotal Acute Discharges (Med/Surg & Behavioral Hlth.)	<u>37,787</u>	<u>78.4%</u>	<u>38,836</u>	<u>79.2%</u>	<u>(1,049)</u>
CDU Observation Discharges	1,077	2.2%	1,596	3.3%	(519)
Non-CDU Observation Discharges	<u>9,318</u>	<u>19.3%</u>	<u>8,586</u>	<u>17.5%</u>	<u>732</u>
Subtotal Observation Discharges	<u>10,395</u>	<u>21.6%</u>	<u>10,182</u>	<u>20.8%</u>	<u>213</u>
Total Discharges including Observations	48,182	100.0%	49,018	100.0%	(836)
<b>Births</b>	2,650		2,849		(199)
<b>Case Mix Index - Total</b>	1.82		1.77		0.05
<b>PATIENT LENGTH OF STAY - ALL EXCEPT BIRTHS</b>					
Inpatient Acute Discharges	5.78		5.53		(0.25)
Behavioral Health LOS	17.15		18.55		1.40
CDU Observation LOS	1.39		1.33		(0.06)
Non-CDU Observation LOS	1.60		1.58		(0.02)
<b>Patient Days Including Observation</b>	260,598		261,158		(560)
<b>Census Patient Days Including Observation Cases</b>	264,176		259,196		4,980
<b>Average Daily Census Including Observation</b>	724		708		16
Staffed Beds (% Occupancy including Observations)	81.03%		78.81%		2.21%

Temple University Health System  
Key Operating Indicators Year Over Year  
For the twelve months ended June 30, 2017

*TUHS Consolidated*

	Year-to-Date				
	Actual	%	Prior Year Actual	%	Prior Year Variance
<b>Inpatient Acute Discharges - Payer Mix</b>					
Medicaid	14,117	37.4%	15,200	39.1%	(1,083)
Medicare	16,619	44.0%	16,166	41.6%	453
Blue Cross	4,601	12.2%	5,010	12.9%	(409)
Managed Care	2,319	6.1%	2,424	6.2%	(105)
Other	131	0.3%	36	0.1%	95
Total Acute Discharges- All Except Births	37,787	100.0%	38,836	100.0%	(1,049)
<b>EMERGENCY DEPARTMENT:</b>					
Inpatient Discharges (admitted from ED)	20,904		21,909		(1,005)
Percentage of Acute Inpatient Discharges (admitted from ED)	58.9%		60.1%		(1.2)%
ED Visits	175,192		178,714		(3,522)
<b>OPERATING ROOM:</b>					
Inpatient	11,571		11,671		(100)
Outpatient	14,289		13,544		745
Total Operations	25,860		25,215		645
<b>Transplants</b>	326		296		30
<b>Total Outpatient Registrations</b>	497,406		510,872		(13,466)
<b>FULL TIME EQUIVALENTS - TOTAL HEALTH SYSTEM</b>					
Based on total paid hours	8,426		8,188		(239)
Based on total adjusted hours including contracted services,	7,941		7,711		(230)

# Temple University Health System

## Operating Statement Year Over Year

(In thousands)

For the twelve months ended June 30, 2017

UNAUDITED  
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### TUHS Consolidated

	Line #	Year-to-Date		
		Actual	Prior Year Actual	Prior Year Variance
<b>REVENUES:</b>				
Net patient service revenue:				
Inpatient	1	759,100	755,359	3,741
Outpatient	2	609,683	559,625	50,058
Physician revenue	3	85,174	96,437	(11,263)
Commonwealth reimbursement	4	185,132	158,862	26,270
<b>Net patient service revenue before provision for doubtful accounts</b>	5	<b>1,639,090</b>	<b>1,570,283</b>	<b>68,807</b>
Provision for doubtful accounts	6	(26,233)	(26,341)	108
<b>Total Net Patient Service Revenue</b>	7	<b>1,612,857</b>	<b>1,543,942</b>	<b>68,915</b>
Research Revenue	8	35,189	32,036	3,153
Population Health	9	36,582	8,711	27,870
Contribution Revenue	10	11,251	5,628	5,623
Other Revenue - F/S	11	49,441	45,328	4,113
Investment Income - Revenue	12	843	805	37
<b>Total Revenues</b>	13	<b>1,746,162</b>	<b>1,636,450</b>	<b>109,712</b>
<b>EXPENSES:</b>				
Salaries	14	694,391	660,260	(34,131)
Employee benefits	15	197,072	189,443	(7,628)
Professional fees	16	52,066	48,071	(3,995)
Faculty support	17	122,894	89,745	(33,149)
Supplies and pharmaceuticals	18	353,092	323,615	(29,477)
Purchased services and other expense	19	123,221	115,135	(8,087)
Maintenance	20	17,945	17,837	(108)
Utilities	21	18,783	20,511	1,728
Leases	22	18,523	20,211	1,688
Insurance	23	26,949	21,416	(5,533)
Depreciation and amortization	24	51,131	50,514	(617)
Interest	25	28,595	27,024	(1,571)
Assessment Programs	26	46,786	48,160	1,374
Asset impairment	27	213	108	(105)
Loss or (Gain) on Disposal of Fixed Assets	28	260	45	(215)
<b>Total Expenses</b>	29	<b>1,751,920</b>	<b>1,632,095</b>	<b>(119,825)</b>
Healthcare Performance	30	(5,758)	4,355	(10,114)
Non preferred appropriations	31	6,229	6,210	19
<b>Operating Income(Loss)</b>	32	<b>471</b>	<b>10,565</b>	<b>(10,094)</b>
Other investment income	33	6,894	6,591	303
<b>Net Income (Loss)</b>	34	<b>7,365</b>	<b>17,156</b>	<b>(9,792)</b>

# Temple University Health System

## Operating Statement Year Over Year

(In thousands)

For the twelve months ended June 30, 2017

UNAUDITED  
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### TUHS Consolidated

		Year-to-Date		
		Actual	Prior Year Actual	Prior Year Variance
<b>OTHER CHANGES IN UNRESTRICTED NET ASSETS</b>				
Unrestricted unrealized gain/loss	35	15,534	(5,528)	21,062
Net asset released from restriction used for purchase of PPE	36	1,728	7,452	(5,724)
Transfers from (to) affiliates	37	0	0	0
Transfers from (to) non affiliates	38	(7,822)	(6,680)	(1,142)
Interfund Transfer	39	0	0	0
Other comprehensive income pension	40	30,590	(33,601)	64,191
<b>TOTAL INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	<b>41</b>	<b>47,395</b>	<b>(21,201)</b>	<b>68,595</b>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>				
Contribution income	42	5,849	10,661	(4,812)
Investment income (loss)	43	2,610	2,347	263
Net assets released from restrictions	44	(8,690)	(12,935)	4,245
Net unrealized gains (losses) on investments	45	111	(51)	162
Temporarily restricted net assets	46	(121)	22	(142)
<b>PERMANENTLY RESTRICTED NET ASSETS</b>				
Change in value of beneficial interests	47	13,590	(7,685)	21,274
Contributions	48	2,050	944	1,106
Investment income (loss)	49	(283)	(55)	(228)
Net unrealized gains (losses) on investments	50	948	(18)	967
Permanently restricted net assets	51	16,305	(6,814)	23,119
<b>TOTAL INCREASE (DECREASE) IN NET ASSETS</b>		<b>63,579</b>	<b>27,993</b>	<b>91,572</b>

**TEMPLE UNIVERSITY HEALTH SYSTEM**  
Consolidated Statement of Cash Flows  
For the twelve months ended June 30, 2017



**Temple University Health System**  
**TUHS Consolidated**  
**Statement of Cash Flows**  
**(In Thousands)**

UNAUDITED  
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**For the years ended June 30, 2017 and 2016**

	2017	2016		2017	2016
<b>OPERATING ACTIVITIES:</b>			<b>INVESTING ACTIVITIES:</b>		
Increase (decrease) in net assets from continuing operations	\$ 63,579	\$ (27,993)	Decrease in restricted assets	\$ 2,953	\$ 12,721
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:			Purchases of property, plant and equipment	(34,202)	(47,902)
Net realized and unrealized (gains) losses on investments	(21,179)	4,952	Purchases of investments	(276,366)	(148,719)
Net realized and unrealized (gains) losses on beneficial interests in perpetual trusts and assets held by Episcopal Foundation and Fox Chase Cancer Center Foundation	(13,590)	7,685	Proceeds from sales of investments	291,875	243,147
Depreciation, amortization and accretion	50,212	49,568	Proceeds from sales of fixed assets	491	3,792
Intangible amortization	919	946			
Impairment on intangibles	147	108	Net cash (used in) provided by investing activities	(15,249)	63,039
Amortization of bond premium, discount, debt issuance costs, and underwriter's discount	60	12	<b>FINANCING ACTIVITIES:</b>		
Allowance for doubtful accounts	26,233	26,341	Proceeds from contributions and investments restricted to property, plant and equipment and endowments	1,728	7,452
Adjustment to funded status of pension and postretirement liabilities	(31,087)	33,964	Repayment of long-term debt	(16,072)	(15,161)
Adjustment to funded status of long-term disability liabilities	497	(363)	Repayment of capital lease obligations	(2,213)	(1,222)
Capitalized interest	(164)	(1,888)	Proceeds from issuance of long-term debt	15,229	1,527
Gain on extinguishment of debt	-	(57)	Proceeds from line of credit	15,000	-
Asset impairment	66	-	Permanently restricted gifts and donations received	2,050	943
Proceeds from contributions and investments restricted to property, plant and equipment and endowments	(1,728)	(7,452)	Transfers (to) the University	(7,822)	(470)
Loss on disposal of fixed assets	260	221			
Permanently restricted gifts and donations received	(2,050)	(943)	Net cash provided by (used in) financing activities	7,900	(6,931)
Net transfers to the University	7,822	6,680			
Changes in operating assets and liabilities:			<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(788)</b>	<b>61,516</b>
Patient accounts receivable	(48,438)	(40,120)	<b>CASH AND CASH EQUIVALENTS — Beginning of year</b>	<b>151,324</b>	<b>89,808</b>
Other receivables	20,303	(51,008)			
Pledges receivable — net	(967)	960	<b>CASH AND CASH EQUIVALENTS — End of year</b>	<b>\$ 150,536</b>	<b>\$ 151,324</b>
Inventories and other current assets	3,565	(2,393)			
Expenditures reimbursable by research grants and awards	307	(685)			
Other assets	(9,718)	(5,843)			
Accounts payable	(15,858)	23,269			
Accrued expenses	(11,833)	8,429			
Estimated settlements with third-party payors	(11,928)	(8,518)			
Self-insurance program receivables and liabilities	(2,874)	(17,064)			
Unexpended research grants and awards	887	(1,607)			
Other liabilities	3,118	8,207			
Net cash provided by operating activities	6,561	5,408			

**TEMPLE UNIVERSITY HEALTH SYSTEM**  
Consolidated Balance Sheet  
For the twelve months ended June 30, 2017

**Temple University Health System**  
**TUHS Consolidated**  
**Balance Sheet**  
**(In Thousands)**  
**June**  
**Fiscal Year 2017**

UNAUDITED  
CONFIDENTIAL

	June FY17	June FY16		June FY17	June FY16
<b>ASSETS</b>			<b>LIABILITIES and NET ASSETS:</b>		
<b>CURRENT ASSETS:</b>			<b>CURRENT LIABILITIES:</b>		
Cash and cash equivalents	150,536	151,324	Current portion of long-term debt	18,397	17,427
Patient accounts receivable, net	217,425	195,220	Lines of credit	15,000	0
Other receivables , including current portion pledges	77,153	96,547	Cash overdraft	0	0
Due from affiliates - Short term	0	0	Short term notes payable	0	0
Due from Temple University	3,030	4,226	Accounts payable	50,502	56,059
Expenditures reimbursable by research grants and awards	2,535	2,842	Accrued expenses	80,167	92,000
Inventory and other current assets	37,629	41,194	Due to affiliates	0	0
Current portion of assets limited as to use	37,558	42,214	Interco payable TU-other	39,969	52,497
Short term investments	150,813	127,223	Current portion of accrued retirement benefits	0	0
Current portion of self-insurance assets	<u>10,696</u>	<u>8,723</u>	Current portion of estimated retroactive adjustments, third-party	9,887	21,815
			Current portion of self-insurance program liability	31,192	24,134
Total current assets	687,375	669,512	Unexpended research grants and awards	1,983	1,096
			Other current liabilities	<u>50,460</u>	<u>59,052</u>
			Total current liabilities	297,557	324,081
Total assets limited as to use, less current portion	129,395	152,642	Long term debt	502,044	500,386
Property, plant and equipment, net	340,065	353,160	Long term due to affiliate	0	0
Long term investments	50,496	43,087	Estimated retroactive adjustments, third-party - payors	0	0
Due from affiliates	0	0	Self-insurance program-liability	115,666	120,527
Self insurance assets	24,355	21,515	Liability for insurance - non Temple University	959	836
Estimated retroactive adjustments, third-party-payors	0	0	Unfunded accumulated retirement benefits	57,068	93,956
Goodwill and other intangibles, less accumulated amortization	21,044	21,875	Other long-term liabilities	<u>50,696</u>	<u>32,518</u>
Beneficial interest in perpetual trusts	40,042	37,572	Total liabilities	<u>1,023,991</u>	<u>1,072,305</u>
Beneficial interest in the assets held by Episcopal Foundation	27,348	22,836			
Beneficial interest in the Fox Chase Cancer Center Foundation	51,377	44,769	<b>NET ASSETS:</b>		
Other assets	<u>36,961</u>	<u>26,224</u>	Unrestricted	228,196	180,802
			Temporarily restricted	24,108	24,229
			Permanently restricted	<u>132,162</u>	<u>115,857</u>
			Total net assets	<u>384,466</u>	<u>320,887</u>
<b>TOTAL ASSETS</b>	<u><u>1,408,457</u></u>	<u><u>1,393,192</u></u>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>1,408,457</u></u>	<u><u>1,393,192</u></u>

**Temple University Health System Obligated Group  
Financial Summary (Unaudited)  
For the twelve months ended June 30, 2017**

Temple University Health System Obligated Group  
Consolidated Statement of Operations (unaudited)

(In Thousands)

For the twelve months ended June 30, 2017

	Actual	Budget	Variance
REVENUES:			
Net patient service revenue:			
Inpatient	759,100	756,162	2,938
Outpatient	609,684	609,451	232
Physician revenue	85,174	85,245	(71)
Commonwealth reimbursement	185,132	157,814	27,319
Net patient service revenue before provision for doubtful accou	1,639,090	1,608,672	30,418
Provision for doubtful accounts	(26,233)	(25,098)	(1,135)
Total Net Patient Service Revenue	1,612,857	1,583,574	29,282
Research Revenue	35,189	36,875	(1,687)
Population Health	34,805	10,707	24,098
Contribution Revenue	11,161	7,245	3,916
Other Revenue - F/S	48,921	49,694	(773)
Investment Income - Revenue	843	1,113	(270)
Total Revenues	1,743,775	1,689,209	54,566
EXPENSES:			
Salaries	692,065	657,744	(34,321)
Employee benefits	195,749	195,397	(352)
Professional fees	51,738	47,649	(4,089)
Faculty support	122,894	92,837	(30,056)
Supplies and pharmaceuticals	352,961	335,570	(17,391)
Purchased services and other expense	122,919	123,431	512
Maintenance	17,673	20,278	2,605
Utilities	18,404	22,507	4,103
Leases	20,772	20,646	(126)
Insurance	26,788	28,808	2,020
Depreciation and amortization	50,605	52,545	1,940
Interest	28,498	29,321	824
Assessment Programs	46,786	46,787	1
Asset impairment	213	0	(213)
Loss or (Gain) on Disposal of Fixed Assets	260	0	(260)
TOTAL EXPENSES	1,748,325	1,673,521	(74,804)
Healthcare Performance	(4,550)	15,689	(20,239)
Non preferred appropriations	6,229	6,210	19
Operating Income(Loss)	1,679	21,899	(20,219)
Other investment income	6,273	7,157	(884)
Excess of fair value of net assets acquired over consideration paid	0	0	0
Non operating income (loss)	0	0	0
Net Income (Loss)	7,952	29,056	(21,103)
Income (Loss) from Discontinued Operations	0	0	0
Net Income (Loss) after Discontinued Operations	7,952	29,056	(21,103)

**Temple University Health System Obligated Group  
Consolidated Statement of Operations (unaudited)**

(In Thousands)

**For the twelve months ended June 30, 2017**

	Actual	Budget	Variance
<b>OTHER CHANGES IN UNRESTRICTED NET ASSETS:</b>			
Unrestricted unrealized gain/loss	12,576	0	12,576
Net asset released from restriction used for purchase of PPE	1,728	0	1,728
Transfers from (to) affiliates	(4,000)	(4,000)	0
Transfers from (to) non affiliates	(7,822)	(1,470)	(6,352)
Interfund Transfer	0	0	0
Other comprehensive income pension	26,181	0	26,181
<b>TOTAL INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	<u><u>36,615</u></u>	<u><u>23,586</u></u>	<u><u>13,029</u></u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>			
Contribution income	5,849	0	5,849
Investment income (loss)	2,610	0	2,610
Net assets released from restrictions	(8,690)	0	(8,690)
Net unrealized gains (losses) on investments	111	0	111
Temporarily restricted net assets	<u><u>(121)</u></u>	<u><u>0</u></u>	<u><u>(121)</u></u>
<b>PERMANENTLY RESTRICTED NET ASSETS</b>			
Change in value of beneficial interests	13,590	0	13,590
Contributions	2,050	0	2,050
Investment income (loss)	(283)	0	(283)
Net unrealized gains (losses) on investments	948	0	948
Permanently restricted net assets	<u><u>16,305</u></u>	<u><u>0</u></u>	<u><u>16,305</u></u>
<b>TOTAL INCREASE (DECREASE) IN NET ASSETS</b>	<u><u>52,799</u></u>	<u><u>23,586</u></u>	<u><u>29,213</u></u>

**Temple University Health System  
Obligated Group  
Balance Sheet (In Thousands)  
June  
Fiscal Year 2017**

UNAUDITED  
CONFIDENTIAL

	June FY17	June FY16
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	145,071	131,471
Patient accounts receivable, net	217,425	195,220
Other receivables , including current portion pledges	74,229	95,243
Due from affiliates - Short term	2,079	5,673
Due from Temple University	2,927	4,226
Expenditures reimbursable by research grants and awards	2,535	2,842
Inventory and other current assets	37,609	37,342
Current portion of assets limited as to use	37,146	40,105
Short term investments	127,677	108,869
Current portion of self-insurance assets	<u>10,696</u>	<u>8,723</u>
Total current assets	657,394	629,714
Total assets limited as to use, less current portion	80,538	99,690
Property, plant and equipment, net	338,955	351,661
Long term investments	44,362	37,254
Due from affiliates	0	1
Self insurance assets	19,355	21,514
Estimated retroactive adjustments, third-party-payors	0	0
Goodwill and other intangibles, less accumulated amortization	21,044	21,875
Beneficial interest in perpetual trusts	40,042	37,572
Beneficial interest in the assets held by Episcopal Foundation	27,348	22,836
Beneficial interest in the Fox Chase Cancer Center Foundation	51,377	44,769
Other assets	<u>61,000</u>	<u>52,118</u>
<b>TOTAL ASSETS</b>	<u><u>1,341,414</u></u>	<u><u>1,319,004</u></u>

	June FY17	June FY16
<b>LIABILITIES and NET ASSETS:</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt	17,805	16,859
Lines of credit	15,000	0
Cash overdraft	0	0
Short term notes payable	0	0
Accounts payable	49,931	55,306
Accrued expenses	76,600	87,685
Due to affiliates	11,180	2,434
Interco payable TU-other	38,939	52,497
Current portion of accrued retirement benefits	0	0
Current portion of estimated retroactive adjustments, third-party	9,887	21,815
Current portion of self-insurance program liability	22,260	15,202
Unexpended research grants and awards	1,983	1,096
Other current liabilities	<u>43,866</u>	<u>50,913</u>
Total current liabilities	287,450	303,808
Long term debt	500,457	498,206
Long term due to affiliate	0	0
Estimated retroactive adjustments, third-party - payors	0	0
Self-insurance program-liability	94,059	98,119
Liability for insurance - non Temple University	959	836
Unfunded accumulated retirement benefits	45,056	75,413
Other long-term liabilities	<u>48,702</u>	<u>30,688</u>
Total liabilities	<u>976,682</u>	<u>1,007,071</u>
<b>NET ASSETS:</b>		
Unrestricted	208,462	171,847
Temporarily restricted	24,108	24,229
Permanently restricted	<u>132,162</u>	<u>115,857</u>
Total net assets	<u>364,732</u>	<u>311,933</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>1,341,414</u></u>	<u><u>1,319,004</u></u>