



Quarterly Financial Disclosure
Nine Months Ended March 31, 2016

FINANCIAL OVERVIEW:

For the nine months ended March 31, 2016, Sanford's operating margin was \$80.2 million, a decrease over the comparable period in 2015. This decrease is within Sanford's Non-Obligated Group.

Sanford Non-Obligated group includes Sanford Health Plan. Sanford Health Plan provides commercial, Medicare, Medicaid, individual and third-party administration services to over 180,000 members. The operations of the non-obligated group include \$41 million related to the advance recognition of calendar year 2016 losses, driven by projected losses on individual exchange-compliant products and a commercial contract.

SANFORD HEALTH
Consolidated Balance Sheet (Unaudited)
(in thousands)

	<u>March 31, 2016</u>	<u>June 30, 2015</u>
Assets		
Current assets:		
Cash	\$ 179,332	\$ 102,841
Short-term investments	93,883	38,023
Debt service funds held by trustee	2,726	4,948
Pledges receivable, less allowances	5,604	4,845
Accounts receivable, less allowances	506,495	550,448
Inventories	67,988	65,583
Other current assets	37,909	34,215
Total current assets	<u>893,937</u>	<u>800,903</u>
Assets whose use is limited:		
Board designated investments	1,148,938	1,066,678
Held by trustee	23,808	28,512
Restricted funds	1,535	1,608
Deferred compensation trusts	70,675	60,900
Total assets whose use is limited	<u>1,244,956</u>	<u>1,157,698</u>
Property and equipment - net	<u>1,620,872</u>	<u>1,513,739</u>
Other assets:		
Investment in joint ventures	29,968	31,539
Non-operating property	44,719	44,788
Deferred financing costs	9,973	9,483
Goodwill	39,277	38,356
Notes receivable	28,049	28,986
Naming rights	9,899	10,698
Pledges receivable, less allowances	18,795	13,118
Other assets	39,193	41,447
Total other assets	<u>219,873</u>	<u>218,415</u>
Total assets	<u>\$ 3,979,638</u>	<u>\$ 3,690,755</u>

SANFORD HEALTH
Consolidated Balance Sheet (Unaudited)
(in thousands)

	March 31, 2016	June 30, 2015
Liabilities and net assets		
Current liabilities:		
Current maturities of long-term debt	\$ 43,179	\$ 40,267
Accounts payable	102,030	73,980
Reserves for incurred but not reported claims	98,405	69,626
Third-party cost settlements payable	19,955	22,549
Accrued wages and payroll taxes	99,481	116,139
Accrued vacation benefits	85,704	79,188
Accrued defined contribution pension expense	2,326	11,324
Accrued self-insurance claims	17,796	17,756
Accrued interest	13,567	4,012
Other current liabilities	67,840	54,739
Total current liabilities, excluding long-term debt subject to short-term liquidity arrangements	550,283	489,580
Long-term debt subject to short-term liquidity arrangements	6,681	7,283
Total current liabilities, including long-term debt subject to short-term liquidity arrangements	556,964	496,863
Other liabilities:		
Deferred compensation	82,916	75,917
Defined benefit pension	57,919	68,562
Other non-current liabilities	101,642	31,810
Total other liabilities	242,477	176,289
Long-term debt, less current maturities and long-term debt subject to short-term liquidity arrangements	931,561	852,775
Total liabilities	1,731,002	1,525,927
Net assets:		
Unrestricted	2,033,051	1,956,287
Temporarily restricted	154,347	150,399
Permanently restricted	61,238	58,142
Total net assets	2,248,636	2,164,828
Total liabilities and net assets	\$ 3,979,638	\$ 3,690,755

SANFORD HEALTH
Consolidated Statements of Revenues and Expenses (Unaudited)
(in thousands)

	Nine Months Ended	
	March 31,	
	2016	2015
Operating revenues:		
Net patient service revenue	\$ 2,351,710	\$ 2,312,818
Provision for bad debts	(77,374)	(119,487)
	2,274,336	2,193,331
Premium revenue	591,082	302,194
Other operating revenue	288,833	255,731
Net assets released from restrictions for operations	8,119	8,124
	3,162,370	2,759,380
Operating expenses:		
Salaries and benefits	1,604,219	1,501,665
Supplies	520,134	457,416
Purchased services and other	378,327	335,257
Medical claims	442,713	176,152
Depreciation and amortization	116,001	119,691
Interest	20,790	22,538
Total operating expenses	3,082,184	2,612,719
Income from operations	80,186	146,661
Non-operating (expense) income:		
Investment return	8,418	10,440
Increase in interest rate swap valuation	393	682
Other expenses and losses	(18,227)	(14,484)
Net non-operating (expense) income	(9,416)	(3,362)
Excess of revenues over expenses	70,770	143,299
Net assets released from restrictions for acquisitions of property and equipment	330	502
Pension plan related changes other than net periodic plan expense	5,664	3,521
Increase in unrestricted net assets	\$ 76,764	\$ 147,322

SANFORD HEALTH
Consolidated Statements of Changes in Net Assets (Unaudited)
(in thousands)

	Nine Months Ended	
	March 31,	
	2016	2015
Unrestricted net assets:		
Excess of revenues over expenses	\$ 70,770	\$ 143,299
Net assets released from restrictions for acquisition of property and equipment	330	502
Pension plan related changes other than net periodic plan expense	5,664	3,521
	76,764	147,322
Increase in unrestricted net assets	76,764	147,322
Temporarily restricted net assets:		
Contributions restricted by donors	12,493	5,650
Investment return	-	2,982
Other	(96)	(3)
Net assets released from restrictions	(8,449)	(8,620)
	3,948	9
Increase (decrease) in temporarily restricted net assets	3,948	9
Permanently restricted net assets:		
Contributions restricted by donors	3,429	3,569
Investment return	-	18
Other	(333)	(11)
Net assets released from restrictions	-	(6)
	3,096	3,570
Increase in permanently restricted net assets	3,096	3,570
Total increase in net assets	83,808	150,901
Net assets at beginning of period	2,164,828	2,006,850
Net assets at end of period	\$ 2,248,636	\$ 2,157,751

SANFORD HEALTH
Consolidated Balance Sheet (Unaudited)
March 31, 2016
(in thousands)

	Sanford Obligated Group	Other	Eliminations	Total
Assets				
Current assets:				
Cash	\$ 113,756	\$ 65,576	\$ -	\$ 179,332
Short-term investments	2,006	91,877	-	93,883
Debt service funds held by trustee	2,726	-	-	2,726
Pledges receivable, less allowances	4,687	917	-	5,604
Accounts receivable, less allowances	504,321	44,627	(42,453)	506,495
Inventories	58,278	9,710	-	67,988
Other current assets	35,899	2,010	-	37,909
Total current assets	<u>721,673</u>	<u>214,717</u>	<u>(42,453)</u>	<u>893,937</u>
Assets whose use is limited:				
Board designated investments	1,060,918	88,020	-	1,148,938
Held by trustee	23,525	283	-	23,808
Restricted funds	635	900	-	1,535
Deferred compensation trusts	70,675	-	-	70,675
Total assets whose use is limited	<u>1,155,753</u>	<u>89,203</u>	<u>-</u>	<u>1,244,956</u>
Property and equipment - net	<u>1,522,325</u>	<u>98,547</u>	<u>-</u>	<u>1,620,872</u>
Other assets:				
Investment in joint ventures	39,976	3,689	(13,697)	29,968
Non-operating property	34,854	9,865	-	44,719
Deferred financing costs	9,556	417	-	9,973
Goodwill	36,751	2,526	-	39,277
Notes receivable	27,190	859	-	28,049
Naming rights	9,899	-	-	9,899
Pledges receivable, less allowances	14,464	4,331	-	18,795
Other assets	21,341	17,852	-	39,193
Total other assets	<u>194,031</u>	<u>39,539</u>	<u>(13,697)</u>	<u>219,873</u>
Total assets	<u>\$ 3,593,782</u>	<u>\$ 442,006</u>	<u>\$ (56,150)</u>	<u>\$ 3,979,638</u>

SANFORD HEALTH
Consolidated Balance Sheet (Unaudited)
March 31, 2016
(in thousands)

	Sanford Obligated Group	Other	Eliminations	Total
Liabilities and net assets				
Current liabilities:				
Current maturities of long-term debt	\$ 41,013	\$ 2,166	\$ -	\$ 43,179
Accounts payable	82,537	49,529	(30,036)	102,030
Reserves for incurred but not reported claims	-	98,405	-	98,405
Third-party cost settlements payable	19,161	794	-	19,955
Accrued wages and payroll taxes	97,474	2,007	-	99,481
Accrued vacation benefits	83,516	2,188	-	85,704
Accrued defined contribution pension expense	2,258	68	-	2,326
Accrued self-insurance claims	29,821	392	(12,417)	17,796
Accrued interest	13,520	47	-	13,567
Other current liabilities	40,941	26,899	-	67,840
Total current liabilities, excluding long-term debt subject to short-term liquidity arrangements	410,241	182,495	(42,453)	550,283
Long-term debt subject to short-term liquidity arrangements	6,681	-	-	6,681
Total current liabilities, including long-term debt subject to short-term liquidity arrangements	416,922	182,495	(42,453)	556,964
Other liabilities:				
Deferred compensation	82,916	-	-	82,916
Defined benefit pension	57,919	-	-	57,919
Other non-current liabilities	98,544	3,098	-	101,642
Total other liabilities	239,379	3,098	-	242,477
Long-term debt, less current maturities and long-term debt subject to short-term liquidity arrangements	903,183	28,378	-	931,561
Total liabilities	1,559,484	213,971	(42,453)	1,731,002
Net assets:				
Unrestricted	1,841,187	205,561	(13,697)	2,033,051
Temporarily restricted	133,912	20,435	-	154,347
Permanently restricted	59,199	2,039	-	61,238
Total net assets	2,034,298	228,035	(13,697)	2,248,636
Total liabilities and net assets	\$ 3,593,782	\$ 442,006	\$ (56,150)	\$ 3,979,638

SANFORD HEALTH
Consolidated Statements of Revenues and Expenses (Unaudited)
Nine Months Ended March 31, 2016
(in thousands)

	Sanford Obligated Group	Other	Eliminations	Total
Operating revenues:				
Net patient service revenue	\$ 2,458,693	\$ 86,898	\$ (193,881)	\$ 2,351,710
Provision for bad debts	(73,739)	(3,635)	-	(77,374)
Net patient revenue less provision for bad debts	2,384,954	83,263	(193,881)	2,274,336
Premium revenue	-	591,082	-	591,082
Other operating revenue	242,487	58,297	(11,951)	288,833
Net assets released from restrictions for operations	7,883	236	-	8,119
Total operating revenues	2,635,324	732,878	(205,832)	3,162,370
Operating expenses:				
Salaries and benefits	1,530,013	82,147	(7,941)	1,604,219
Supplies	485,526	34,609	(1)	520,134
Purchased services and other	321,266	61,070	(4,009)	378,327
Medical claims	-	636,594	(193,881)	442,713
Depreciation and amortization	106,627	9,374	-	116,001
Interest	19,872	918	-	20,790
Total operating expenses	2,463,304	824,712	(205,832)	3,082,184
Income (loss) from operations	172,020	(91,834)	-	80,186
Non-operating (expense) income:				
Investment return	4,917	3,501	-	8,418
Increase in interest rate swap valuation	393	-	-	393
Other expenses and losses	(16,959)	(1,268)	-	(18,227)
Net non-operating (expense) income	(11,649)	2,233	-	(9,416)
Excess (deficiency) of revenues over expenses	160,371	(89,601)	-	70,770
Net assets released from restrictions for acquisitions of property and equipment	154	176	-	330
Pension plan related changes other than net periodic plan expense	5,664	-	-	5,664
Transfers	(134,855)	134,855	-	-
Increase in unrestricted net assets	\$ 31,334	\$ 45,430	\$ -	\$ 76,764

SANFORD HEALTH
Consolidated Statements of Changes in Net Assets (Unaudited)
Nine Months Ended March 31, 2016
(in thousands)

	Sanford Obligated Group	Other	Eliminations	Total
Unrestricted net assets:				
Excess (deficiency) of revenues over expenses	\$ 160,371	\$ (89,601)	\$ -	\$ 70,770
Net assets released from restrictions for acquisition of property and equipment	154	176	-	330
Pension plan related changes other than net period plan expense	5,664	-	-	5,664
Transfers	(134,855)	134,855	-	-
Increase in unrestricted net assets	31,334	45,430	-	76,764
Temporarily restricted net assets:				
Contributions restricted by donors	8,403	4,090	-	12,493
Other	(111)	15	-	(96)
Net assets released from restrictions	(8,037)	(412)	-	(8,449)
Increase in temporarily restricted net assets	255	3,693	-	3,948
Permanently restricted net assets:				
Contributions restricted by donors	2,693	736	-	3,429
Other	(325)	(8)	-	(333)
Increase in permanently restricted net assets	2,368	728	-	3,096
Total increase in net assets	33,957	49,851	-	83,808
Net assets at beginning of period	2,000,341	178,184	(13,697)	2,164,828
Net assets at end of period	<u>\$ 2,034,298</u>	<u>\$ 228,035</u>	<u>\$ (13,697)</u>	<u>\$ 2,248,636</u>

SANFORD HEALTH
Balance Sheet and Liquidity (Unaudited)
(in thousands)

	Sanford Health		Obligated Group	
	March 31, 2016	June 30, 2015	March 31, 2016	June 30, 2015
Unrestricted cash and investments	\$ 1,422,153	\$ 1,207,542	\$ 1,176,680	\$ 1,111,044
Days cash on hand	131.9	130.8	137.3	138.8
Total debt	\$ 981,421	\$ 900,325	\$ 950,877	\$ 856,217
Unrestricted net assets	\$ 2,033,051	\$ 1,956,287	\$ 1,841,187	\$ 1,809,403
Debt to capitalization	32.6%	31.5%	34.1%	32.1%
Patient receivables	\$ 1,077,809	\$ 1,009,605	\$ 1,076,953	\$ 1,008,115
Days revenue in receivables, gross	49.9	49.4	49.9	49.4
Cash to debt	144.9%	134.1%	123.7%	129.8%

SANFORD HEALTH
Utilization (Unaudited)

	Nine Months Ended March 31,	
	2016	2015
Admissions	59,643	52,569
Acute patient days	272,130	260,492
Average length of stay	4.56	4.39
Average daily census	990	951
Medical center occupancy % (staffed beds)	67%	66%
Births	7,062	6,823
Surgical procedures	84,216	82,320
Outpatient visits	1,524,769	1,440,063
Emergency room visits	161,291	159,757
Clinic work RVUs	6,512,247	6,210,144
Long-term care patient days	88,395	81,630
Long-term care occupancy %	86%	89%
Swing beds	5,258	6,458

*Medical center includes the tertiary facilities in Sioux Falls, South Dakota, Bemidji, Minnesota, and Fargo and Bismarck, North Dakota