



Quarterly Financial Disclosure
Twelve Months Ended June 30, 2016

FINANCIAL OVERVIEW:

For the twelve months ended June 30, 2016, Sanford's operating margin was \$130.4 million, a decrease over the comparable period in 2014-2015.

Sanford Non-Obligated group includes the Sanford Health Plan. Sanford Health Plan provides commercial, Medicare, Medicaid, individual and third-party administration services to over 172,000 members. The operations of the non-obligated group include \$37 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>June 30, 2016</u>	<u>June 30, 2015</u>
Assets		
Current assets:		
Cash	\$ 191,562	\$ 102,841
Short-term investments	97,530	38,023
Debt service funds held by trustee	4,317	4,948
Pledges receivable, less allowances	6,747	4,845
Accounts receivable, less allowances	515,026	550,448
Inventories	71,323	65,583
Other current assets	39,961	34,215
Total current assets	<u>926,466</u>	<u>800,903</u>
Assets whose use is limited:		
Board designated investments	1,167,438	1,066,678
Held by trustee	19,156	28,512
Restricted funds	900	1,608
Deferred compensation trusts	72,236	60,900
Total assets whose use is limited	<u>1,259,730</u>	<u>1,157,698</u>
Property and equipment - net	<u>1,650,598</u>	<u>1,513,739</u>
Other assets:		
Investment in joint ventures	30,279	31,539
Non-operating property	53,318	44,788
Deferred financing costs	9,795	9,483
Goodwill	39,302	38,356
Notes receivable	28,921	28,986
Naming rights	9,576	10,698
Pledges receivable, less allowances	17,738	13,118
Other assets	39,349	41,447
Total other assets	<u>228,278</u>	<u>218,415</u>
Total assets	<u>\$ 4,065,072</u>	<u>\$ 3,690,755</u>

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Liabilities and net assets		
Current liabilities:		
Current maturities of long-term debt	\$ 47,849	\$ 47,550
Accounts payable	73,822	73,980
Reserves for incurred but not reported claims	139,269	69,626
Third-party payer settlements payable	15,770	22,549
Accrued wages and payroll taxes	124,042	116,139
Accrued vacation benefits	83,224	79,188
Accrued defined contribution pension expense	7,389	11,324
Accrued self-insurance claims	15,336	17,756
Accrued interest	4,849	4,012
Other current liabilities	77,403	54,739
Total current liabilities	<u>588,953</u>	<u>496,863</u>
Other liabilities:		
Deferred compensation	85,172	75,917
Defined benefit pension	98,355	68,562
Other non-current liabilities	84,785	31,810
Total other liabilities	<u>268,312</u>	<u>176,289</u>
Long-term debt, less current maturities	<u>928,709</u>	<u>852,775</u>
Total liabilities	<u>1,785,974</u>	<u>1,525,927</u>
Net assets:		
Unrestricted	2,064,400	1,956,287
Temporarily restricted	152,114	150,399
Permanently restricted	62,584	58,142
Total net assets	<u>2,279,098</u>	<u>2,164,828</u>
Total liabilities and net assets	<u>\$ 4,065,072</u>	<u>\$ 3,690,755</u>

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

	Twelve Months Ended	
	June 30,	
	2016	2015
Operating revenues:		
Net patient service revenue	\$ 3,128,067	\$ 3,086,517
Provision for bad debts	(93,624)	(145,574)
	3,034,443	2,940,943
Premium revenue	802,111	425,830
Other operating revenue	384,031	342,557
Net assets released from restrictions for operations	10,820	11,780
	4,231,405	3,721,110
Operating expenses:		
Salaries and benefits	2,135,847	2,016,238
Supplies	697,117	617,902
Purchased services and other	505,215	453,092
Medical claims	579,966	251,533
Depreciation and amortization	155,053	157,420
Interest	27,763	29,765
Total operating expenses	4,100,961	3,525,950
Income from operations	130,444	195,160
Non-operating (expense) income:		
Investment return	31,791	(8,495)
Increase in interest rate swap valuation	550	916
Other expenses and losses	(20,587)	(18,539)
Net non-operating (expense) income	11,754	(26,118)
Excess (deficiency) of revenues over expenses	142,198	169,042
Net assets released from restrictions for acquisitions of property and equipment	1,494	3,576
Pension plan related changes other than net periodic plan expense	(35,579)	(15,347)
Increase in unrestricted net assets	\$ 108,113	\$ 157,271

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

	Twelve Months Ended June 30,	
	2016	2015
Unrestricted net assets:		
Excess of revenues over expenses	\$ 142,198	\$ 169,042
Net assets released from restrictions for acquisition of property and equipment	1,494	3,576
Pension plan related changes other than net periodic plan expense	(35,579)	(15,347)
Increase in unrestricted net assets	108,113	157,271
Temporarily restricted net assets:		
Contributions restricted by donors	14,222	9,560
Investment return	-	2,496
Other	(193)	(14)
Net assets released from restrictions	(12,314)	(15,356)
Increase (decrease) in temporarily restricted net assets	1,715	(3,314)
Permanently restricted net assets:		
Contributions restricted by donors	5,128	4,445
Investment return	-	20
Other	(686)	(444)
Increase in permanently restricted net assets	4,442	4,021
Total increase in net assets	114,270	157,978
Net assets at beginning of period	2,164,828	2,006,850
Net assets at end of period	\$ 2,279,098	\$ 2,164,828

SANFORD HEALTH
Consolidated Balance Sheet (Unaudited)
June 30, 2016
(in thousands)

	Sanford Obligated Group	Other	Eliminations	Total
Assets				
Current assets:				
Cash	\$ 145,300	\$ 46,262	\$ -	\$ 191,562
Short-term investments	2,014	95,516	-	97,530
Debt service funds held by trustee	4,317	-	-	4,317
Pledges receivable, less allowances	5,915	832	-	6,747
Accounts receivable, less allowances	504,302	53,406	(42,682)	515,026
Inventories	61,663	9,660	-	71,323
Other current assets	37,701	2,260	-	39,961
Total current assets	<u>761,212</u>	<u>207,936</u>	<u>(42,682)</u>	<u>926,466</u>
Assets whose use is limited:				
Board designated investments	1,080,134	87,304	-	1,167,438
Held by trustee	18,858	298	-	19,156
Restricted funds	-	900	-	900
Deferred compensation trusts	72,236	-	-	72,236
Total assets whose use is limited	<u>1,171,228</u>	<u>88,502</u>	<u>-</u>	<u>1,259,730</u>
Property and equipment - net	<u>1,552,039</u>	<u>98,559</u>	<u>-</u>	<u>1,650,598</u>
Other assets:				
Investment in joint ventures	39,772	3,679	(13,172)	30,279
Non-operating property	43,543	9,775	-	53,318
Deferred financing costs	9,383	412	-	9,795
Goodwill	36,751	2,551	-	39,302
Notes receivable	28,071	850	-	28,921
Naming rights	9,576	-	-	9,576
Pledges receivable, less allowances	13,482	4,256	-	17,738
Other assets	20,953	18,396	-	39,349
Total other assets	<u>201,531</u>	<u>39,919</u>	<u>(13,172)</u>	<u>228,278</u>
Total assets	<u>\$ 3,686,010</u>	<u>\$ 434,916</u>	<u>\$ (55,854)</u>	<u>\$ 4,065,072</u>

SANFORD HEALTH
Consolidated Balance Sheet (Unaudited)
June 30, 2016
(in thousands)

	Sanford Obligated Group	Other	Eliminations	Total
Liabilities and net assets				
Current liabilities:				
Current maturities of long-term debt	\$ 45,833	\$ 2,016	\$ -	\$ 47,849
Accounts payable	96,185	9,609	(31,972)	73,822
Reserves for incurred but not reported claims	-	139,269	-	139,269
Third-party payer settlements payable	14,785	985	-	15,770
Accrued wages and payroll taxes	122,658	1,384	-	124,042
Accrued vacation benefits	81,052	2,172	-	83,224
Accrued defined contribution pension expense	7,267	122	-	7,389
Accrued self-insurance claims	25,459	587	(10,710)	15,336
Accrued interest	4,804	45	-	4,849
Other current liabilities	53,456	23,947	-	77,403
Total current liabilities	<u>451,499</u>	<u>180,136</u>	<u>(42,682)</u>	<u>588,953</u>
Other liabilities:				
Deferred compensation	85,172	-	-	85,172
Defined benefit pension	98,355	-	-	98,355
Other non-current liabilities	81,726	3,059	-	84,785
Total other liabilities	<u>265,253</u>	<u>3,059</u>	<u>-</u>	<u>268,312</u>
Long-term debt, less current maturities	<u>900,744</u>	<u>27,965</u>	<u>-</u>	<u>928,709</u>
Total liabilities	<u>1,617,496</u>	<u>211,160</u>	<u>(42,682)</u>	<u>1,785,974</u>
Net assets:				
Unrestricted	1,876,373	201,199	(13,172)	2,064,400
Temporarily restricted	131,596	20,518	-	152,114
Permanently restricted	60,545	2,039	-	62,584
Total net assets	<u>2,068,514</u>	<u>223,756</u>	<u>(13,172)</u>	<u>2,279,098</u>
Total liabilities and net assets	<u>\$ 3,686,010</u>	<u>\$ 434,916</u>	<u>\$ (55,854)</u>	<u>\$ 4,065,072</u>

SANFORD HEALTH
Consolidated Statements of Revenues and Expenses (Unaudited)
Twelve Months Ended June 30, 2016
(in thousands)

	Sanford Obligated Group	Other	Eliminations	Total
Operating revenues:				
Net patient service revenue	\$ 3,276,778	\$ 116,183	\$ (264,894)	\$ 3,128,067
Provision for bad debts	(88,567)	(5,057)	-	(93,624)
Net patient revenue less provision for bad debts	3,188,211	111,126	(264,894)	3,034,443
Premium revenue	-	802,111	-	802,111
Other operating revenue	320,538	79,011	(15,518)	384,031
Net assets released from restrictions for operations	10,564	256	-	10,820
Total operating revenues	3,519,313	992,504	(280,412)	4,231,405
Operating expenses:				
Salaries and benefits	2,034,976	111,292	(10,421)	2,135,847
Supplies	650,594	46,581	(58)	697,117
Purchased services and other	427,130	83,124	(5,039)	505,215
Medical claims	-	844,860	(264,894)	579,966
Depreciation and amortization	142,565	12,488	-	155,053
Interest	26,551	1,212	-	27,763
Total operating expenses	3,281,816	1,099,557	(280,412)	4,100,961
Income (loss) from operations	237,497	(107,053)	-	130,444
Non-operating (expense) income:				
Investment return	26,460	5,331	-	31,791
Increase in interest rate swap valuation	550	-	-	550
Other expenses and losses	(24,480)	3,893	-	(20,587)
Net non-operating (expense) income	2,530	9,224	-	11,754
Excess (deficiency) of revenues over expenses	240,027	(97,829)	-	142,198
Net assets released from restrictions for acquisitions of property and equipment	1,318	176	-	1,494
Pension plan related changes other than net periodic plan expense	(35,579)	-	-	(35,579)
Transfers	(139,244)	138,719	525	-
Increase in unrestricted net assets	\$ 66,522	\$ 41,066	\$ 525	\$ 108,113

SANFORD HEALTH
Consolidated Statements of Changes in Net Assets (Unaudited)
Twelve Months Ended June 30, 2016
(in thousands)

	Sanford Obligated Group	Other	Eliminations	Total
Unrestricted net assets:				
Excess (deficiency) of revenues over expenses \$	240,027	\$ (97,829)	\$ -	\$ 142,198
Net assets released from restrictions for acquisition of property and equipment	1,318	176	-	1,494
Pension plan related changes other than net period plan expense	(35,579)	-	-	(35,579)
Transfers	(139,244)	138,719	525	-
	<u>66,522</u>	<u>41,066</u>	<u>525</u>	<u>108,113</u>
Increase in unrestricted net assets				
Temporarily restricted net assets:				
Contributions restricted by donors	9,919	4,303	-	14,222
Other	(99)	(94)	-	(193)
Net assets released from restrictions	(11,882)	(432)	-	(12,314)
	<u>(2,062)</u>	<u>3,777</u>	<u>-</u>	<u>1,715</u>
Increase in temporarily restricted net assets				
Permanently restricted net assets:				
Contributions restricted by donors	4,392	736	-	5,128
Other	(679)	(7)	-	(686)
Increase in permanently restricted net assets	<u>3,713</u>	<u>729</u>	<u>-</u>	<u>4,442</u>
Total increase in net assets				
Net assets at beginning of period	2,000,341	178,184	(13,697)	2,164,828
Net assets at end of period	<u>\$ 2,068,514</u>	<u>\$ 223,756</u>	<u>\$ (13,172)</u>	<u>\$ 2,279,098</u>

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

	Sanford Health		Obligated Group	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Unrestricted cash and investments	\$ 1,456,530	\$ 1,207,542	\$ 1,227,448	\$ 1,111,044
Days cash on hand	135.1	130.8	143.1	138.8
Total debt	\$ 976,558	\$ 900,325	\$ 946,577	\$ 856,217
Unrestricted net assets	\$ 2,064,400	\$ 1,956,287	\$ 1,876,373	\$ 1,809,403
Debt to capitalization	32.1%	31.5%	33.5%	32.1%
Patient receivables	\$ 1,062,826	\$ 1,009,605	\$ 1,061,929	\$ 1,008,115
Days revenue in receivables, gross	48.1	49.4	48.1	49.4
Cash to debt	149.1%	134.1%	129.7%	129.8%

SANFORD HEALTH
Utilization (Unaudited)

	Twelve Months Ended June 30,	
	2016	2015
Admissions	79,689	79,338
Acute patient days	361,401	347,738
Average length of stay	4.54	4.38
Average daily census	987.43	952.71
Medical center occupancy % (staffed beds)	67%	67%
Births	9,462	9,163
Surgical procedures	112,178	109,202
Outpatient visits	1,976,471	1,957,314
Emergency room visits	215,607	215,130
Clinic work RVUs	8,696,980	8,354,720
Long-term care patient days	88,395	108,096
Long-term care occupancy %	86%	88%
Swing beds	10,333	9,705

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