

HOUSTON HEALTHCARE SYSTEM, INC.
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2018

	HOUSTON MEDICAL CENTER	PERRY HOSPITAL	HOUSTON HEALTHCARE EMS, INC	HOUSTON HEALTHCARE SYSTEM, INC.	HOUSTON HEALTH VENTURES, INC.	HOUSTON HEALTHCARE PROPERTIES, INC.	HOUSTON PRIMARY CARE PHYSICIANS, LLC	HOUSTON PHYSICIAN SPECIALISTS, LLC	HOUSTON HEALTHCARE SYSTEM, INC. CONSOLIDATED
CURRENT ASSETS									
Cash and cash equivalents	\$ 9,696,000	\$ 1,000	\$ 19,000	\$ 30,000	\$ 707,000	\$ 74,000	\$ 21,000	\$ 177,000	\$ 10,725,000
Assets limited as to use - current portion	610,000	-	-	-	-	-	-	-	610,000
Patient accounts receivable, net	23,953,000	2,252,000	411,000	-	-	-	-	-	26,616,000
Estimated third-party payor receivable	37,000	45,000	-	-	-	-	-	-	82,000
Insurance recoveries - current portion	1,651,000	-	-	-	-	-	-	-	1,651,000
Supplies, at lower of cost (first-in, first-out) or market and other assets	6,057,000	488,000	-	-	-	-	-	-	6,545,000
Total current assets	42,004,000	2,786,000	430,000	30,000	707,000	74,000	21,000	177,000	46,229,000
ASSETS LIMITED AS TO USE									
Internally designated for capital acquisitions and other	207,634,000	-	-	-	-	-	-	-	207,634,000
Held by trustee under indenture agreement	2,295,000	-	-	-	-	-	-	-	2,295,000
	209,929,000	-	-	-	-	-	-	-	209,929,000
Less amount required to meet current obligation	610,000	-	-	-	-	-	-	-	610,000
Total assets limited as to use	209,319,000	-	-	-	-	-	-	-	209,319,000
PROPERTY AND EQUIPMENT, NET	106,232,000	6,486,000	887,000	-	-	29,323,000	18,000	89,000	143,035,000
OTHER ASSETS									
Long-term investments and other	996,000	-	-	1,726,000	652,000	-	-	-	3,374,000
Insurance recoveries	5,411,000	-	-	-	-	-	-	-	5,411,000
Total other assets	6,407,000	-	-	1,726,000	652,000	-	-	-	8,785,000
TOTAL ASSETS	\$ 363,962,000	\$ 9,272,000	\$ 1,317,000	\$ 1,756,000	\$ 1,359,000	\$ 29,397,000	\$ 39,000	\$ 266,000	\$ 407,368,000

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CURRENT LIABILITIES									
Current maturities of long-term debt	\$ 3,835,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,835,000
Accounts payable and accrued expenses	6,638,000	1,000	-	-	-	25,000	14,000	(10,000)	6,668,000
Accrued compensation and benefits	15,136,000	1,062,000	239,000	-	-	-	196,000	204,000	16,837,000
Estimated third-party payor settlements	3,326,000	507,000	-	-	-	-	-	-	3,833,000
Other current liabilities	6,408,000	-	-	-	-	-	-	-	6,408,000
Total current liabilities	35,343,000	1,570,000	239,000	-	-	25,000	210,000	194,000	37,581,000
LONG-TERM DEBT, NET OF CURRENT INSTALLMENTS	69,547,000	-	-	-	-	-	-	-	69,547,000
SELF-INSURANCE RESERVES	13,385,000	-	-	-	-	-	-	-	13,385,000
ACCRUED PENSION LIABILITY	9,893,000	-	-	-	-	-	-	-	9,893,000
TOTAL LIABILITIES	128,168,000	1,570,000	239,000	-	-	25,000	210,000	194,000	130,406,000
NET ASSETS									
Without donor imposed restrictions	235,794,000	7,702,000	1,078,000	1,756,000	1,359,000	29,372,000	(171,000)	72,000	276,962,000
Total net assets	235,794,000	7,702,000	1,078,000	1,756,000	1,359,000	29,372,000	(171,000)	72,000	276,962,000
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 363,962,000</u>	<u>\$ 9,272,000</u>	<u>\$ 1,317,000</u>	<u>\$ 1,756,000</u>	<u>\$ 1,359,000</u>	<u>\$ 29,397,000</u>	<u>\$ 39,000</u>	<u>\$ 266,000</u>	<u>\$ 407,368,000</u>

HOUSTON HEALTHCARE SYSTEM, INC.
CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	HOUSTON MEDICAL CENTER	PERRY HOSPITAL	HOUSTON HEALTHCARE EMS, INC	HOUSTON HEALTHCARE SYSTEM, INC.	HOUSTON HEALTH VENTURES, INC.	HOUSTON HEALTHCARE PROPERTIES, INC.	HOUSTON PRIMARY CARE PHYSICIANS, LLC	HOUSTON PHYSICIAN SPECIALISTS, LLC	ELIMINATIONS	HOUSTON HEALTHCARE SYSTEM, INC. CONSOLIDATED
OPERATING REVENUES										
Net patient service revenue	\$ 203,881,000	\$ 26,168,000	\$ 5,252,000	\$ -	\$ -	\$ -	\$ 639,000	\$ 1,445,000	\$ -	\$ 237,385,000
Other revenue	1,662,000	215,000	54,000	-	-	808,000	1,118,000	-	(1,683,000)	2,174,000
Total operating revenue	205,543,000	26,383,000	5,306,000	-	-	808,000	1,757,000	1,445,000	(1,683,000)	239,559,000
OPERATING EXPENSES										
Salaries and benefits	117,283,000	13,024,000	4,329,000	-	-	-	3,574,000	3,187,000	-	141,397,000
Supplies and Drugs	38,057,000	4,225,000	146,000	-	-	-	61,000	116,000	-	42,605,000
Other expenses	46,171,000	7,960,000	1,656,000	1,000	-	274,000	1,282,000	632,000	(1,683,000)	56,293,000
Depreciation and amortization	15,453,000	1,228,000	321,000	-	-	1,570,000	2,000	9,000	-	18,583,000
Interest Expense	2,753,000	-	-	-	-	-	-	-	-	2,753,000
Total operating expenses	219,717,000	26,437,000	6,452,000	1,000	-	1,844,000	4,919,000	3,944,000	(1,683,000)	261,631,000
OPERATING LOSS	(14,174,000)	(54,000)	(1,146,000)	(1,000)	-	(1,036,000)	(3,162,000)	(2,499,000)	-	(22,072,000)
NONOPERATING (EXPENSES) REVENUES										
Investment Income	4,682,000	-	-	-	-	-	-	-	-	4,682,000
Other components of net periodic pension costs	1,039,000	-	-	-	-	-	-	-	-	1,039,000
Net realized gains on sales of securities	12,121,000	-	-	76,000	543,000	-	-	-	-	12,740,000
Net unrealized (losses) gains on securities	(26,968,000)	-	-	-	-	-	-	-	-	(26,968,000)
Noncapital grants, contributions, and other	(124,000)	-	-	-	-	-	-	-	-	(124,000)
Total nonoperating (expenses) revenues	(9,250,000)	-	-	76,000	543,000	-	-	-	-	(8,631,000)
EXCESS OF REVENUES (UNDERS) OVER EXPENSES	(23,424,000)	(54,000)	(1,146,000)	75,000	543,000	(1,036,000)	(3,162,000)	(2,499,000)	-	(30,703,000)
Changes in pension assets and benefit obligations not included in net periodic pension costs	(4,348,000)	-	-	-	-	-	-	-	-	(4,348,000)
Intercompany Equity Transfers	(9,449,000)	1,799,000	1,028,000	74,000	1,000	799,000	3,158,000	2,590,000	-	-
(DECREASE) INCREASE IN NET ASSETS WITHOUT DONOR IMPOSED RESTRICTIONS	(37,221,000)	1,745,000	(118,000)	149,000	544,000	(237,000)	(4,000)	91,000	-	(35,051,000)
NET ASSETS AT BEGINNING OF YEAR	273,015,000	5,957,000	1,196,000	1,607,000	815,000	29,609,000	(167,000)	(19,000)	-	312,013,000
NET ASSETS AS END OF YEAR	235,794,000	7,702,000	1,078,000	1,756,000	1,359,000	29,372,000	(171,000)	72,000	-	276,962,000