



Consolidated Financial Statements of:

PacificSource and Subsidiaries

For the period ending:

September 30, 2015

Year to Date Reports

PacificSource and Subsidiaries

Consolidated Balance Sheet

As of September 30, 2015

	PS Holding	PSHP	PCHP	PSA	PHI	Consolidated	12/31/2014 Consolidated
Assets							
Cash & Cash Equivalents	\$ 6,492,909	\$ 21,477,311	\$ 84,400,033	\$ 1,326,209	\$ 1,719,506	\$ 115,415,968	\$ 52,483,487
Trust Funds	-	-	-	3,874,285	-	3,874,285	4,616,759
Accounts Receivable - Commercial	-	25,789,699	-	-	-	25,749,547	29,097,219
Accounts Receivable - CCO	-	-	3,124,737	-	-	3,124,737	2,594,360
Accounts Receivable - Medicare	-	-	20,226,034	-	-	20,226,034	21,976,066
Accounts and Other Receivables	5,665	3,596,307	3,225,824	602,953	-	7,430,749	13,832,204
Total Accounts Receivable	5,665	29,386,006	26,576,595	602,953	-	56,531,067	67,499,849
Intercompany Receivable/Payables	(6,488,210)	1,336,986	4,426,559	58,428	854,119	187,882	166,847
Prepaid Expenses	7,037,206	307,142	430,790	-	78,756	7,853,894	4,948,779
Income Tax Receivable	-	-	-	-	-	-	-
Deferred Income Taxes, net	(906,000)	(1,623,000)	3,325,000	(559,000)	2,750,000	2,987,000	2,499,700
Current Assets	6,141,570	50,884,445	119,158,977	5,302,875	5,402,381	186,850,096	132,215,421
Investments, net	-	96,560,754	16,436,330	-	-	112,997,084	137,877,109
Investment in Subsidiaries	162,789,600	78,838,000	-	-	921,174	921,174	855,702
Property and Equipment, net	29,182,573	-	-	-	(425,080)	28,757,493	31,886,133
Note Receivable	-	-	30,136,869	-	-	-	-
Restricted Security	-	4,598,810	9,733,720	-	-	14,332,530	13,797,850
Goodwill & Other Intangibles	-	3,312,589	9,087,214	3,034,141	4,283,152	19,717,096	20,476,460
Other Assets	2,723,671	-	-	-	-	2,723,671	2,627,632
Total Assets	200,837,414	234,194,598	184,553,110	8,337,016	10,181,627	366,299,144	339,736,307
Liabilities							
Claims and Adjudication Liability	-	55,224,599	56,800,168	19,106	-	112,003,721	119,157,660
Risk Withhold Payable	-	1,320,342	36,049,605	-	-	37,369,947	34,018,385
Premiums Received in Advance	-	7,206,345	512,518	-	-	7,718,863	7,411,641
Accounts Payable and Accrued Liabilities	7,567,396	10,056,686	27,470,219	577,093	394	45,671,788	38,481,306
Collections for Others & Reserves	-	-	-	3,874,286	-	3,874,286	4,612,368
Accrued HIT and Income Taxes Payable	(1,373,052)	(2,410,992)	(1,577,704)	-	-	(5,361,748)	(8,945,459)
Accrued Retirement Plan Payables	2,466,791	8,012	-	-	-	2,474,803	2,436,183
Due to Related Parties	-	-	-	-	-	-	(5,203)
Line of Credit	-	-	-	-	-	-	-
Current Portion of Long Term Debt	-	-	-	-	-	-	-
Current Liabilities	8,661,135	71,404,992	119,254,806	4,470,485	394	203,751,660	197,166,881
Long Term Debt	42,971,869	-	-	566,071	-	13,401,074	717,508
Deferred Tax Liability, net	-	-	(58,000)	-	-	(58,000)	420,000
Deferred Compensation Payable	2,696,460	-	-	-	-	2,696,460	2,602,857
Total Liabilities	54,329,464	71,404,992	119,196,806	5,036,556	394	219,791,194	200,907,246
Equity							
Common Stock	-	-	1,000	1,760,000	5,998,901	-	-
Additional Paid in Capital	150,854,797	10,483,742	46,106,153	3,900,579	6,290,165	150,854,796	150,854,797
Unrealized Gain/Loss Investments	(361,985)	1,809,845	9,620	-	-	(361,985)	2,004,911
Deferred Taxes	3,680,000	(783,000)	(4,000)	-	-	3,680,000	3,820,000
Defined Benefit Plan Comprehensive Income	(9,619,649)	-	-	-	-	(9,619,649)	(9,619,649)
Income - Current Year	10,185,787	9,313,074	11,062,224	202,929	(129,538)	10,185,787	(8,230,998)
Retained Earnings	(8,231,000)	141,965,945	8,181,307	(2,563,048)	(1,978,295)	(8,230,999)	-
Total Stockholders Equity	146,507,950	162,789,606	65,356,304	3,300,460	10,181,233	146,507,950	138,829,061
Total Liabilities and Equity	\$ 200,837,414	\$ 234,194,598	\$ 184,553,110	\$ 8,337,016	\$ 10,181,627	\$ 366,299,144	\$ 339,736,307

PacificSource and Subsidiaries
Consolidated Income Statement
For the Nine Months Ending September 30, 2015

	PS Holding	PSHP	PCHP	PSA	PHI	Consolidated Actual	Consolidated Budget	Budget Variance	
PREMIUMS:									
Commercial Group Medical	\$ -	\$ 345,563,323	\$ -	\$ -	\$ -	\$ 345,563,323	\$ 371,929,327	\$ (26,366,004)	
Commercial Individual Medical	-	62,181,050	-	-	-	62,181,050	47,667,812	14,513,238	
Commercial Dental	-	14,074,078	-	-	-	14,074,078	13,363,869	710,209	
Stop Loss Premiums	-	4,797,016	-	-	-	4,797,016	4,917,955	(120,939)	
Medicare	-	-	222,198,379	-	-	222,198,379	221,712,159	486,220	
Medicaid	-	-	257,272,104	-	-	257,272,104	213,758,279	43,513,825	
Admin Fees	4,617,949	3,461,807	69,302	3,160,039	-	7,028,867	6,280,567	748,300	
TOTAL PREMIUMS	4,617,949	430,077,274	479,539,785	3,160,039	-	913,114,817	879,629,968	33,484,849	
CLAIMS EXPENSE:									
Commercial Group Medical	-	(280,250,984)	-	-	-	(280,250,984)	(305,611,279)	25,360,295	81.1%
Commercial Individual Medical	-	(71,442,298)	-	-	-	(71,442,298)	(40,987,841)	(30,454,457)	114.9%
Commercial Dental	-	(10,937,630)	-	-	-	(10,937,630)	(10,635,302)	(302,328)	77.7%
Claims Over Stop Loss	-	(1,709,934)	-	-	-	(1,709,934)	(1,850,048)	140,114	35.6%
Medicare	-	-	(210,419,484)	-	-	(210,419,484)	(191,894,162)	(18,525,322)	94.7%
Medicaid	-	-	(205,432,835)	-	-	(205,432,835)	(184,478,175)	(20,954,660)	79.9%
Pharmacy Rebates	-	5,274,024	7,889,722	-	-	13,163,746	6,126,305	7,037,441	
Health Services Expenses	-	(4,629,502)	(10,606,894)	-	-	(15,236,396)	(18,063,026)	2,826,630	
Net Reinsurance	-	(3,393,206)	288,802	-	-	(3,104,404)	(1,580,310)	(1,524,094)	
Disease Management & Network Fees	-	(3,093,170)	(1,455,443)	-	-	(4,548,613)	(3,728,344)	(820,269)	
TOTAL CLAIMS EXPENSE	-	(370,182,700)	(419,736,132)	-	-	(789,918,832)	(752,702,182)	(37,216,650)	86.5%
PREMIUMS OVER CLAIMS EXPENSE	4,617,949	59,894,574	59,803,653	3,160,039	-	123,195,985	126,927,786	(3,731,801)	
COMMISSIONS ON PREMIUMS	-	(10,252,562)	(3,379,816)	-	-	(13,632,378)	(15,584,229)	1,951,851	1.5%
PREMIUM TAXES & ASSESSMENTS	(899)	(9,077,222)	-	-	-	(9,078,121)	(8,383,843)	(694,278)	1.0%
HEALTH INSURANCE INDUSTRY TAX	-	(7,503,068)	(4,576,210)	-	-	(12,079,278)	(11,952,010)	(127,268)	1.3%
GENERAL & ADMINISTRATIVE:									
Salary & Payroll Expenses	-	(23,169,085)	(12,724,541)	(1,961,666)	-	(37,855,292)	(39,445,541)	1,590,249	4.1%
Non-Payroll Operating Expenses	-	(15,361,728)	(15,559,599)	(889,584)	(188,629)	(27,719,310)	(27,284,208)	(435,102)	3.0%
TOTAL GENERAL & ADMINISTRATIVE	-	(38,530,813)	(28,284,140)	(2,851,250)	(188,629)	(65,574,602)	(66,729,749)	1,155,147	7.18%
UNDERWRITING INCOME	4,617,050	(5,469,091)	23,563,487	308,789	(188,629)	22,831,606	24,277,955	(1,446,349)	2.50%
OTHER INCOME (EXPENSE):									
Investment Income	(75,749)	2,070,739	449,258	12	-	2,444,260	6,385,534	(3,941,274)	
Subsidiary Income	9,313,074	11,135,615	-	-	65,472	65,472	76,505	(11,033)	
Gain on Investment Sales	-	1,058,941	546,349	-	-	1,605,290	-	1,605,290	
Interest Income / (Expense)	(1,591,681)	-	1,301,609	(27,072)	-	(317,144)	(25,170)	(291,974)	
JMA / PDR / Miscellaneous	(495,529)	3,742,221	(10,311,691)	-	469	(7,064,530)	(45,000)	(7,019,530)	
Charitable Contributions	(546,677)	(68,415)	(15,000)	-	-	(630,092)	(1,622,800)	992,708	
TOTAL OTHER INCOME (EXPENSE)	6,603,438	17,939,101	(8,029,475)	(27,060)	65,941	(3,896,744)	4,769,069	(8,665,813)	-0.4%
INCOME BEFORE TAXES	11,220,488	12,470,010	15,534,012	281,729	(122,688)	18,934,862	29,047,024	(10,112,162)	2.1%
INCOME TAXES	(1,034,701)	(3,156,936)	(4,471,788)	(78,800)	(6,850)	(8,749,075)	(15,726,296)	6,977,221	1.0%
NET INCOME	\$ 10,185,787	\$ 9,313,074	\$ 11,062,224	\$ 202,929	\$ (129,538)	\$ 10,185,787	\$ 13,320,728	\$ (3,134,941)	1.12%
G&A %	0.00%	8.96%	5.90%	90.23%	0.00%	7.18%	7.59%		
U/W Income	0.00%	-1.27%	4.91%	9.77%	0.00%	2.50%	2.76%		
Net Income	0.00%	2.17%	2.31%	6.42%	0.00%	1.12%	1.51%		

PacificSource and Subsidiaries
Consolidated G & A Expenses
For the Nine Months Ending September 30, 2015

	PS Holding	PSHP	PCHP	PSA	PHI	Consolidated Actual	Consolidated Budget	Budget Variance
SALARY & PAYROLL EXPENSES:								
Salaries & Wages	\$ -	\$ (17,941,025)	\$ (9,708,537)	\$ (1,294,199)	\$ -	\$ (28,943,761)	\$ (29,309,960)	\$ 366,199
Payroll Taxes	-	(1,542,473)	(798,234)	(151,211)	-	(2,491,918)	(2,729,653)	237,735
Workers Compensation Insurance	-	(37,953)	(17,982)	(2,830)	-	(58,765)	(58,294)	(471)
Employee Health Expense	-	(2,917,383)	(1,486,104)	(385,105)	-	(4,788,592)	(5,677,739)	889,147
Employee Dental Expense	-	(287,870)	(146,653)	(37,702)	-	(472,225)	(484,003)	11,778
Employee Life & Disability	-	(158,817)	(79,847)	(14,408)	-	(253,072)	(262,817)	9,745
Retirement Plans - Defined Benefit	-	(1,393)	(1,107)	-	-	(2,500)	-	(2,500)
Retirement Plans - 401K	-	(924,184)	(486,077)	(76,211)	-	(1,486,472)	(1,565,088)	78,616
Administrative Offset	-	642,013	-	-	-	642,013	642,013	-
Total Salary & Payroll Expenses	-	(23,169,085)	(12,724,541)	(1,961,666)	-	(37,855,292)	(39,445,541)	1,590,249
NON-PAYROLL OPERATING EXPENSES:								
Administrative	-	20,460	(1,863,845)	(157,224)	-	209,651	1,831,141	(1,621,490)
Advertising/Promotional	-	(884,828)	(225,756)	-	-	(1,110,584)	(1,454,542)	343,958
Amortization	-	(740,475)	-	(18,889)	(182,177)	(941,541)	(643,652)	(297,889)
Auditing & Tax Services	-	(216,923)	(205,255)	-	-	(422,178)	(502,494)	80,316
Auto Expense	-	(152,491)	(68,838)	(13,330)	-	(234,659)	(260,537)	25,878
Banking Charges	-	(333,919)	(98,996)	(6)	-	(432,921)	(276,179)	(156,742)
Board & Committee	-	(175,786)	(115,947)	-	-	(291,733)	(305,926)	14,193
Building Maintenance	-	(137,233)	(108,245)	(4,694)	-	(250,172)	(277,101)	26,929
Consultants' Fees	-	(663,222)	(591,072)	(6,853)	-	(1,261,147)	(1,183,685)	(77,462)
Contract Labor	-	(293,532)	(162,287)	(7,047)	-	(462,866)	(391,601)	(71,265)
Depreciation	-	(2,792,993)	(2,204,347)	(14,693)	-	(5,012,033)	(5,312,304)	300,271
Education & Training	-	(138,161)	(75,868)	(6,437)	-	(220,466)	(180,632)	(39,834)
Insurance	-	(332,070)	(263,922)	-	-	(595,992)	(634,698)	38,706
Legal Fees	-	(143,526)	(114,071)	(3,196)	(6,452)	(267,245)	(316,494)	49,249
Licenses - Software	-	(1,903,483)	(1,481,581)	-	-	(3,385,064)	(3,627,760)	242,696
Meals & Entertainment	-	(255,575)	(111,378)	(3,320)	-	(370,273)	(390,836)	20,563
Miscellaneous	-	2,600	701	-	-	3,301	(5,769)	9,070
Imaging	-	(104,113)	(65,451)	(52,380)	-	(221,944)	(247,180)	25,236
Office Expenses/Supplies	-	(488,497)	(389,167)	(6,543)	-	(884,207)	(794,235)	(89,972)
Postage	-	(881,907)	(796,315)	(101,638)	-	(1,779,860)	(2,018,871)	239,011
Printing	-	(483,903)	(221,682)	(27,510)	-	(733,095)	(703,479)	(29,616)
Professional Dues	-	(161,234)	(90,331)	(461)	-	(252,026)	(206,057)	(45,969)
Recruiting	-	(85,404)	(67,876)	-	-	(153,280)	(247,500)	94,220
Rent - Equipment	-	(45,846)	(36,136)	-	-	(81,982)	(102,060)	20,078
Rent - Regional Offices	-	(1,426,193)	(1,464,682)	(122,267)	-	(943,172)	(972,136)	28,964
Repairs & Maintenance	-	(342,026)	(270,590)	(1,555)	-	(614,171)	(682,796)	68,625
Purchased Services	-	(1,149,436)	(3,641,151)	(297,183)	-	(5,087,770)	(5,111,160)	23,390
Subscriptions	-	(29,653)	(19,768)	(472)	-	(49,893)	(26,244)	(23,649)
Surveys & Studies	-	(5,515)	(3,844)	-	-	(9,359)	(2,550)	(6,809)
Taxes & Licenses	-	(222,635)	(298,203)	(7,249)	-	(528,087)	(801,465)	273,378
Telephone	-	(285,810)	(207,428)	(31,142)	-	(524,380)	(570,222)	45,842
Travel	-	(386,020)	(199,210)	(5,495)	-	(590,725)	(663,449)	72,724
Utilities	-	(122,379)	(97,058)	-	-	(219,437)	(201,735)	(17,702)
Total Non-Payroll Operating	-	(15,361,728)	(15,559,599)	(889,584)	(188,629)	(27,719,310)	(27,284,208)	(435,102)
TOTAL GENERAL & ADMINISTRATIVE	\$ -	\$ (38,530,813)	\$ (28,284,140)	\$ (2,851,250)	\$ (188,629)	\$ (65,574,602)	\$ (66,729,749)	\$ 1,155,147