



**MAXIMUS Health Services, Inc.
Consolidating Financial Statements**

Year Ended September 30, 2019



Ernst & Young LLP
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Report of Independent Registered Accounting Firm on Supplemental Information

The Shareholders and Board of Directors of MAXIMUS, Inc.

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of MAXIMUS, Inc. (the Company) as of and for the year ended September 30, 2019 (not presented herein), and have issued an unqualified opinion thereon dated November 26, 2019. The consolidating balance sheets and income statements are not intended to present the financial position, results of operations, and cash flows of the individual companies, as would complete financial statements including necessary disclosures, and should be read in conjunction with the consolidated financial statements included in the Company's Form 10-K filed with the SEC on November 26, 2019 and our report thereon. The scope of our audit procedures was not designed to provide a basis for expressing opinions on the presentations of the accounts of the individual companies on a stand-alone basis and, accordingly, we do not express such opinions. However, the information has been subjected to audit procedures performed in conjunction with the audit of the consolidated financial statements. Such information is the responsibility of the Company's management.

Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

February 28, 2020

MAXIMUS, Inc. and Subsidiaries
Consolidating Balance Sheets
September 30, 2019
(Amounts in thousands)

	MAXIMUS Health Services, Inc.*	ASCEND MANAGEMENT INNOVATIONS, LLC	Other MAXIMUS, Inc. subsidiaries	Eliminations	MAXIMUS, Inc.
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ -	\$ 105,565	\$ -	\$ 105,565
Accounts receivable - billed and billable, net	90,680	8,937	377,073	-	476,690
Accounts receivable - unbilled	2,327	778	120,779	-	123,884
Income tax receivable	-	-	20,805	-	20,805
Prepaid expenses and other current assets	9,032	132	53,317	-	62,481
Amounts receivable from other MAXIMUS entities	369,335	(2,036)	-	(367,299)	-
Total current assets	471,374	7,811	677,539	(367,299)	789,425
Property and equipment, net	4,345	474	94,770	-	99,589
Capitalized software, net	7,646	3,702	21,021	-	32,369
Investments in subsidiaries	40,969	-	-	(40,969)	-
Goodwill	-	17,996	566,473	-	584,469
Intangible assets, net	-	17,491	161,759	-	179,250
Deferred contract costs, net	8,055	181	10,685	-	18,921
Deferred income taxes	-	-	186	-	186
Deferred compensation plan assets	-	-	32,908	-	32,908
Other assets	149	63	8,403	-	8,615
Total assets	<u>\$ 532,538</u>	<u>\$ 47,718</u>	<u>\$ 1,573,744</u>	<u>\$ (408,268)</u>	<u>\$ 1,745,732</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Account payable and accrued liabilities	\$ 13,151	\$ 1,313	\$ 163,322	\$ -	\$ 177,786
Accrued compensation and benefits	920	57	105,812	-	106,789
Deferred revenue	7,019	444	35,881	-	43,344
Income taxes payable	-	-	13,952	-	13,952
Long-term debt, current portion	-	-	9,658	-	9,658
Amounts payable to other MAXIMUS entities	-	-	367,299	(367,299)	-
Other liabilities	3,381	-	9,328	-	12,709
Total current liabilities	24,471	1,814	705,252	(367,299)	364,238
Deferred revenue, less current portion	12,784	-	19,557	-	32,341
Deferred income taxes	15,834	3,751	26,975	-	46,560
Deferred compensation plan liabilities, less current portion	-	-	34,079	-	34,079
Other liabilities	673	-	19,640	-	20,313
Total liabilities	<u>53,762</u>	<u>5,565</u>	<u>805,503</u>	<u>(367,299)</u>	<u>497,531</u>
Shareholders' equity					
Common Stock	-	40,969	498,433	(40,969)	498,433
Accumulated other comprehensive income	-	-	(45,380)	-	(45,380)
Retained earnings	478,776	1,184	314,779	-	794,739
Total MAXIMUS shareholders' equity	478,776	42,153	767,832	(40,969)	1,247,792
Noncontrolling interests	-	-	409	-	409
Total equity	478,776	42,153	768,241	(40,969)	1,248,201
Total liabilities and equity	<u>\$ 532,538</u>	<u>\$ 47,718</u>	<u>\$ 1,573,744</u>	<u>\$ (408,268)</u>	<u>\$ 1,745,732</u>

* The consolidating information does not include all of the required disclosures required by U.S. Generally Accepted Accounting Principles and accordingly, is not intended to present the financial position, results of operations, and cash flows of the individual companies. This information should be read in conjunction with the financial statements included in the Company's Form 10-K filed with SEC on November 26, 2019.

MAXIMUS, Inc. and Subsidiaries
Consolidating Income Statements
Year ended September 30, 2019
(Amounts in thousands)

	MAXIMUS Health Services, Inc.*	ASCEND MANAGEMENT INNOVATIONS, LLC	Other MAXIMUS, Inc. subsidiaries	Eliminations	MAXIMUS, Inc.
Revenue	\$ 551,820	\$ 35,057	\$ 2,299,938	\$ -	\$ 2,886,815
Cost of revenue	359,077	31,973	1,824,581	-	2,215,631
Gross profit	192,743	3,084	475,357	-	671,184
Selling, general and administrative expenses	52,654	4,144	264,225	-	321,023
Amortization of intangible assets	1	1,286	31,767	-	33,054
Operating income	140,088	(2,346)	179,365	-	317,107
Interest expense	-	-	2,957	-	2,957
Other income, net	740	1	2,429	-	3,170
Income before income taxes	140,828	(2,345)	178,837	-	317,320
Provision for income taxes	37,231	(643)	40,237	-	76,825
Net income	103,597	(1,702)	138,600	-	240,495
Income attributable to noncontrolling interest	-	-	(329)	-	(329)
Net income attributable to MAXIMUS	<u>\$ 103,597</u>	<u>\$ (1,702)</u>	<u>\$ 138,929</u>	<u>\$ -</u>	<u>\$ 240,824</u>

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Year Ended September 30, 2018



Building a better
working world

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The Board of Directors and Shareholders of MAXIMUS, Inc.

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of MAXIMUS, Inc. and subsidiaries as of and for the year ended September 30, 2018 (not presented herein), and have issued an unqualified opinion thereon dated November 20, 2018. The consolidating balance sheets and income statements are not intended to present the financial position, results of operations, and cash flows of the individual companies, as would complete financial statements including necessary disclosures, and should be read in conjunction with the consolidated financial statements included in the Company's Form 10-K filed with the SEC on November 20, 2018. The scope of our audit procedures was not designed to provide a basis for expressing opinions on the presentations of the accounts of the individual companies on a stand-alone basis and, accordingly, we do not express such opinions. However, the information has been subjected to audit procedures performed in conjunction with the audit of the consolidated financial statements. Such information is the responsibility of the Company's management.

Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

February 28, 2019

MAXIMUS, Inc. and Subsidiaries
Consolidating Balance Sheets
September 30, 2018
(Amounts in thousands)

	MAXIMUS Health Services, Inc.*	Other MAXIMUS, Inc. subsidiaries	Eliminations	MAXIMUS, Inc.
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ 349,245	\$ -	\$ 349,245
Short-term investments	-	20,264	-	20,264
Accounts receivable - billed and billable, net	80,731	276,882	-	357,613
Accounts receivable - unbilled	1,962	29,574	-	31,536
Income tax receivable	-	5,979	-	5,979
Prepaid expenses and other current assets	10,244	33,751	-	43,995
Amounts receivable from other MAXIMUS entities	281,421	-	(281,421)	-
Total current assets	374,358	715,695	(281,421)	808,632
Property and equipment, net	3,412	74,132	-	77,544
Capitalized software, net	5,053	17,376	-	22,429
Investments in subsidiaries	40,969	-	(40,969)	-
Goodwill	-	399,882	-	399,882
Intangible assets, net	-	88,035	-	88,035
Deferred contract costs, net	6,841	7,539	-	14,380
Deferred income taxes	-	6,834	-	6,834
Deferred compensation plan assets	-	34,305	-	34,305
Other assets	114	9,845	-	9,959
Total assets	<u>\$ 430,747</u>	<u>\$ 1,353,643</u>	<u>\$ (322,390)</u>	<u>\$ 1,462,000</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Account payable and accrued liabilities	\$ 15,744	\$ 98,634	\$ -	\$ 114,378
Accrued compensation and benefits	13,168	82,387	-	95,555
Deferred revenue	10,852	40,330	-	51,182
Income taxes payable	-	4,438	-	4,438
Amounts payable to other MAXIMUS entities	-	281,421	(281,421)	-
Other liabilities	3,464	8,432	-	11,896
Total current liabilities	43,228	515,642	(281,421)	277,449
Deferred revenue, less current portion	6,129	14,265	-	20,394
Deferred income taxes	6,008	20,369	-	26,377
Deferred compensation plan liabilities, less current portion	-	33,497	-	33,497
Other liabilities	203	17,661	-	17,864
Total liabilities	<u>55,568</u>	<u>601,434</u>	<u>(281,421)</u>	<u>375,581</u>
Shareholders' equity				
Common Stock	-	528,508	(40,969)	487,539
Accumulated other comprehensive income	-	(36,953)	-	(36,953)
Retained earnings	375,179	258,102	-	633,281
Total MAXIMUS shareholders' equity	375,179	749,657	(40,969)	1,083,867
Noncontrolling interests	-	2,552	-	2,552
Total equity	<u>375,179</u>	<u>752,209</u>	<u>(40,969)</u>	<u>1,086,419</u>
Total liabilities and equity	<u>\$ 430,747</u>	<u>\$ 1,353,643</u>	<u>\$ (322,390)</u>	<u>\$ 1,462,000</u>

* The consolidating information is not intended to present the financial position, results of operations, and cash flows of the individual companies, as would complete financial statements including necessary disclosures, and should be read in conjunction with the financial statements included in the Company's Form 10-K filed with SEC on November 20, 2018.

MAXIMUS, Inc. and Subsidiaries
Consolidating Income Statements
Year ended September 30, 2018
(Amounts in thousands)

	MAXIMUS Health Services, Inc.*	Other MAXIMUS, Inc. subsidiaries	Eliminations	MAXIMUS, Inc.
Revenue	\$ 496,683	\$ 1,895,553	\$ -	\$ 2,392,236
Cost of revenue	324,267	1,473,584	-	1,797,851
Gross profit	172,416	421,969	-	594,385
Selling, general and administrative expenses	43,315	241,926	-	285,241
Amortization of intangible assets	-	10,308	-	10,308
Restructuring Costs	-	3,353	-	3,353
Operating income	129,101	166,382	-	295,483
Interest expense	-	1,000	-	1,000
Other income, net	1,816	2,910	-	4,726
Income before income taxes	130,917	168,292	-	299,209
Provision for income taxes	39,064	39,329	-	78,393
Net income	91,853	128,963	-	220,816
Income attributable to noncontrolling interest	-	65	-	65
Net income attributable to MAXIMUS	<u>\$ 91,853</u>	<u>\$ 128,898</u>	<u>\$ -</u>	<u>\$ 220,751</u>

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