

**Catholic Health East**  
**Consolidated Financial Statements**  
**December 31, 2012 and 2011, and**  
**Report on Federal Awards in**  
**Accordance with OMB Circular A-133**  
**Period Ended December 31, 2012**  
**Federal EIN #23-2929748**

**Catholic Health East**  
**Index**  
**December 31, 2012 and 2011**

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## Independent Auditor's Report

To the Board of Directors  
Catholic Health East

We have audited the accompanying consolidated financial statements of Catholic Health East and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations, of changes in net assets and of cash flows for the years then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We did not audit the financial statements of certain consolidated entities which statements reflect net assets of \$59,001,000 and \$77,471,000 as of December 31, 2012 and 2011, respectively, and excess of revenues over expenses of \$21,530,000 and \$12,508,000 for the years then ended. In addition, we did not audit the financial statements of certain unconsolidated entities which are represented in the following consolidated financial statements for 2012 and 2011 as investments in unconsolidated organizations of \$1,575,944,000 and \$1,275,608,000 as of December 31, 2012 and 2011, respectively, and equity in earnings of unconsolidated organizations of \$161,808,000 and \$146,038,000 for the years then ended. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of the consolidated entities audited by other auditors were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### **Opinion**

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company at December 31, 2012 and 2011, the results of their operations and their cash flow for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The social accountability information and the consolidating information are presented for purposes of additional analysis and are not required parts of the consolidated financial statements. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual entities; accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual entities. The social accountability information and the consolidating information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. The social accountability information and consolidating information have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the social accountability information and consolidating information are fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2013 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended December 31, 2012. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

April 30, 2013

**Catholic Health East**  
**Consolidated Balance Sheets**  
**Years Ended December 31, 2012 and 2011**

(in thousands of dollars)

	2012	2011
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$368,351	\$576,447
Investments	154,115	130,636
Marketable securities whose use is limited	18,106	10,218
Patient accounts receivable, net of estimated uncollectibles of \$319,035 and \$297,799 for 2012 and 2011, respectively	426,227	410,575
Collateral received on securities pledged	67,972	130,364
Other accounts receivable	118,744	106,512
Prepaid expenses and inventories	104,604	102,134
Assets held for sale	<u>69,159</u>	<u>84,299</u>
Total current assets	1,327,278	1,551,185
Marketable securities and investments whose use is limited		
Board-designated funds	300,328	340,757
Trustee-held funds	82,743	174,153
Donor-restricted funds	111,545	126,342
Investments	<u>598,431</u>	<u>429,975</u>
Total marketable securities and investments whose use is limited	1,093,047	1,071,227
Property and equipment, net	1,879,120	1,774,277
Equity investments in managed funds	334,721	246,270
Investments in unconsolidated organizations	1,616,988	1,450,068
Assets held for sale	267,203	389,174
Goodwill	32,852	10,470
Other assets	<u>206,282</u>	<u>189,695</u>
Total assets	<u>\$6,757,491</u>	<u>\$6,682,366</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Current portion of long-term debt and capital lease obligations	\$97,365	\$60,422
Portion of variable rate demand obligations classified as current	29,325	10,492
Accounts payable and accrued expenses	453,969	433,708
Collateral due broker on securities pledged	67,972	130,364
Estimated third party payor settlements, net	102,096	104,453
Other	152,659	164,851
Liabilities held for sale	<u>101,105</u>	<u>115,605</u>
Total current liabilities	1,004,491	1,019,895
Long-term debt, net	1,151,590	1,223,524
Other liabilities	149,397	139,869
Pension liabilities	417,481	438,537
Insurance liabilities, net of current portion	284,966	299,960
Other liabilities related to assets held for sale	318,811	326,593
Deferred revenue from entrance fees	<u>91,059</u>	<u>92,085</u>
Total liabilities	3,417,795	3,540,463
Net assets		
Unrestricted	3,146,859	2,954,583
Temporarily restricted	143,010	140,614
Permanently restricted	<u>49,827</u>	<u>46,706</u>
Total net assets	<u>3,339,696</u>	<u>3,141,903</u>
Total liabilities and net assets	<u>\$6,757,491</u>	<u>\$6,682,366</u>

The accompanying notes are an integral part of the consolidated financial statements.

**Catholic Health East**  
**Consolidated Statements of Operations**  
**Years Ended December 31, 2012 and 2011**

(in thousands of dollars)

	2012	2011
<b>Unrestricted revenue, gains and other support</b>		
Net patient service revenue, net of bad debt expense of \$234,952 and \$225,812 for 2012 and 2011, respectively	\$3,877,621	\$3,355,034
Other operating revenue, gains and other support	<u>357,420</u>	<u>291,078</u>
Total unrestricted revenue, gains and other support	<u>4,235,041</u>	<u>3,646,112</u>
<b>Expenses</b>		
Salaries, wages and benefits	2,298,084	1,954,805
Medical supplies	560,708	510,213
Purchased services, professional fees and other expenses	966,244	846,914
Depreciation and amortization	190,360	159,045
Interest	44,102	39,635
Insurance	<u>57,066</u>	<u>45,451</u>
Total expenses	<u>4,116,564</u>	<u>3,556,063</u>
Operating income before losses from St. Joseph's Health System	118,477	90,049
Losses from Saint Joseph's Health System	<u>-</u>	<u>(31,249)</u>
Operating income (including losses from St. Joseph's Health System)	118,477	58,800
<b>Non-operating gains (losses)</b>		
Investment returns, net	97,873	9,099
Equity in gains in earnings of unconsolidated organizations	135,405	90,258
Impairment losses	-	(4,571)
Gain on sale of assets	27,931	100,707
Unrestricted contribution income - St. Peter's Health Partners	-	322,947
Other non-operating losses	-	(474)
Loss on extinguishment of debt	(2,908)	(539)
Change in fair value of interest rate swaps	<u>6,424</u>	<u>(1,232)</u>
Total non-operating gains	<u>264,725</u>	<u>516,195</u>
Excess of revenue over expenses	<u>\$383,202</u>	<u>\$574,995</u>

The accompanying notes are an integral part of the consolidated financial statements.

**Catholic Health East**  
**Consolidated Statements of Changes in Net Assets**  
**Years Ended December 31, 2012 and 2011**

*(in thousands of dollars)*

	<b>2012</b>	<b>2011</b>
<b>Unrestricted net assets</b>		
Excess of revenue over expenses	\$383,202	\$574,995
Change in unrealized gains (losses) on available-for-sale securities	3,553	(3,638)
Decrease in pension liability adjustment - consolidated organizations	(15,219)	(143,002)
Decrease in pension liability adjustment - unconsolidated organizations	(8,875)	(30,485)
Net assets released from restriction for capital expenditures	10,418	35,478
Other changes	<u>(9,032)</u>	<u>12,077</u>
Increase in unrestricted net assets before discontinued operations	364,047	445,425
Loss from discontinued operations	<u>(171,771)</u>	<u>(74,880)</u>
Increase in unrestricted net assets	<u>192,276</u>	<u>370,545</u>
<b>Temporarily restricted net assets</b>		
Contributions	22,078	24,838
Investment income	1,272	685
Change in unrealized gains (losses) on investments	4,800	(648)
Net assets released from restrictions	(25,000)	(42,720)
Temporarily restricted contribution income - St. Peter's Health Partners	-	33,202
Other changes	<u>(754)</u>	<u>(6,547)</u>
Increase in temporarily restricted net assets	<u>2,396</u>	<u>8,810</u>
<b>Permanently restricted net assets</b>		
Contributions	670	75
Change in realized and unrealized gains on investments	1,248	147
Permanently restricted contribution income - St. Peter's Health Partners	-	18,670
Other changes	<u>1,203</u>	<u>(656)</u>
Increase in permanently restricted net assets	<u>3,121</u>	<u>18,236</u>
Increase in net assets	197,793	397,591
<b>Net assets</b>		
Beginning of year	<u>3,141,903</u>	<u>2,744,312</u>
End of year	<u><u>\$3,339,696</u></u>	<u><u>\$3,141,903</u></u>

The accompanying notes are an integral part of the consolidated financial statements.

# Catholic Health East

## Consolidated Statements of Cash Flows

### Years Ended December 31, 2012 and 2011

(in thousands of dollars)

	2012	2011
<b>Cash flows from operating activities</b>		
Increase in net assets	\$197,793	\$397,591
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Loss from discontinued operations	171,771	74,880
Pension adjustment, including unconsolidated organizations	24,094	173,487
Loss on extinguishment of debt	2,908	539
Contribution income from contributed assets - St. Peter's Health Partners	-	(374,819)
Depreciation and amortization	190,360	159,045
Amortization of deferred entrance fees	(5,912)	(6,309)
Net realized gains on investments	(16,745)	(32,497)
Net unrealized (gains) losses on investments	(70,113)	23,379
Equity in earnings of unconsolidated organizations	(183,469)	(158,028)
Provision for bad debts	234,952	225,812
(Increase) decrease in market value of interest rate swaps	(6,424)	1,232
Restricted contributions and investment income received	(24,020)	(25,098)
Gain on sale of assets	(27,931)	(100,707)
Return on investment in health plan equity interests	7,674	34,643
Entrance fees received, net of refunds	4,886	1,635
Change in certain assets and liabilities		
Accounts receivable	(250,604)	(203,814)
Other receivables	(12,231)	47,776
Prepaid expenses, inventories and other assets	(19,057)	(69,866)
Assets held for sale	32,110	(25,475)
Accounts payable, accrued expenses and other current liabilities	20,261	(17,232)
Third party payables	(2,357)	20,430
Insurance and other liabilities	(33,516)	25,508
Pension liability	(36,275)	(33,439)
Net cash used in operating activities of discontinued operations	(66,771)	(83,109)
Net cash provided by operating activities	<u>131,384</u>	<u>55,564</u>
<b>Cash flows from investing activities</b>		
Additions to property and equipment	(382,619)	(193,905)
Cash contributed to St. Joseph's / Emory Healthcare Joint Operating Agreement	-	(57,117)
Cash received from St. Peter's Health Partners transaction	-	123,441
Proceeds from sale of health plan equity interests	-	194,000
Proceeds from sale of assets - Mercy Miami and Mercy Medical	-	144,000
Physician practice and surgery center acquisitions, net of cash	(22,382)	(10,438)
Posted collateral on interest rate swaps	-	(753)
Decrease (increase) in collateral received on securities pledged	62,392	(95,260)
(Purchases) sales of investments, managed funds and marketable securities whose use is limited, net	(54,780)	111,999
Proceeds from sale of assets	40,524	-
Net cash provided by (used in) investing activities of discontinued operations	87,374	(1,934)
Net cash (used in) provided by investing activities	<u>(269,491)</u>	<u>214,033</u>
<b>Cash flows from financing activities</b>		
Proceeds from restricted contributions and investment income received	24,020	25,098
Proceeds from issuance of long-term debt	201,450	51,045
Change in variable rate demand obligations classified as current	18,833	(12,186)
Repayments of long-term debt	(245,651)	(166,953)
(Decrease) increase in payable under collateral received on securities pledged	(62,392)	95,260
Net cash (used in) provided by financing activities of discontinued operations	(6,249)	3,884
Net cash used in financing activities	<u>(69,989)</u>	<u>(3,852)</u>
(Decrease) increase in cash and cash equivalents	(208,096)	265,745
Cash and cash equivalents		
Beginning of year	576,447	310,702
<b>End of year</b>	<u>\$368,351</u>	<u>\$576,447</u>
Supplemental disclosures of cash flow information		
Interest paid	\$46,683	\$44,127
Non-cash transaction	\$5,556	\$8,777

The accompanying notes are an integral part of the consolidated financial statements.

**Catholic Health East**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2012 and 2011**

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**1. Organization and Mission Basis of Presentation**

Catholic Health East (“CHE”, the “System”, or the “Company”) was incorporated as a Pennsylvania nonprofit corporation on October 1, 1997. CHE is a catholic, multi-facility health system sponsored by seven religious congregations and Hope Ministries. Each sponsoring congregation appoints a representative to the Sponsors Council which maintains certain reserve powers, including the election of the CHE Board of Directors. CHE serves to carry out the health care ministries of the sponsoring congregations. The mission of CHE is to be a community of persons committed to being a transforming, healing presence within the communities it serves.

The consolidated financial statements of CHE include activities of its Regional Health Corporations (“RHCs”) and related component corporations all of which are wholly or majority owned. These RHCs are located throughout eleven states and the healthcare activities provided by these RHCs include, but are not limited to, general acute care hospitals, long-term care facilities, skilled nursing facilities, behavioral health, residential facilities for the elderly, physician services, home health, outpatient surgery, and other services. A list of the name and location of each RHC is provided below.

Mercy Health System of Maine Portland, Maine	Sisters of Providence Health System, Inc. Springfield, Massachusetts
Mercy Community Health, Inc. West Hartford, Connecticut	St. Peter’s Health Partners Albany, New York
St. James Mercy Health System, Inc. Hornell, New York	St. Francis Medical Center Trenton, New Jersey
Saint Michael’s Medical Center Newark, New Jersey	Lourdes Health System Camden, New Jersey
St. Mary Medical Center Langhorne, Pennsylvania	Pittsburgh Mercy Health System, Inc. Pittsburgh, Pennsylvania
Mercy Health System of Southeastern Pennsylvania Conshohocken, Pennsylvania	Saint Joseph of the Pines, Inc. Southern Pines, North Carolina
St. Francis Hospital and Affiliates Wilmington, Delaware	Saint Joseph’s Health System, Inc. Atlanta, Georgia
St. Mary’s Health Care System, Inc. Athens, Georgia	Mercy Hospital, Inc. Miami, Florida
Mercy Medical Corporation Daphne, Alabama	Holy Cross Hospital, Inc. Fort Lauderdale, Florida

# **Catholic Health East**

## **Notes to the Consolidated Financial Statements**

### **December 31, 2012 and 2011**

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Catholic Health East and certain affiliated nonprofit corporations are generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

CHE and its RHCs also participate in various joint ventures and partnerships, commonly referred to as joint operating agreements. These arrangements enable CHE to provide healthcare services to the broader community through involvement in larger healthcare organizations or systems.

## **2. Summary of Significant Accounting Policies**

### **Basis of Consolidation**

The consolidated financial statements of CHE include the financial information of the RHCs and component corporations, the System's wholly owned captive insurance company, various philanthropic foundations of which the System maintains control, and various other organizations or corporations. All significant inter-company balances and transactions have been eliminated.

### **Use of Estimates**

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions, estimates, and judgments that affect the amounts reported in the consolidated financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. Management considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of the consolidated financial statements including, but not limited to, recognition of net patient service revenue, which includes contractual allowances and provisions for bad debt; estimates for healthcare professional and general liabilities; determination of fair values of certain financial instruments; and assumptions for measurement of pension liabilities. Management relies on historical experience and other assumptions believed to be reasonable relative to the circumstances in making judgments and estimates. Actual results could differ materially from these estimates.

### **Cash and Cash Equivalents**

Cash and cash equivalents include liquid investments with a maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value.

### **Investments and Investment Income**

Investments in marketable equities with readily determinable fair market values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Equity investments in managed funds, private partnerships, and other investments are accounted for under the equity method, which approximates fair value. Realized gains and losses on investments, unrealized gains and losses on trading securities, interest income (net of investment-related expenses), and dividends are included in investment returns, net, as part of non-operating gains and (losses) in the excess of revenue over expenses. Investment income restricted by donors or law is reported as an increase in temporarily or permanently restricted net assets.

# Catholic Health East

## Notes to the Consolidated Financial Statements

### December 31, 2012 and 2011

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The System's investments and marketable securities whose use is limited are invested and managed through the CHE Consolidated Investment Program (the "CIP Program"), and some investments are locally managed by the RHCs. Included in these investments are investments in managed funds, private partnerships, and other investments. The income (loss) from these managed funds is included in investment returns, net, in the accompanying consolidated statement of operations and change in net assets.

The System classifies all unrestricted investments as trading securities.

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with these securities and the level of uncertainty related to changes in their value, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the consolidated balance sheets and statements of operations and change in net assets.

#### **Marketable Securities and Investments Whose Use Is Limited**

Marketable securities and investments whose use is limited primarily include marketable securities and investments designated by governance for future capital improvements and other purposes, in accordance with agreements with outside parties, by trustees under bond indenture agreements, self-insurance arrangements, and by donor restrictions.

#### **Derivative Financial Instruments**

The System recognizes all derivative instruments in the balance sheets at fair value. The change in the fair value of derivatives is recognized as a component of excess of revenues over expenses in the consolidated statements of operations for the years ended December 31, 2012 and 2011.

#### **Inventories**

Inventory is valued at the lower of cost (first-in, first-out) or market, net of reserves for obsolescence.

#### **Assets Held for Sale**

CHE has classified certain long-lived assets as assets held for sale in the consolidated balance sheets when the assets have met applicable criteria for this classification. CHE has classified \$336,362,000 and \$473,473,000 as held for sale at December 31, 2012 and 2011, respectively. The Company has also classified \$419,916,000 and \$442,198,000 at December 31, 2012 and 2011, respectively, as liabilities related to assets held for sale.

#### **Property and Equipment**

Property and equipment acquisitions are recorded at cost. Depreciation is expensed over the estimated useful life of each class of depreciable assets and is computed using the straight-line method based on the following estimated useful lives:

Building and Improvements	5-40 years
Leasehold improvements	3-20 years
Equipment	3-20 years

# **Catholic Health East**

## **Notes to the Consolidated Financial Statements**

### **December 31, 2012 and 2011**

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Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in the depreciation and amortization in the consolidated financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of constructing those assets. Repair and maintenance costs are expensed as incurred. When property, plant and equipment are retired, sold or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from excess of revenue over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

#### **Goodwill**

CHE records as goodwill the excess of purchase price over the fair value of the identifiable net assets acquired. The Company's goodwill and other intangible assets with indefinite lives are not amortized; rather, they are tested for impairment, at least annually, through a process which first evaluates any triggering event associate with an impairment, and, second, an actual measurement of the impairment, if necessitated. The Company recorded goodwill additions of \$22,382,000 in 2012 related to acquisitions of physician practices and an ambulatory surgery center. The Company did not record any impairment to goodwill in 2011 or 2012.

#### **Long-Lived Assets**

CHE evaluates the carrying value of its long-lived assets for impairment when impairment indicators are identified. In the event that the carrying value of a long-lived asset is not supported by the fair value, the System will recognize an impairment loss for the difference. Fair value is based on the exchange price that would be received for an asset or paid to transfer a liability. In 2012, the System recorded an impairment loss of long-lived assets of \$105,000,000 related to Saint Michael's Medical Center. These assets are classified as held for sale as of December 31, 2012 and the impairment loss is included in losses from discontinued operations in the statement of operations and changes in net assets. The System recognized impairment losses of \$4,571,000 for the year ended December 31, 2011.

#### **Investments in Unconsolidated Organizations**

Investments in unconsolidated organizations represent CHE investments in joint operating agreements, joint ventures, or partnerships. The equity method is used to account for these investments.

#### **Deferred Revenue from Advance Fees**

Certain RHCs operate residential facilities for the elderly. Fees paid by residents upon entering into continuing care contracts, net of the portion that is refundable to the resident, are recorded as deferred revenue and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident.

# Catholic Health East

## Notes to the Consolidated Financial Statements

### December 31, 2012 and 2011

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#### **Accrued Paid Time Off**

CHE records a liability for amounts due to employees for future absences which are attributable to services performed in the current and prior periods.

#### **Deferred Debt Issuance Costs**

Deferred debt issuance costs included in other assets at December 31, 2012 and 2011, totaling \$14,222,000 and \$18,240,000, respectively, are amortized using the straight-line method over the life of the related debt, which approximates the effective interest method.

#### **Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those whose use by the System has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

#### **Net Patient Service Revenue**

Third-party payors (Medicare, Medicaid, and commercial insurance payors) provide payments to the hospitals at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounts from established charges, and per diem payments. Net patient service revenue is the estimated amount to be realized for services rendered, including estimated retroactive adjustments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

#### **Allowance for Doubtful Accounts**

The System records an allowance for doubtful accounts for estimated losses resulting from non-payment for services from patients or payers. Management routinely evaluates patient account collection history in determining the sufficiency of the allowance for doubtful accounts and provision for bad debts. The allowance for doubtful accounts for those patients with third-party insurance is determined based on contractual agreements with payers. The provision for bad debts for uninsured patients is based on historical collection experience. Accounts receivable are written off against the allowance for doubtful accounts when management determines that recovery is unlikely and collection efforts cease.

#### **Charity Care**

CHE provides services to all patients regardless of ability to pay. In accordance with the System's policy, a patient is classified as a charity patient based on income eligibility criteria as established by the *Federal Poverty Guidelines*. Charges for services to patients who meet the System's guidelines for charity care are not reflected in the accompanying consolidated financial statements. The costs (direct and indirect) associated with these services for charity care provided by the System approximate \$435,914,000 and \$339,190,000 in 2012 and 2011, respectively. These amounts do not include bad debt expense totaling \$234,952,000 and \$225,812,000 in 2012 and 2011, respectively, which is reflected separately in the consolidated statements of operations. The costs and provisions for bad debts do not include amounts classified as discontinued operations. Charity care data for services provided is based on the cost of patient care services with costs being determined by application of the standard cost-to-charge ratio.

#### **Other Operating Revenue**

Other revenue is derived from services other than the provision of health care services or coverage to patients or residents. This revenue consists primarily of federal and state grants, unrestricted contributions, incentive payments received for meeting Federal and State Electronic Health Record meaningful use requirements, rental income, income from health plan operations, support services,

# Catholic Health East

## Notes to the Consolidated Financial Statements

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parking garages, gift shop income, cafeteria income, maintenance fee income, foundation investment income, and other miscellaneous income.

#### **Non-Operating Gains (Losses)**

Non-operating gains (losses) consist primarily of investment returns, which include investment income, dividends, net unrealized gains (losses) on trading securities, and realized gains and losses on trading securities; equity in earnings of unconsolidated organizations; restructuring expenses and impairment losses; losses on extinguishment of debt; contribution income for contributed assets; gains on the sale of assets; and the change in the fair value of interest rate swaps.

#### **Excess of Revenue over Expenses**

The statements of operations include the excess of revenue over expenses. Changes in unrestricted net assets which are excluded from excess of revenue over expenses include unrealized gains and losses on available for sale investments of unconsolidated organizations; permanent transfers of assets to and from affiliates for other than goods and services, pension adjustments, the cumulative effect of change in accounting principle, discontinued operations, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

#### **Donor-Restricted Gifts**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the consolidated financial statements.

#### **Income Taxes**

Catholic Health East and certain affiliated nonprofit corporations are generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Accounting guidance for income taxes clarifies the accounting for uncertainty of income tax positions. This guidance defines the threshold for recognizing tax return positions in the financial statements as "more likely than not" that the position is sustainable, based on its technical merits. The guidance also provides guidance on the measurement, classification and disclosure of tax return positions in the financial statements. There was no impact from this guidance on CHE's consolidated financial statements during the years ended December 31, 2012 and 2011.

#### **Adoption of Accounting Pronouncements**

On January 1, 2012, the Company adopted FASB issued ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, the Provision for Bad Debts, and Allowance for Doubtful Accounts*. This guidance requires the Company to modify the presentation of its consolidated statement of operations and changes in net assets by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue. Additionally, the guidance requires enhanced disclosure about the Company's policies for recognizing revenue and assessing bad debts, patient service revenue (net of

# Catholic Health East

## Notes to the Consolidated Financial Statements

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contractual allowances and discounts), and qualitative and quantitative information about changes in the allowance for doubtful accounts.

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, *Fair Value Measurement-Topic 820: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards*, to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles and enhances disclosure requirements, particularly for Level 3 fair value measurements. ASU 2011-04 was effective during the fiscal year ended December 31, 2012 and is applied prospectively. The adoption of ASU 2011-04 did not have a material effect on CHE's financial statements.

On January 1, 2011, the Company adopted FASB issued ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*, which prohibits the offsetting of conditional or unconditional liabilities with anticipated insurance recoveries from third parties. The adoption of this guidance did not have a significant impact on the consolidated financial statements.

On January 1, 2011, the Company adopted FASB issued ASU 2010-23, *Measuring Charity Care for Disclosure*, that requires health care entities to use cost as the measurement basis for charity care disclosures and defines cost as the direct and indirect costs of providing charity care. The accompanying notes to the consolidated financial statements reflect the amended disclosure requirements. The cost of caring for charity care patients is disclosed in the social accountability supplemental schedule. The cost of charity care provided to patients is disclosed in the supplementary financial information schedule that accompanies these financial statements. This guidance amended disclosure requirements only; therefore, there was no impact to the Company's consolidated financial statements upon adoption.

#### **Reclassifications**

Certain amounts have been reclassified in the prior year's financial statements to conform to the classifications used in the current year.

### **3. Net Patient Service Revenue**

Net patient service revenue from the Medicare and Medicaid programs, exclusive of managed care, accounted for approximately 34.3% and 10.7%, respectively, of total net patient service revenues in 2012, and 29.0% and 9.6%, respectively of total net patient service revenue in 2011. Compliance with laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Management believes that adequate provision has been made for adjustments that may result from reviews by third-party payors. Estimated net settlements related to Medicare and Medicaid, collectively, of \$70,327,000 and \$65,225,000 in 2012 and 2011, respectively, are included as a component of current liabilities in the accompanying consolidated balance sheets. The amounts recorded for these estimated settlements approximate their fair value.

Net patient service revenue includes approximately \$15,922,000 and \$4,170,000 in 2012 and 2011, respectively, related to favorable changes in estimates for prior year cost report reopenings, appeals, and tentative and final cost reports, of which some are still subject to audit, additional reopening, and/or appeals.

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The Company recognizes patient service revenue associated with services provided to patients who have third-party insurance based on contractual agreements with payers. For uninsured patients who do not qualify for charity care, the Company recognizes revenue based on a self pay discount policy. The Company records a provision for bad debts based on historical collection experience. The following summarizes net patient service revenue for the years ended December 31:

*(in thousands of dollars)*

	2012		2011	
	Gross Charges	Deductions	Gross Charges	Deductions
Medicare	\$5,618,273	\$4,310,978	\$5,007,959	\$3,908,977
Medicaid	1,335,423	911,835	1,365,156	1,027,660
Managed care and other	7,108,836	4,946,267	6,441,040	4,483,612
Uninsured	811,709	592,588	674,909	487,969
	<u>\$14,874,241</u>	<u>10,761,668</u>	<u>\$13,489,064</u>	<u>9,908,218</u>
Provision for bad debts		234,952		225,812
Net patient service revenue		<u>\$3,877,621</u>		<u>\$3,355,034</u>

**4. Marketable Securities and Investments Whose Use Is Limited and Equity Investments in Managed Funds**

The composition of investments at December 31 is as follows:

*(in thousands of dollars)*

	2012	2011
Reported at fair value		
Cash and cash equivalents	\$262,904	\$357,333
Marketable equity securities	552,529	452,084
Marketable debt securities	449,835	402,664
	<u>1,265,268</u>	<u>1,212,081</u>
Reported under the equity method		
Managed funds	334,721	246,270
	<u>\$1,599,989</u>	<u>\$1,458,351</u>

A portion of CHE's long-term investment assets are held in the CIP Program. The CIP Program is structured under a Program Participation Agreement (the "Agreement") between each participant RHC and CHE. All investments in the CIP Program are professionally managed under the administration of CHE.

Participants' investments held in the CIP Program are assigned a weighted value for the period of time the funds are invested in the CIP Program. Investment income from the CIP Program, including interest income, dividends, and realized gains and losses on sales of securities, and unrealized gains and losses are distributed to participants based on their weighted value of investment.

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The underlying fair value of investments in the CIP Program, which are traded on national exchanges (except for managed funds), is based on the final reported sales price on the last business day of the year. The fair value of investments traded in over-the-counter markets is based on the average of the last recorded bid and asked prices.

CHE participates in a securities lending program wherein some investments are loaned on an overnight basis to various brokers. CHE receives lending fees and earns interest and dividends on the loaned securities. These securities are returnable on demand and are collateralized by cash deposits and U.S. Treasury Obligations. Collateral received is at 100% of the fair value of the securities on loan. CHE is indemnified against borrower default by the financial institution acting as lending agent. At December 31, 2012 and 2011, securities with a fair market value of \$67,972,000 and \$130,634,000, respectively, were loaned under securities lending agreements.

Investment returns, net, is comprised of the following for the years ended December 31:

*(in thousands of dollars)*

	<b>2012</b>	<b>2011</b>
<b>Unrestricted net assets</b>		
Investment returns, net		
Interest and dividends	\$12,568	\$15,518
Net realized gains	15,192	16,960
Net unrealized gains (losses) on investments - trading securities	70,113	(23,379)
	<u>\$97,873</u>	<u>\$9,099</u>
Net change in unrealized gains on available for sale securities (held by unconsolidated organizations)	<u>\$3,553</u>	<u>(\$3,638)</u>
<b>Temporarily restricted net assets</b>		
Other changes in temporarily restricted net assets		
Investment income		
Interest and dividends	\$967	\$631
Net realized gains on investments	305	54
	<u>\$1,272</u>	<u>\$685</u>
Net unrealized gains (losses) on investments	<u>\$4,800</u>	<u>(\$648)</u>
<b>Permanently restricted net assets</b>		
Other changes in permanently restricted net assets		
Net realized and unrealized gains on investments	<u>\$1,248</u>	<u>\$147</u>

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The following managed fund investments are recorded under the equity method of accounting, which approximates the net asset value per share of the investments as of December 31:

<i>(in thousands of dollars)</i>	<b>2012</b>			
	<u>Recorded Value</u>	<u>Unfunded Commitments</u>	<u>Commitment Term</u>	<u>Redemption Terms</u>
Fund of Hedge Funds	\$283,502	\$0	n/a	Quarterly, semiannually, or anniversary date
Real Estate	22,767	\$5,042	2-10 years	Redemption permitted upon expiration of commitment term
Private Equity	28,452	\$14,109	3-15 years	Redemption permitted upon expiration of commitment term
Total	<u><u>\$334,721</u></u>			

<i>(in thousands of dollars)</i>	<b>2011</b>			
	<u>Recorded Value</u>	<u>Unfunded Commitments</u>	<u>Commitment Term</u>	<u>Redemption Terms</u>
Fund of Hedge Funds	\$200,307	\$0	n/a	Quarterly, semiannually, or anniversary date
Real Estate	18,544	\$6,987	3-11 years	Redemption permitted upon expiration of commitment term
Private Equity	27,419	\$12,363	4-12 years	Redemption permitted upon expiration of commitment term
Total	<u><u>\$246,270</u></u>			

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## Notes to the Consolidated Financial Statements

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#### 5. Fair Value Measurements

The System adheres to applicable accounting guidance for fair value measurements. This guidance defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America and requires certain disclosures about fair value measurements. Fair value is defined under the guidance as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

As a basis for considering assumptions, the guidance establishes a hierarchical framework for measuring fair value (the fair value hierarchy) as follows:

Level 1: Quoted prices in active markets for identical assets.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar instruments; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Financial instruments measured at fair value are based on one or more of the three valuation techniques noted in the fair value guidance. The three valuation techniques are as follows:

Market approach: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Cost approach: Amount that would be required to replace the service capacity of an asset (i.e., replacement cost).

Income approach: Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques and option-pricing models).

The System measures its interest rate swaps at fair market value on a recurring basis. The fair market value of the interest rate swaps is determined based on financial models that consider current and future market interest rates and adjustments for non-performance risk.



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- (1) **Cash & cash equivalents** - The fair value of cash and cash equivalents, consisting primarily of cash and money market funds, is classified as Level 1, as these financial instruments are highly liquid. The fair value of certificates of deposit and commercial paper are classified as Level 2 Cash and Cash Equivalents because their valuations are based on multiple sources of information, including quoted prices from active and non-active markets, and amortized costs which approximates fair value.
- (2) **Marketable equity securities** – Equity securities include both domestic equity and international equity asset classes. Investments in certain equity securities represent investments in commingled funds consisting primarily of equity securities. These investments are classified as Level 2 because although they are traded in an active market for daily closing prices measured primarily on a NAV basis, their closing prices are not published or available on active exchanges. At December 31, 2012 and 2011, notice periods are generally three (3) business days, according to provisions of the respective investment agreements. Investments in other equity (common and preferred) securities that are not considered commingled funds are measured at fair value using quoted market prices on active exchanges. They are classified as Level 1 as they are traded in an active market for which daily closing stock prices are readily available.
- (3) **Marketable debt securities** – Investments in certain fixed income securities represent investments in registered investment companies consisting primarily of fixed income securities. These investments, as well as investments in U.S. Government securities, are classified as Level 1 because they are traded in an active market for which daily closing prices, measured primarily on a NAV basis, are available. Investments in other fixed income securities that are not considered registered investment companies or U.S. Government securities are comprised primarily of corporate debt instruments and mortgage-backed securities issued by government sponsored agencies. These fixed income securities are classified as Level 2 based on multiple sources of information, which may include quoted market prices from either markets that are not active or are for the same or similar assets in active markets. Investments in certain fixed securities represent investments in commingled funds consisting primarily of fixed securities. These investments are classified as Level 2 because although they are traded in an active market for daily closing prices measured primarily on a NAV basis, their closing prices are not published or available on active exchanges.
- (4) **Perpetual trusts** – Perpetual trusts are assessed a net asset value per share for these alternative investments that has been calculated in accordance with investment company rules, which among other requirements, indicates that the underlying investments be measured at fair value. They are classified as Level 3 because of the nature of the perpetual trust investment and its transparency to the underlying investments within the trust.
- (5) **Interest rate swaps** - The interest rate swap agreements are valued using a pricing service at net present value. These evaluated prices render these instruments Level 2. The volatility in the fair value of the swap agreements change as long-term interest rates change.

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**6. Property and Equipment**

The following summarizes property and equipment at December 31:

<i>(in thousands of dollars)</i>	<b>2012</b>	<b>2011</b>
Land and improvements	\$110,573	\$102,496
Buildings and improvements	2,128,451	2,060,368
Equipment	<u>1,596,472</u>	<u>1,459,998</u>
	3,835,496	3,622,862
Less: Accumulated depreciation and amortization	<u>(2,123,726)</u>	<u>(1,972,665)</u>
	1,711,770	1,650,197
Construction in progress	<u>167,350</u>	<u>124,080</u>
	<u><u>\$1,879,120</u></u>	<u><u>\$1,774,277</u></u>

At December 31, 2012 and 2011, approximately \$590,248,000 and \$567,791,000 of property and equipment, net, is pledged as collateral under various loan agreements. Interest cost, net of related interest income, totaling approximately \$1,939,000 and \$3,181,000 was capitalized to construction in progress during 2012 and 2011, respectively.

**7. Investments in Unconsolidated Organizations**

Catholic Health East has investments in unconsolidated organizations totaling \$1,616,988,000 and \$1,450,068,000 at December 31, 2012 and 2011, respectively. Several significant investments, which are accounted for under the equity method, comprise this balance including, but not limited to, the following:

**BayCare Health System**

CHE has a fifty percent interest in BayCare Health System Inc. and Affiliates (“BayCare”), a Florida not-for-profit corporation exempt from state and federal income taxes. BayCare was formed in 1997 pursuant to a Joint Operating Agreement (“JOA”) among the not-for-profit, tax-exempt members of the Catholic Health East BayCare Participants, Morton Plant Mease Health Care, Inc, and South Florida Baptist Hospital, Inc. (collectively, the Members). BayCare consists of three community health alliances located in the Tampa Bay area of Florida including St. Joseph’s-Baptist Healthcare Hospital, St. Anthony’s Health Care, and Morton Plant Mease Health Care with an aggregate of approximately 2,900 acute care beds. CHE has the right to appoint nine of the twenty-one members of the Board of Directors of BayCare. At December 31, 2012 and 2011, CHE’s recorded investment in BayCare totaled \$1,350,732,000 and \$1,138,120,000, excluding wholly owned subsidiaries and other beneficial interests.

**Catholic Health System, Inc.**

CHE has a one-third interest in Catholic Health System, Inc. and Subsidiaries (“CHS”). CHS, formed in 1998, is a not-for-profit integrated delivery healthcare system in Western New York jointly sponsored by the Sisters of Mercy, Ascension Health System, the Franciscan Sisters of St. Joseph, and the Diocese of Buffalo. CHE, Ascension Health System, and the Diocese of Buffalo are the corporate members of CHS. CHS operates several organizations, the largest of which are four acute care hospitals located in Buffalo, New York, Mercy Hospital of Buffalo, Kenmore Mercy Hospital, Sisters of Charity Hospital, and St. Joseph Hospital. At December 31, 2012 and 2011, CHE’s recorded investment in CHS totaled \$12,116,000 and \$12,914,000, respectively.

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**Emory Healthcare/St. Joseph's Health System**

On December 31, 2011, CHE entered into a joint operating agreement with Emory Healthcare as described in Note 18, and retains a forty-nine percent equity interest in Emory Healthcare/St. Joseph's Health System ("EH/SJHS"). EH/SJHS operates several organizations, including two acute care hospitals, St. Joseph's Hospital of Atlanta, and John's Creek Hospital. At December 31, 2012 and 2011, CHE's recorded investment in EH/SJHS totaled \$60,519,000 and \$142,175,000, respectively.

Condensed consolidated balance sheets of BayCare, including wholly owned foundations and other beneficial interests, CHS and EH/SJHS as of December 31 are as follows:

*(in thousands of dollars)*

	<u>Baycare</u>		<u>CHS</u>		<u>EH/SJHS</u>	
	2012	2011	2012	2011	2012	2011
Assets	\$4,750,607	\$4,014,123	\$778,333	\$682,748	\$446,739	\$639,369
Liabilities	\$1,908,513	\$1,597,252	\$737,110	\$639,128	\$322,692	\$313,233
Net assets	\$2,842,094	\$2,416,871	\$41,223	\$43,620	\$124,047	\$326,136

The following amounts have been recognized in the accompanying consolidated statements of operations and changes in net assets related to the investments in BayCare, CHS and EH/SJHS for the years ended December 31:

*(in thousands of dollars)*

	<u>Baycare</u>		<u>CHS</u>		<u>EH/SJHS</u>
	2012	2011	2012	2011	2012
Equity in earnings of unconsolidated organizations	\$211,786	\$74,611	\$9,187	\$8,747	(\$84,873)
Net unrealized losses on investments	-	19	-	-	-
Other changes in unrestricted and restricted net assets	825	(7,965)	(9,986)	(20,356)	(4,006)
	<u>\$212,611</u>	<u>\$66,665</u>	<u>(\$799)</u>	<u>(\$11,609)</u>	<u>(\$88,879)</u>

Additionally, certain RHCs have investments in unconsolidated organizations, the most significant of which is an investment in a Medicaid HMO joint venture at Mercy Health System of Southeastern Pennsylvania ("Mercy SEPA"). These investments total \$193,621,000 and \$156,859,000 in 2012 and 2011, respectively. CHE's proportionate share of the income of these investments was \$34,050,000 and \$70,846,000 for the years ended December 31, 2012 and 2011, respectively.

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**8. Long-Term Debt**

At December 31, long-term debt consisted of the following:

<i>(in thousands of dollars)</i>	<b>2012</b>	<b>2011</b>
<b>Revenue bonds</b>		
Catholic Health East Health System Revenue Bonds		
Various Fixed Rate Series issued from 1998 to 2012; coupon rates ranging from 2.25% to 7.375%; annual principal payments through 2040	\$870,596	\$912,292
Various Variable Rate Series issued from 1997 to 2008; rates ranging from 0.03% to 0.36%; annual principal payments through 2036	99,955	103,825
Various Variable Rate Series swapped to fixed rating ranging from 1.09% to 1.17%; annual principal payments through 2034	27,660	27,740
Taxable Rate Series issued 1999 with rate of 7.62%; annual principal payments through 2017	3,710	4,415
	<u>1,001,921</u>	<u>1,048,272</u>
Other issues under \$10,000	16,054	16,570
Less amortization and unamortized (discount) premium	13,524	789
<b>Mortgages payable</b>		
JP Morgan/Chase mortgage payable in monthly fixed principal installments of \$56; interest at Libor plus 150 basis points through May 2021	5,681	6,356
Rensselaer County Industrial Development Agency and Albany County Industrial Development Agency, bearing interest at a fixed rate ranging from 4.36% - 5.375%	4,749	10,680
Various HUD insured mortgages (5.56% to 5.64%) payable through January 2027	11,360	11,986
Other mortgages and notes payable under \$5,000, individually	4,365	4,921
<b>Notes payable</b>		
North Ridge VA Center, LTD (5.04%), semi-annual principal payments through 2023	32,320	34,601
Notes payable due at various dates through 2027; various rates	63,098	21,635
Revolving credit agreement, due in 2014	76,450	81,185
Capital lease obligations payable in various monthly amounts	48,758	57,443
Total long-term debt and obligations under capital leases	1,278,280	1,294,438
Less: Current maturities of long term debt	(97,365)	(60,422)
Less: Portion of variable rate demand obligations classified as current	(29,325)	(10,492)
Total long-term debt	<u>\$1,151,590</u>	<u>\$1,223,524</u>

Aggregate maturities of long-term debt and capital lease obligations as of December 31, 2012 are shown below.

<i>(in thousands of dollars)</i>	
2013	\$126,690
2014	60,337
2015	56,405
2016	55,705
2017	128,195
Thereafter	837,424
Unamortized discount and imputed interest	13,524
	<u>\$1,278,280</u>

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The fair value of the System's long term debt is based on quoted market prices or estimates using discounted cash flow analyses, based on the participating facility's incremental borrowing rates for similar types of borrowing arrangements (Level 2). The fair value of the System's long-term debt at December 31, 2012 and 2011 was \$1,279,868,000 and \$1,343,421,000, respectively, compared to the carrying value of \$1,244,868,000 and \$1,214,421,000, respectively. This excludes capital leases and mortgage notes.

On June 1, 2012 CHE issued \$147,640,000 of Series 2012A Hospital Revenue Bonds through the Delaware County Authority (Pennsylvania) Health System, the City of Tampa, Florida Health, and North Carolina Medical Care Commission Health System. The bonds were issued as fixed rate bonds with interest rates ranging from 4.0% to 5.25%. The proceeds of this issue were used to refund and redeem certain of the outstanding Series 1998A Revenue Bonds issued previously and to pay the costs of issuance. As part of this transaction, CHE recorded a loss on extinguishment of debt totaling \$2,908,000.

On December 31, 2011, CHE transferred the outstanding debt of St. Joseph's Hospital, including the Series 2007A Revenue Bonds of \$9,900,000, the Series 2009 Revenue Bonds of \$68,970,000, and the Series 2010 Revenue Bonds of \$40,135,000 to the St. Joseph's/Emory Healthcare Joint Operating Agreement described in Note 18. Subsequent to the transfer date, the debt is guaranteed by Emory University and is no longer an obligation of the CHE Obligated Group.

On June 1, 2011, CHE repaid the outstanding debt of Mercy Hospital, Miami, including the Series 1998 Hospital Revenue Bonds of \$10,000,000, the Series 2002 Hospital Revenue Bonds of \$35,000,000, the Series 2003C Hospital Revenue Bonds of \$14,000,000, the Series 2008 Hospital Revenue Bonds of \$31,900,000, and the Series 2009 Hospital Revenue Bonds of \$29,300,000. The debt was repaid with proceeds from the sale of certain entities of Mercy Hospital, Miami to HCA as described in Note 18.

On February 3, 2011, St. Peter's Health Care Services issued \$34,200,000 of Series 2011 Hospital Revenue Bonds through the City of Albany Capital Resource Corporation. The bonds were issued as fixed rate bonds with interest rates ranging from 3.0% to 6.25%. The proceeds of this issue were used for St. Peter's Hospital Master Facilities Plan building and equipment projects, to fund a debt service reserve fund, to pay capitalized interest, and to pay the costs of issuance.

Certain CHE constituent corporations are members of the CHE Obligated Group. Under the Amended and Restated Master Trust Indenture dated January 1, 1998 and amended and restated as of September 30, 2006, Obligated Group members provide a revenue pledge and are joint and severally liable on all obligations outstanding under the Master Indenture. Additionally, the Obligated Group has agreed to comply with certain covenants including the repayment of principal and interest, notification regarding admission or withdrawal of members of the Obligated Group, to deliver financial statements and other related information by specified due dates, to maintain insurance, and to maintain a long-term debt service coverage of at least 1.10 to 1.00.

Pursuant to loan agreements between CHE and various RHCs, promissory notes have been executed by each RHC in amounts equal to the amount of proceeds necessary to defease previously existing debt and provide for capital projects.

In prior years, CHE advance refunded certain of its bonds which are no longer reflected in the consolidated financial statements since CHE has legally satisfied its obligation through defeasance. Funds are held in an irrevocable escrow with a trustee and are expected to be sufficient to satisfy the obligations.

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CHE maintains a revolving credit loan facility which is structured through a consortium with five banks and extends through November 30, 2017. The credit facility totals \$300,000,000 with an option to increase the credit facility to \$350,000,000. At December 31, 2012 and 2011, approximately \$32,812,000 and \$43,697,000, respectively, of the total credit facility was obligated for standby letters of credit. Additionally, approximately \$101,300,000 and \$106,035,000 at December 31, 2012 and 2011, respectively, had been borrowed against the total credit facility. Borrowings under this agreement may be repaid at any time and are payable upon termination of the agreement. These borrowings were used to finance various capital projects at several of the RHCs. Use of the credit facility for standby letters of credit is limited to \$100,000,000 of the total credit facility.

Certain of the System's variable rate demand bonds are supported by irrevocable letters of credit with expiration dates in 2013 and 2014. CHE is the guarantor for these letters of credit. The letters of credit and dates of expiration are as follows:

<u>RHC</u>	<u>Associated Bond Issue</u>	<u>Expiration</u>
Mercy Medical Corporation	Series 1997	11/1/2013
St. Mary Medical Center	Series 1997	11/1/2013
Holy Cross Hospital	Series 1997	11/1/2013
Holy Cross Hospital	Series 2000	12/31/2014
St. Francis Medical Center	Series 2003	12/31/2014
St. Joseph of the Pines, Inc.	Series 2008	4/23/2014

***Blended Cost of Debt Program***

CHE maintains a Blended Cost of Debt Program (the "Debt Program") to provide a uniform cost of debt for participating RHCs and to mitigate the interest rate risk of an RHC.

Under the Debt Program, all debt costs, excluding taxable debt, capitalized leases, and short-term borrowing, are blended. The calculation of the blended costs incorporates bond interest, both fixed and variable, debt-related fees, such as letters of credit, credit enhancement, remarketing, auction, as well as periodic rating agency, bond trustee, master trustee and issuing authority fees, net swap payments/receipts and put/guaranty receipts, along with other miscellaneous fees related to tax-exempt debt issued by CHE and its affiliates.

Participants in the Debt Program make periodic payments to CHE. Each participant's periodic payment is based on their respective percentage of total indebtedness included in the Debt Program. Principal payments are not blended. Participants make their scheduled principal payments to CHE in the month they are due.

**9. Derivative Financial Instruments**

CHE has entered into derivative transactions for the purpose of reducing interest rate volatility and to reduce interest expense. CHE has entered into fixed-to-floating interest rate swaps, total return swaps, basis swaps, and fixed-payor swaps.

At December 31, 2012 and 2011, fourteen *basis swap* transactions were outstanding in the CHE Debt Program with notional amounts totaling \$717,000,000 and maturity dates ranging from February 2023 to December 2028. In the basis swap transactions, CHE receives a floating taxable rate and pays a floating tax-exempt rate. CHE has elected not to designate these interest rate swap agreements as hedges for financial reporting purposes.

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At December 31, 2012 and 2011, four and six *fixed-to-floating interest rate swap* agreements, respectively, were outstanding in the CHE Debt Program. The fixed-to-floating swaps had notional amounts totaling \$95,000,000 and \$150,000,000 at December 31, 2012 and 2011, respectively, and maturity dates ranging from March 2014 to April 2017. These fixed-to-floating interest rate swap agreements effectively convert a portion of the System's fixed rate debt to a floating rate basis and are not designated as hedges for financial reporting purposes.

At December 31, 2012 and 2011, four *fixed-payor interest rate swap* agreements, were outstanding in the CHE Debt Program. The fixed-payor swaps had notional amounts totaling \$27,700,000 and maturity dates ranging from November 2032 to November 2034. Under these interest rate swap agreements CHE pays a fixed rate and receives a variable rate. Additionally, the cash flows from these interest rate swap agreements equal the rates on the bonds and therefore effectively convert the debt to a fixed rate. The notional amount of these interest rate swap agreements declines in relation to the annual principal payments on the hedged debt. CHE has elected not to designate these interest rate swap agreements as hedges for financial reporting purposes.

At December 31, 2012 and 2011, five and seven *total return swap* agreements, respectively, were outstanding in the CHE Debt Program. The total return swaps had notional amounts totaling \$85,525,000 and \$104,300,000 at December 31, 2012 and 2011, respectively, and maturity dates ranging from June 2013 to May 2014. Under these swap agreements, CHE receives a fixed rate on the amount corresponding to the par amount of the outstanding bonds, and pays the Securities Industry and Financial Markets Association ("SIFMA") index. CHE has elected not to designate these interest rate swap agreements as hedges for financial reporting purposes.

At December 31, 2012, three *fixed-to-floating interest rate swaps* were outstanding outside the CHE Debt Program with notional amounts totaling \$47,180,000 and maturity dates ranging from November 2013 to August 2033. These fixed-to-floating swaps were not outstanding as of December 31, 2011. In accordance with certain of these swap agreements a collateral account may be required as security for the swap.

The fair value of derivative instruments at December 31 is as follows:

(in thousands of dollars)

	2012		2011	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate contracts				
Basis	Other assets	\$5,938	Other liabilities	(\$6,344)
Fixed-to-floating	Other assets	\$1,314	Other assets	\$2,291
Fixed-payor	Other liabilities	(\$7,115)	Other liabilities	(\$6,231)
Total return	Other assets	\$7,130	Other assets	\$10,525
Fixed-to-floating, non CHE	Other liabilities	(\$5,715)	Other liabilities	(\$5,113)
		\$1,552		(\$4,872)

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The effects of derivative instruments on the consolidated statements of operations and changes in net assets for 2012 and 2011 are as follows:

*(in thousands of dollars)*

	Location of Gain (Loss) Recognized in Statement of Operations	Amount of Gain (Loss) Recognized in Statement of Operations	
		2012	2011
Interest rate contracts			
Basis	Change in fair value of interest rate swaps	\$12,282	(\$9,984)
Fixed-to-floating	Change in fair value of interest rate swaps	(977)	1,058
Fixed-payor	Change in fair value of interest rate swaps	(884)	(2,777)
Total return	Change in fair value of interest rate swaps	(3,397)	10,526
Fixed-to-floating, non CHE	Change in fair value of interest rate swaps	(600)	(55)
Total		<u>\$6,424</u>	<u>(\$1,232)</u>

Certain of CHE's derivative instruments contain credit-risk-related provisions that require CHE and its counterparties to post collateral in varying amounts based on respective credit ratings. If CHE's debt were to fall below investment grade, the counterparties to the derivative instruments would require CHE to post collateral only if the aggregate position of all derivative instruments is negative. Based on CHE's current credit rating, the System was not required to post collateral as of December 31, 2012 or 2011. Locally held derivative instruments (non-CHE) required posted collateral at December 31, 2012 and 2011 in the amount of \$474,000 and \$753,000, respectively.

**10. Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those whose use by the System has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. Temporarily restricted net assets at December 31 are available for the following purposes:

*(in thousands of dollars)*

	2012	2011
<b>Temporarily restricted net assets</b>		
Education and research	\$5,746	\$5,397
Building and equipment	28,180	27,406
Patient care	14,916	16,480
Cancer Center/research	7,431	6,110
Other	86,737	85,221
	<u>\$143,010</u>	<u>\$140,614</u>

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Permanently restricted net assets at December 31 are restricted as follows:

<i>(in thousands of dollars)</i>	<b>2012</b>	<b>2011</b>
<b>Permanently restricted net assets</b>		
Investments to be held in perpetuity, the income from which is expendable to support health care services (reported as operating income)	\$37,897	\$36,272
Endowments requiring income to be added to the original gift	2,426	2,282
Other	<u>9,504</u>	<u>8,152</u>
	<u>\$49,827</u>	<u>\$46,706</u>

The System classifies the portions of donor-restricted endowment funds of perpetual duration as permanently restricted net assets. Permanently restricted net assets of the System are comprised of a) the original value of gifts donated to the System through a permanent endowment, b) the original value of subsequent gifts to the System through a permanent endowment, and c) accumulations to the permanent endowment in accordance with applicable donor gift instruments. Any portions of donor-restricted endowment funds that are not classified as permanently restricted are appropriated in accordance with donor intent.

The System considers the following factors in determining if donor-restricted endowment funds are accumulated or appropriated:

- 1) the duration and preservation of the fund
- 2) the purposes of the System's donor-restricted endowment funds
- 3) general economic conditions
- 4) effect of possible inflation or deflation
- 5) the expected total investment return and appreciation of investments
- 6) other resources of the System
- 7) investment policies of the System

The System's permanently restricted net assets consist of individual endowment accounts. Unless otherwise directed by the donor, gifts received for endowments are invested in accordance with the System's investment policy. Unless otherwise directed by the donor, the System annually appropriates a certain percentage of each endowment fund, which is then available for spending in accordance with the donor's intent. In order to preserve the real value of a donor's gift and to sustain funding consistent with donor intent, the annual appropriation rate is set to strike a reasonable balance between long-term objectives of preserving and growing each endowment fund for the future and providing stable, annual appropriations.

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The composition of endowment fund net assets, by type of fund, at December 31, 2012 and 2011 are as follows:

*(in thousands of dollars)*

	<b>2012</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>
Donor-restricted endowment funds	\$ -	\$82,466	\$49,827
Board-designated endowment funds	17,864	445	-
Total endowment funds	<u>\$17,864</u>	<u>\$82,911</u>	<u>\$49,827</u>

  

	<b>2011</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>
Donor-restricted endowment funds	\$0	\$82,089	\$46,706
Board-designated endowment funds	17,635	809	-
Total endowment funds	<u>\$17,635</u>	<u>\$82,898</u>	<u>\$46,706</u>

Changes in the composition of endowment fund net assets as of December 31, 2012 and 2011 are as follows:

*(in thousands of dollars)*

	<b>2012</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>
Endowment fund net assets, beginning of year	\$17,635	\$82,898	\$46,706
Investment return:			
Realized investment income	31	425	755
Unrealized investment gains	183	4,825	518
Net appreciation	-	741	(25)
Total investment return	<u>214</u>	<u>5,991</u>	<u>1,248</u>
Other changes in endowment funds	15	(5,978)	1,873
Endowment fund net assets, end of year	<u>\$17,864</u>	<u>\$82,911</u>	<u>\$49,827</u>

  

	<b>2011</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>
Endowment fund net assets, beginning of year	\$17,517	\$67,810	\$27,972
Investment return:			
Realized investment income	202	364	945
Unrealized investment losses	(94)	(480)	(768)
Net appreciation	-	341	(32)
Total investment return	<u>108</u>	<u>225</u>	<u>145</u>
Other changes in endowment funds	10	14,863	18,589
Endowment fund net assets, end of year	<u>\$17,635</u>	<u>\$82,898</u>	<u>\$46,706</u>

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**11. Insurance**

Professional and general liability risk is insured through Stella Maris Insurance Company, Ltd. a wholly owned, captive insurance company, commercial insurance and reinsurance companies, and self-insured programs. Excess insurance over self-insured amounts and coverage provided by the captive has been purchased from the commercial insurance and reinsurance markets. The excess professional liability coverage is provided on a claims-made basis. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. CHE has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. Accrued malpractice losses have been discounted at a rate of 4.0% at December 31, 2012 and 2011, and in management's opinion provide an adequate reserve for loss contingencies.

CHE maintains a large deductible program for workers' compensation. Losses from asserted claims and from unasserted claims identified under CHE's incident reporting systems are accrued based on estimates that incorporate CHE's experience, relevant trends, and other factors. CHE has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. Accrued workers' compensation losses have been discounted at a rate of 4.0% at December 31, 2012 and 2011, and in management's opinion provide an adequate reserve for loss contingencies.

Total amounts accrued under these programs as current liabilities approximate \$19,642,000 and \$18,901,000 at December 31, 2012 and 2011, respectively. Total amounts accrued under these programs as long-term liabilities approximate \$284,966,000 and \$299,960,000 at December 31, 2012 and 2011, respectively.

Bank-administered trust and other accounts have been established for the purpose of segregating assets. These trusts are funded based on actuarial estimates and can only be used for payment of malpractice losses, related expenses, and administrative costs of the trusts. Assets of the trusts are included in marketable securities whose use is limited.

The total amount charged to expense under these self-insured programs was \$57,066,000 and \$45,451,000 in 2012 and 2011, respectively.

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**12. Pension Plans**

The System maintains non-contributory defined benefit pension plans that vary from one RHC to another, collectively, "the Plan." CHE has amended substantially all defined benefit pension plans to freeze service accruals.

The following table sets forth the change in benefit obligation and the change in fair value of plan assets based on the measurement date, and the amounts recognized in the consolidated financial statements at December 31:

<i>(in thousands of dollars)</i>	<b>2012</b>	<b>2011</b>
<b>Changes in benefit obligation:</b>		
Benefit obligation, beginning of year	\$1,261,197	\$1,031,184
Service cost	6,654	10,178
Interest cost	54,091	52,707
Actuarial loss	75,548	130,724
Benefits paid	(57,493)	(35,654)
Plan amendments	-	(28,278)
Plan mergers & divestitures	(1,647)	116,849
Curtailment	(3,285)	-
Other	-	(16,513)
Benefit obligation, end of year	<u>\$1,335,065</u>	<u>\$1,261,197</u>
<b>Accumulated benefit obligation, end of year</b>	<b>\$1,316,982</b>	<b>\$1,227,766</b>
<b>Change in plan assets:</b>		
Fair value of plan assets, beginning of year	\$822,660	\$740,648
Actual return on plan assets	91,941	567
Employer contributions	60,476	48,027
Benefits paid	(57,493)	(35,654)
Asset transfers	-	69,072
Fair value of plan assets, end of year	<u>\$917,584</u>	<u>\$822,660</u>
<b>Funded status</b>		
Fair value of plan assets	\$917,584	\$822,660
Projected benefit obligation	<u>(1,335,065)</u>	<u>(1,261,197)</u>
Funded status	<u>(417,481)</u>	<u>(438,537)</u>
Amount recognized, end of year	<u><u>(\$417,481)</u></u>	<u><u>(\$438,537)</u></u>
 <b>Amounts recognized in unrestricted net assets</b>		
Net actuarial gain	\$46,014	\$184,392
Amortization of actuarial loss	(13,573)	(9,039)
Prior service cost	4,606	(1,218)
Current year prior service cost	-	(44,790)
Curtailment charge	(3,090)	-
Plan mergers	-	22,894
<b>Total</b>	<u><u>\$33,957</u></u>	<u><u>\$152,239</u></u>

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The following table sets for the components of net periodic benefit cost for the applicable plan(s) at December 31:

<i>(in thousands of dollars)</i>	<b>2012</b>	<b>2011</b>
<b>Components of net periodic benefit cost:</b>		
Service cost	\$6,654	\$10,178
Interest cost	54,091	52,707
Expected return on plan assets	(62,408)	(61,061)
Amortization of prior service costs	(4,606)	1,218
Amortization of actuarial loss	13,573	9,039
Other adjustments	(195)	-
<b>Net periodic benefit cost</b>	<u><u>\$7,109</u></u>	<u><u>\$12,081</u></u>

The net actuarial loss that will be amortized from unrestricted net assets in the net periodic benefit cost in 2013 is \$14,194,000.

The assumptions used to determine the benefit obligation and periodic benefit cost at December 31 are as follows:

	<b>2012</b>	<b>2011</b>
<b>Assumptions used to determine the benefit obligation at December 31:</b>		
Weighted average discount rate	3.55% - 4.05%	4.15% - 5.00%
Weighted average rate of compensation increases	2.50%	3.75% - 4.25%
Weighted average expected long-term rate of return on plan assets	7.50%	7.5% - 8.50%
<b>Assumptions used to determine periodic benefit cost at December 31:</b>		
Weighted average discount rate	4.15% - 4.60%	4.90% - 5.55%
Weighted average rate of compensation increases	3.75% - 4.25%	3.75% - 4.25%
Weighted average expected long-term rate of return on plan assets	7.5% - 8.00%	7.5% - 8.50%

**Investment Policy and Asset Allocations** – In developing the assumption for the expected rate of return on assets, CHE evaluates historical returns, the level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, and the expectations for future returns of each asset class. The expected rate of return for each asset class is then weighted based on the target asset allocation to develop the assumption for the expected long-term rate of return on assets. For plans with frozen service accruals, the investment policy was modified to allow for asset allocation changes over time as the plans become more fully funded in order to de-risk the plans. This strategy utilizes a “glide path” approach, consisting of a series of target asset allocations for various funded ratio levels, reduces exposure to return seeking assets (marketable equity securities and managed funds) and increases exposure to the liability-hedging assets (cash and marketable debt securities) over time. The Company continually evaluates the asset allocation strategy relative to changing market conditions, pension assumptions, and overall funded status of the plans.

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The weighted average asset allocation for the plan at December 31 and the target allocation for calendar year 2012 and 2011, by asset category, are as follows:

Asset category	Target Allocation 2012		Target Allocation 2011	
	From-To	2012	From-To	2011
Cash & marketable debt securities	18.8%-40.0%	21.6 %	18.8%-40.0%	22.5 %
Marketable equity securities & managed funds	60.0%-81.2%	78.4 %	60.0%-81.2%	77.5 %
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

The portfolio is diversified among a mix of assets including large and small cap, domestic and foreign equities, fixed income, managed funds, and cash. Asset mix is targeted to a specific allocation, either intermediate or long-term, that is established by evaluating expected return, standard deviation, and correlation of various assets against the plan's long-term objectives. Asset performance is monitored quarterly and rebalanced if asset classes exceed explicit ranges. The investment policy governs permitted types of investments, and outlines specific benchmarks and performance percentiles. The Investment Subcommittee of the Stewardship Committee of the CHE Board oversees the pension investment program and monitors investment performance. Risk is closely monitored through the evaluation of portfolio holdings and tracking the beta and standard deviation of the portfolio performance.

The following table presents the Plan's financial instruments as of December 31, 2012 measured at fair value on a recurring basis using the fair value hierarchy defined in Note 5. The investments are not included in the marketable securities whose use is limited in the accompanying consolidated balance sheet. These investments are maintained separately in a pension investment program that is controlled by a trustee:

*(in thousands of dollars)*

	2012				<u>Valuation Technique</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
Pension investment program:					
Cash and cash equivalents	\$109,534	\$8,422	\$ -	\$117,956	Market
Marketable equity securities	260,093	306,215	-	566,308	Market
Marketable debt securities	42,197	107,988	-	150,185	Market
Managed funds	-	17,873	65,262	83,135	Market
Total pension investment program	<u>\$411,824</u>	<u>\$440,498</u>	<u>\$65,262</u>	<u>\$917,584</u>	

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	2011				<u>Valuation Technique</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
Pension investment program:					
Cash and cash equivalents	\$44,761	\$20,863	\$ -	\$65,624	Market
Marketable equity securities	471,063	36,297	-	507,360	Market
Marketable debt securities	66,446	91,456	-	157,902	Market
Managed funds	-	-	91,774	91,774	Market
Total pension investment program	<u>\$582,270</u>	<u>\$148,616</u>	<u>\$91,774</u>	<u>\$822,660</u>	

The fair value of these investments is offset against the projected benefit obligation of the associated defined benefit plans and the resulting unfunded liability is recorded by the System.

The table below sets forth a summary of changes in the fair value of the Level 3 assets for the Plan for the period from December 31, 2011 to December 31, 2012.

*(in thousands of dollars)*

	2012	2011
Fair value January 1	\$91,774	\$75,493
Purchases	18,156	-
Realized gains	2,353	441
Unrealized losses	(126)	(2,950)
Other changes	(23,970)	21,479
Sales	(22,925)	(2,689)
Fair value December 31	<u>\$65,262</u>	<u>\$91,774</u>

There were no transfers in or out of levels 1 and 2 for the year ended December 31, 2012.

**Contributions** – Expected contributions to the defined benefit plans in 2013 are approximately \$52,169,000.

**Estimated Future Benefit Payments**

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

*(in thousands of dollars)*

2013	\$52,443
2014	55,254
2015	57,537
2016	62,221
2017	66,049
2018-2021	370,706
	<u>\$664,210</u>

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**13. Concentration of Credit Risk**

CHE grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31 was as follows:

	<b>2012</b>	<b>2011</b>
Managed care	31.9 %	31.1 %
Medicare	24.0 %	23.8 %
Medicaid	9.5 %	11.0 %
Self-pay	11.9 %	11.3 %
Other third-party payors	11.9 %	14.4 %
Commercial	10.8 %	8.4 %
	<u>100.0 %</u>	<u>100.0 %</u>

In addition, CHE invests its cash and cash equivalents primarily with banks and financial institutions. These deposits may be in excess of federally insured limits. Management believes that the credit risk related to these deposits is minimal.

**14. Commitments and Contingencies**

The RHCs are defendants in various lawsuits relating primarily to rendering of health care services. In each instance, management of the respective RHCs is of the opinion that the liability, if any, resulting there from will be covered by insurance or will not have a material adverse impact on the consolidated financial statements of CHE. In addition, certain CHE entities have been contacted by governmental agencies regarding alleged violations of practices for certain services. Management of the respective RHCs has performed, with the advice and assistance of outside legal counsel, an evaluation of billing practices and compliance with related laws and regulations. In the opinion of management, after consultation with outside legal counsel, the ultimate outcome of these matters will not have a material adverse impact on the consolidated financial statements of CHE.

On March 29, 2013, the Company was notified that it is a defendant in a lawsuit which challenges the church plan status of the Company's defined benefit pension plans. The Company believes it will prevail in defense of this matter.

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**15. Leases**

The RHCs lease office space and certain equipment under noncancelable operating leases. Rental expense was approximately \$79,885,000 and \$79,211,000 in 2012 and 2011, respectively.

Future minimum lease payments for all noncancelable leases as of December 31, 2012 are as follows:

*(in thousands of dollars)*

2013	\$52,110
2014	43,479
2015	38,862
2016	33,380
2017	27,339
Thereafter	97,125
	<u>\$292,295</u>

**16. Functional Expenses**

CHE provides general health care services to residents within their geographic location including acute care, skilled nursing, outpatient care, home healthcare, physician practices, and behavioral services. Expenses related to providing these services at December 31 are as follows:

*(in thousands of dollars)*

	2012	2011
Health care services	\$3,314,936	\$2,885,340
General and administrative	801,628	670,723
	<u>\$4,116,564</u>	<u>\$3,556,063</u>

**17. Assets Held for Sale and Discontinued Operations**

On January 14, 2013, Mercy Health System of Maine (Mercy Maine) entered into a definitive agreement with Eastern Maine Health System (EMHS) under which EMHS would assume control over Mercy Maine and its component corporation. As of December 31, 2012 and 2011, Mercy Maine's assets and liabilities have been reclassified as held for sale. The operating results of Mercy Maine are reflected as discontinued operations in the consolidated statements of operations.

On February 8, 2013, Saint Michael's Medical Center entered into an asset purchase agreement (APA) under which the hospital would be acquired by another healthcare organization. Certain assets and liabilities of Saint Michael's Medical Center have been classified as held for sale on the consolidated balance sheets as of December 31, 2012 and 2011. The operating results of Saint Michael's Medical Center are reflected as discontinued operations in the consolidated statements of operations.

Additionally, the Boards of Directors at certain of the Company's RHCs have approved management plans to divest or otherwise exit certain services lines and asset groups. Service lines and asset groups subject to such management plans are collectively referred to as the Disposal Group.

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Details of the assets held for sale, the related liabilities, and discontinued operations of the Disposal Group at December 31 are provided below:

<i>(in thousands of dollars)</i>	<b>2012</b>	<b>2011</b>
<b>Assets Held for Sale and Related Liabilities</b>		
Current assets	\$69,159	\$84,299
Property, plant, and equipment, net	267,203	389,174
Total assets	<u>\$336,362</u>	<u>\$473,473</u>
Current liabilities	\$101,105	\$115,605
Other long-term liabilities	318,811	326,593
Total liabilities	<u>\$419,916</u>	<u>\$442,198</u>
<b>Discontinued Operations</b>		
Unrestricted revenues, gains and other support		
Net patient service revenue	\$427,026	\$527,097
Other operating revenue	36,302	51,441
Total revenues	<u>463,328</u>	<u>578,538</u>
Expenses		
Salaries, wages and benefits	256,762	317,447
Medical supplies	70,573	93,816
Purchased services, professional fees, and other expenses	144,847	186,427
Depreciation and amortization	21,529	25,898
Interest	20,529	24,411
Insurance	5,985	8,733
Total expenses	<u>520,225</u>	<u>656,732</u>
Operating loss before impairment	(56,897)	(78,194)
Non-operating losses on sale of assets	(4,481)	(3,254)
Impairment costs and other non-operating charges	(110,393)	6,568
Operating loss	<u>(\$171,771)</u>	<u>(\$74,880)</u>

Saint Michael's Medical Center classified tax-exempt revenue bonds as Liabilities related to Assets Held for Sale totaling \$237,705,000 and \$241,700,000 at December 31, 2012 and 2011, respectively. The bonds are issued through and guaranteed by the New Jersey Health Care Facilities Financing Authority as fixed rate bonds with interest rates ranging from 5.0% to 5.5% and annual principal payments through 2038. The bonds are excluded from the CHE Obligated Group.

**Catholic Health East**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2012 and 2011**

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Aggregate principal payments are as follows:

*(in thousands of dollars)*

2013	\$4,435
2014	4,490
2015	4,900
2016	4,950
2017	5,425
Thereafter	213,505
	<u>\$237,705</u>

As a condition to closing of the transaction with the purchaser as described above, the New Jersey Health Care Facilities Financing Authority would agree to provide a release of Saint Michael's obligation on the tax-exempt bonds.

**18. Significant Events**

*Maxis Health System*

On February 28, 2012, the Company closed Marian Community Hospital, which provided acute care and behavioral health services in the Carbondale, PA service area. The operations of Marian Community Hospital are classified as discontinued operations in the accompanying consolidated statements of operations and changes in net assets at December 31, 2011.

*St. Peter's Health Partners*

On October 1, 2011, St. Peter's Health Care Services ("SPHCS"), Northeast Health ("NEH"), and Seton Health ("Seton") contributed their net assets to form St. Peter's Health Partners. In accordance with applicable accounting guidance on not-for-profit mergers and acquisitions, the Company recorded contribution income of \$374,819,000 reflecting the fair value of the contributed assets of NEH and Seton on the transaction date. Of this amount, \$322,947,000 represents unrestricted net assets and is included as a non-operating gain in the accompanying statement of operations and changes in net assets at December 31, 2011. Temporarily restricted net assets and permanently restricted net assets of \$33,201,000 and \$18,671,000, respectively, were recorded as restricted contribution income in the accompanying consolidated statement of changes in net assets.

The 2011 consolidated statement of operations reflects the activity of NEH and Seton from the date of the transaction (October 1, 2011) to December 31, 2011. No consideration was exchanged for the net assets contributed.

**Catholic Health East**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2012 and 2011**

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The fair value of assets, liabilities, and net assets contributed by NEH and Seton at October 1, 2011 were as follows:

<i>(in thousands of dollars)</i>	<b>Total NEH &amp; Seton</b>
<b>Assets</b>	
Cash and cash equivalents	\$123,441
Assets limited as to use and investments	147,858
Patient accounts receivable , net	48,331
Property plant and equipment	307,167
Other assets	63,960
Total assets acquired	<u>\$690,757</u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	\$44,927
Estimated amounts due to third party payers	16,094
Long-term debt	118,449
Accrued pension and post retirement benefits	38,438
Other liabilities	98,030
Total liabilities assumed	<u>315,938</u>
<b>Net Assets</b>	
Unrestricted	322,947
Temporarily restricted	33,201
Permanently restricted	18,671
Total net assets	<u>374,819</u>
Total liabilities and net assets	<u>\$690,757</u>

A summary of the financial results of NEH and Seton included in the consolidated statement of operations and changes in net assets from the period October 1, 2011 through December 31, 2011 is as follows:

<i>(in thousands of dollars)</i>	<b>Total NEH &amp; Seton</b>
Total operating revenues	<u>\$135,025</u>
Total operating expenses	<u>131,417</u>
Operating income	3,608
Non operating gains	<u>4,681</u>
Excess of revenues over expenses	<u>8,289</u>
Net assets released from restriction used for capital purchases	373
Pension adjustment	(6,209)
Other changes	<u>4,291</u>
Increase in unrestricted net assets	<u>\$6,744</u>

**Catholic Health East**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2012 and 2011**

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A summary of the financial results of the Company for the year ended December 31, 2011, as if the transaction had occurred on January 1, 2011 is as follows (unaudited):

<i>(in thousands of dollars)</i>	<b>CHE 2011</b>
Total operating revenues	<u>\$4,048,326</u>
Total operating expenses	<u>3,946,563</u>
Operating income, before losses from St. Joseph's Health System	101,763
Losses from Saint Joseph's Health System	<u>(31,249)</u>
Operating income (including losses from St. Joseph's Health System)	70,514
Non-operating gains	<u>184,983</u>
Excess of revenues over expenses	<u>255,497</u>
Changes in unrestricted net assets	<u>(139,794)</u>
Increase in unrestricted net assets before discontinued operations	115,703
Loss from discontinued operations	<u>(38,527)</u>
Increase in unrestricted net assets	<u>\$77,176</u>

*Saint Joseph's Health System*

On December 31, 2011, the Company contributed certain assets and liabilities of St. Joseph's Health System to a joint operating company ("JOC") with Emory Healthcare in exchange for a 49% non-controlling ownership interest. The entities contributed to the JOC include St. Joseph's Hospital of Atlanta, Saint Joseph's Real Estate Corporation, Saint Joseph's Service Corporation, The Medical Group of Saint Joseph's, Saint Joseph's Translational Research Institute, and the International College of Robotic Surgery. An equity investment resulting from the transaction is included in investments in unconsolidated organizations in the accompanying consolidated balance sheets and is detailed further in Note 7. The related operating loss of \$31,249,000 at December 31, 2011 was classified separately within operating income on the consolidated statement of operations.

*Mercy Health System of Southeastern Pennsylvania*

On November 30, 2011, Mercy SEPA Mercy Health System of Southeastern Pennsylvania sold its equity ownership interests in certain Medicaid managed care organizations to Independence Blue Cross and Blue Cross/Blue Shield of Michigan. As consideration for the sale, Mercy Health System received a lump sum cash payment of \$194.0 million and a \$43.0 million pledge to the Mercy Health System Foundation to be paid over a seven (7) year period, which is included in other assets in the accompanying consolidated balance sheet at December 31, 2011. Mercy Health System recognized a gain on sale of \$94.9 million related to this transaction, which is included in the December 31, 2011 statement of operations and changes in net assets.

# **Catholic Health East**

## **Notes to the Consolidated Financial Statements**

### **December 31, 2012 and 2011**

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#### *Mercy Hospital, Miami*

On May 1, 2011, the Company sold certain entities of Mercy Hospital, Miami to Hospital Corporation of America (“HCA”). The entities sold included Mercy Hospital, Sister Emmanuel Hospital for Continuing Care, Mercy Medical Development, and Mercy Physician Group. The results of these operations are reflected as discontinued operations in the accompanying statement of operations and changes in net assets at December 31, 2011. Proceeds from the sale were used primarily to satisfy long-term debt obligations of Mercy Hospital, Miami.

#### **19. Subsequent Events**

CHE evaluated the impact of subsequent events through April 30, 2013, representing the date at which the consolidated financial statements were issued.

On January 16, 2013, the Company and Trinity Health, an Indiana non-profit corporation, entered into a Consolidation Agreement, subject to regulatory approval and other closing conditions, under which the Company and Trinity Health would consolidate into a new non-profit organization. The transaction is expected to be completed in 2013.

In January 2013, CHE issued \$39.1 million of Series 2012 Hospital Revenue Bonds through Green County (Georgia) Development Authority. The bonds were issued as fixed rate bonds with interest rates ranging from 4.0% to 5.0%. The proceeds of this issue will be used to fund the construction of a replacement facility for Good Samaritan Hospital in Greensboro, Georgia, and to pay the costs of issuance.

In January 2013, CHE issued \$63.6 million of Series 2012B Hospital Revenue Bonds through the Saint Mary Hospital Financing Authority (Pennsylvania). The bonds were issued as variable rate bonds with an average annual interest rate 3.5%. The proceeds of these bonds were used to finance certain qualifying electronic health record expenditures at CHE’s System Office, Mercy SEPA, and St. Mary Langhorne, and to pay the costs of issuance.

## **Supplemental Financial Information**

**Catholic Health East**  
**Social Accountability Supplemental Schedule - Unaudited**  
**December 31, 2012 and 2011**

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**Social Accountability**

In keeping with the mission and purpose of CHE, to carry out the health care ministries of the sponsoring congregations by serving as a community of persons committed to being a transforming, healing presence within the communities it serves, and in particular the needs of the poor, the System strives to maximize the provision of services in its communities and in collaboration with other organizations. A portion of CHE's overall operating expense relates to costs incurred in providing and meeting certain community needs for which CHE is not directly compensated.

A standard reporting and accountability process is utilized throughout CHE to estimate the net cost of these services, referred to as Social Accountability Costs, which provides a basis of accountability and reporting to the communities served for purposes of disclosing the utilization of resources. Costs reported are net of contributions or grants that have been provided to CHE and designated for these purposes.

The information presented below has been calculated and is in presented in accordance with the Catholic Health Association's, *A Guide for Planning and Reporting Community Benefits*, Copyright 2012. Social accountability costs for the years ended December 31 are as follows:

<i>(in thousands of dollars)</i>	<b>2012</b>	<b>2011</b>
Cost of care for those who are poor	\$70,310	\$57,691
Cost of community benefit programs	76,175	73,788
Other public programs	11,425	9,786
Unpaid cost of Medicaid programs	<u>96,133</u>	<u>79,827</u>
Social accountability costs	<u>\$254,043</u>	<u>\$221,092</u>
Percentage of operating expenses	<u>5.5%</u>	<u>4.8%</u>
Unpaid cost of Medicare programs	<u>\$147,349</u>	<u>\$197,923</u>

The cost of care of the poor is based on the System's estimated net cost of providing services to those unable to pay. The cost of the community benefit programs reflects the costs to develop and provide programs that are developed and provided to meet special community needs that would not otherwise be available. Volunteer service reflects both internal and external services provided to support patient care activities and community programs. The difference between amounts reimbursed to the System under the Medicare and Medicaid programs and the estimated cost of providing care for these respective programs is reflected as an unpaid cost of the program.

**Catholic Health East  
Consolidating Balance Sheet  
Year Ended December 31, 2012**

		Sisters of					Mercy Health	St. Mary	Our Lady of	Pittsburgh
		Mercy Health	Providence	St. Peter's	St. James	Maxis Health	Mercy Health	Mary	Lourdes	Pittsburgh
		System of	Health	Health	Mercy Health	System	System of	Medical	Health Care	Mercy Health
		Maine	System, Inc.	Partners	System, Inc.	System	SEPA	Center	Services, Inc.	System, Inc.
(in thousands of dollars)	Consolidated									
<b>Assets</b>										
<b>Current Assets</b>										
Cash and cash equivalents	\$368,351	\$1,217	\$22,282	\$89,187	\$602	\$33	\$53,787	\$152,485	\$7,699	\$24,383
Investments	154,115	-	-	149,121	1,042	581	285	-	-	-
Marketable securities whose use is limited	18,106	-	-	251	-	8	-	-	-	-
Patient accounts receivable, net of estimated uncollectibles	426,227	-	32,145	95,496	5,213	419	73,006	48,731	54,161	4,746
Collateral received on securities pledged	67,972	-	-	-	-	-	-	-	-	-
Other accounts receivable	118,744	-	2,659	28,596	566	8	5,886	6,770	22,445	16,100
Prepaid expenses and inventories	104,604	-	5,513	16,870	1,903	-	14,926	12,504	12,334	1,409
Assets held for sale	69,159	45,130	-	-	-	-	-	-	-	-
<b>Total Current Assets</b>	<b>1,327,278</b>	<b>46,347</b>	<b>62,599</b>	<b>379,521</b>	<b>9,326</b>	<b>1,049</b>	<b>147,890</b>	<b>220,490</b>	<b>96,639</b>	<b>46,638</b>
Marketable securities and investments whose use is limited										
Board-designated funds	300,328	-	3,422	152,589	6,308	3,733	10,000	-	1,957	87,095
Trustee-held funds	82,743	-	2,665	38,568	-	1,525	3,897	10,380	-	230
Donor-restricted funds	111,545	3,579	4,553	52,869	488	-	5,216	13,063	2,999	3,467
Investments	598,431	-	-	27,799	1,151	-	126,281	75,364	1,665	-
<b>Total marketable securities and investments whose use is limited</b>	<b>1,093,047</b>	<b>3,579</b>	<b>10,640</b>	<b>271,825</b>	<b>7,947</b>	<b>5,258</b>	<b>145,394</b>	<b>98,807</b>	<b>6,621</b>	<b>90,792</b>
Property and equipment, net	1,879,120	-	90,124	675,020	15,258	183	175,216	207,920	150,946	10,383
Equity investments in managed funds	334,721	-	-	-	-	-	-	-	-	-
Investments in unconsolidated organizations	1,616,988	-	6,968	1,057	-	15	163,387	5,917	11,569	-
Assets held for sale	267,203	162,334	2,743	-	158	3,200	-	-	-	-
Goodwill	32,852	-	-	1,697	-	-	71	-	29,554	-
Other assets	206,282	-	18,605	49,602	6,611	2,315	98,914	24,507	16,438	4,658
<b>Total assets</b>	<b>\$6,757,491</b>	<b>\$212,260</b>	<b>\$191,679</b>	<b>\$1,378,722</b>	<b>\$39,300</b>	<b>\$12,020</b>	<b>\$730,872</b>	<b>\$557,641</b>	<b>\$311,767</b>	<b>\$152,471</b>
<b>Liabilities and Net Assets</b>										
<b>Current Liabilities</b>										
Current portion of long-term debt and capital lease obligations	\$97,365	\$-	\$2,523	\$55,076	\$1,297	\$775	\$9,827	\$4,755	\$5,362	\$1,199
Portion of variable rate demand obligations classified as current	29,325	-	-	-	-	-	-	3,395	-	-
Accounts payable and accrued expenses	453,969	-	25,290	97,402	6,323	32,493	74,673	37,032	57,098	13,503
Collateral due broker on securities pledged	67,972	-	-	-	-	-	-	-	-	-
Estimated third party payor settlements, net	102,096	-	12,940	31,477	3,725	1,106	16,355	2,188	15,199	-
Other	152,659	-	7,046	20,110	630	99	38,143	28,642	12,704	2,473
Liabilities related to assets held for sale	101,105	51,943	-	-	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>1,004,491</b>	<b>51,943</b>	<b>47,799</b>	<b>204,065</b>	<b>11,975</b>	<b>34,473</b>	<b>138,998</b>	<b>76,012</b>	<b>90,363</b>	<b>17,175</b>
Long-term debt, net	1,151,590	-	53,040	300,788	7,444	8,508	149,139	131,640	123,432	3,522
Other liabilities	149,397	-	2,140	23,396	871	88	12,285	6,963	20,871	(2)
Pension liabilities	417,481	-	11,787	33,623	-	6,972	127,953	12,644	21,917	20,699
Insurance liabilities, net of current portion	284,966	-	18,376	44,505	8,631	2,216	96,879	24,901	19,351	1,748
Other liabilities related to assets held for sale	318,811	82,143	-	-	-	-	-	-	-	-
Deferred revenue from entrance fees	91,059	-	-	48,673	-	-	-	-	-	-
<b>Total liabilities</b>	<b>3,417,795</b>	<b>134,086</b>	<b>133,142</b>	<b>655,050</b>	<b>28,921</b>	<b>52,257</b>	<b>525,254</b>	<b>252,160</b>	<b>275,934</b>	<b>43,142</b>
<b>Net assets</b>										
Unrestricted	3,146,859	73,817	53,935	654,205	9,883	(40,237)	198,782	296,736	31,978	101,416
Temporarily restricted	143,010	2,569	2,336	42,550	226	-	2,739	8,745	3,590	7,913
Permanently restricted	49,827	1,788	2,266	26,917	270	-	4,097	-	265	-
<b>Total net assets</b>	<b>3,339,696</b>	<b>78,174</b>	<b>58,537</b>	<b>723,672</b>	<b>10,379</b>	<b>(40,237)</b>	<b>205,618</b>	<b>305,481</b>	<b>35,833</b>	<b>109,329</b>
<b>Total liabilities and net assets</b>	<b>\$6,757,491</b>	<b>\$212,260</b>	<b>\$191,679</b>	<b>\$1,378,722</b>	<b>\$39,300</b>	<b>\$12,020</b>	<b>\$730,872</b>	<b>\$557,641</b>	<b>\$311,767</b>	<b>\$152,471</b>

**Catholic Health East  
Consolidating Balance Sheet  
Year Ended December 31, 2012**

	Saint Francis Healthcare	St. Francis Medical Center	Saint Michael's Medical Center	Holy Cross Hospital, Inc.	St. Joseph's Health System, Inc.	Mercy Hospital, Inc.	St. Mary's Health Care System, Inc.	Mercy Medical Corporation	Mercy Community Health, Inc.	St. Joseph's of the Pines, Inc.
<i>(in thousands of dollars)</i>										
<b>Assets</b>										
<b>Current Assets</b>										
Cash and cash equivalents	\$233	\$1,440	\$25,767	\$19,799	\$5,772	\$689	\$30,533	\$1,778	\$ -	\$1,972
Investments	-	-	-	-	2,174	853	-	-	-	-
Marketable securities whose use is limited	-	-	5,010	35	-	-	-	-	1,402	-
Patient accounts receivable, net of estimated uncollectibles	12,421	12,739	-	58,338	72	-	22,976	1,221	3,106	1,437
Collateral received on securities pledged	-	-	-	-	-	-	-	-	-	-
Other accounts receivable	2,181	226	-	3,484	1,750	557	4,043	98	40	2,565
Prepaid expenses and inventories	4,388	3,188	-	13,524	340	5	4,840	285	624	223
Assets held for sale	-	-	24,029	-	-	-	-	-	-	-
<b>Total Current Assets</b>	<b>19,223</b>	<b>17,593</b>	<b>54,806</b>	<b>95,180</b>	<b>10,108</b>	<b>2,104</b>	<b>62,392</b>	<b>3,382</b>	<b>5,172</b>	<b>6,197</b>
<b>Marketable securities and investments whose use is limited</b>										
Board-designated funds	-	2,147	14,845	62,464	36,214	4,542	12,849	5,679	-	10,523
Trustee-held funds	1,819	-	8,691	10,394	-	-	3,324	-	1,250	-
Donor-restricted funds	362	1,269	-	14,426	-	1,619	7,327	31	277	-
Investments	-	-	-	-	201,106	4,509	15,582	122	-	4,995
<b>Total marketable securities and investments whose use is limited</b>	<b>2,181</b>	<b>3,416</b>	<b>23,536</b>	<b>87,284</b>	<b>237,320</b>	<b>10,670</b>	<b>39,082</b>	<b>5,832</b>	<b>1,527</b>	<b>15,518</b>
Property and equipment, net	54,555	45,421	-	241,048	11,203	3	83,752	3,890	26,143	69,186
Equity investments in managed funds	-	-	-	-	-	-	-	-	-	-
Investments in unconsolidated organizations	563	1,556	-	2,267	60,519	271	-	-	-	50
Assets held for sale	2,015	-	78,149	18,384	-	-	-	220	-	-
Goodwill	-	1,530	-	-	-	-	-	-	-	-
Other assets	5,390	2,482	34,288	24,706	59,528	6,588	4,564	2,303	895	1,573
<b>Total assets</b>	<b>\$83,927</b>	<b>\$71,998</b>	<b>\$190,779</b>	<b>\$468,869</b>	<b>\$378,678</b>	<b>\$19,636</b>	<b>\$189,790</b>	<b>\$15,627</b>	<b>\$33,737</b>	<b>\$92,524</b>
<b>Liabilities and Net Assets</b>										
<b>Current Liabilities</b>										
Current portion of long-term debt and capital lease obligations	\$1,786	\$998	\$1,213	\$6,841	\$ -	\$ -	\$1,166	\$ -	\$1,056	\$1,285
Portion of variable rate demand obligations classified as current	-	200	-	4,620	-	-	-	12,685	-	8,425
Accounts payable and accrued expenses	54,263	24,020	118,080	30,738	1,886	12,278	27,491	1,665	7,349	2,487
Collateral due broker on securities pledged	-	-	-	-	-	-	-	-	-	-
Estimated third party payor settlements, net	4,398	13,687	-	3,184	1,554	16,061	3,213	-	389	-
Other	6,237	3,652	-	15,484	2,667	6,434	3,374	219	2,417	911
Liabilities related to assets held for sale	-	-	30,312	18,850	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>66,684</b>	<b>42,557</b>	<b>149,605</b>	<b>79,717</b>	<b>6,107</b>	<b>34,773</b>	<b>35,244</b>	<b>14,569</b>	<b>11,211</b>	<b>13,108</b>
Long-term debt, net	39,545	16,843	11,496	121,080	2,222	-	20,968	-	24,612	46,036
Other liabilities	350	666	-	11,772	1,008	-	165	1,405	1,383	7,608
Pension liabilities	12,375	9,598	-	67,858	62,995	-	21,558	-	622	77
Insurance liabilities, net of current portion	8,617	3,175	7,363	30,882	78	4,646	3,846	2,334	641	422
Other liabilities related to assets held for sale	-	-	236,668	-	-	-	-	-	-	-
Deferred revenue from entrance fees	-	-	-	-	-	-	-	-	15,041	27,345
<b>Total liabilities</b>	<b>127,571</b>	<b>72,839</b>	<b>405,132</b>	<b>311,309</b>	<b>72,410</b>	<b>39,419</b>	<b>81,781</b>	<b>18,308</b>	<b>53,510</b>	<b>94,596</b>
<b>Net assets</b>										
Unrestricted	(44,006)	(2,111)	(216,582)	140,728	286,924	(21,556)	107,583	(2,929)	(20,175)	(2,566)
Temporarily restricted	362	655	2,229	14,891	15,440	1,619	326	248	125	336
Permanently restricted	-	615	-	1,941	3,904	154	100	-	277	158
<b>Total net assets</b>	<b>(43,644)</b>	<b>(841)</b>	<b>(214,353)</b>	<b>157,560</b>	<b>306,268</b>	<b>(19,783)</b>	<b>108,009</b>	<b>(2,681)</b>	<b>(19,773)</b>	<b>(2,072)</b>
<b>Total liabilities and net assets</b>	<b>\$83,927</b>	<b>\$71,998</b>	<b>\$190,779</b>	<b>\$468,869</b>	<b>\$378,678</b>	<b>\$19,636</b>	<b>\$189,790</b>	<b>\$15,627</b>	<b>\$33,737</b>	<b>\$92,524</b>

**Catholic Health East  
Consolidating Balance Sheet  
Year Ended December 31, 2012**

	Mercy Uihlein Health Corp.	Catholic Health System, Inc.	Baycare Health System	Intracoastal	SJSA Foundation	Allegany Franciscan Ministries	CHE System Office	CHE Insurance Prog On- Shore	Stella Maris	Global Health Ministries	Eliminations
<i>(in thousands of dollars)</i>											
<b>Assets</b>											
<b>Current Assets</b>											
Cash and cash equivalents	\$ -	\$ -	\$ -	\$468	\$1,551	\$4,046	\$153,626	\$1,044	\$9,438	\$1,032	(\$242,512)
Investments	-	-	-	-	59	-	-	-	-	-	-
Marketable securities whose use is limited	-	-	-	-	-	-	11,400	-	-	-	-
Patient accounts receivable, net of estimated uncollectibles	-	-	-	-	-	-	-	-	-	-	-
Collateral received on securities pledged	-	-	-	-	-	-	-	-	-	-	67,972
Other accounts receivable	-	-	-	-	-	-	13,339	28,394	54,998	2	(75,963)
Prepaid expenses and inventories	-	-	-	-	1,501	10	30,499	-	6,462	1	(26,745)
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-
<b>Total Current Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>468</b>	<b>3,111</b>	<b>4,056</b>	<b>208,864</b>	<b>29,438</b>	<b>70,898</b>	<b>1,035</b>	<b>(277,248)</b>
<b>Marketable securities and investments whose use is limited</b>											
Board-designated funds	-	-	-	-	4,850	-	-	-	215,832	-	(334,721)
Trustee-held funds	-	-	-	-	-	-	-	-	-	-	-
Donor-restricted funds	-	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	19,143	120,649	65	-	-	-	-
<b>Total marketable securities and investments whose use is limited</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,993</b>	<b>120,649</b>	<b>65</b>	<b>-</b>	<b>215,832</b>	<b>-</b>	<b>(334,721)</b>
Property and equipment, net	-	-	-	-	41	17	18,811	-	-	-	-
Equity investments in managed funds	-	-	-	-	-	-	-	-	-	-	334,721
Investments in unconsolidated organizations	-	12,116	1,350,732	-	-	-	1	-	-	-	-
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-	-	-	-	-
Other assets	336	-	-	1,296	(908)	7	45,715	-	-	-	(204,131)
<b>Total assets</b>	<b>\$336</b>	<b>\$12,116</b>	<b>\$1,350,732</b>	<b>\$1,764</b>	<b>\$26,237</b>	<b>\$124,729</b>	<b>\$273,456</b>	<b>\$29,438</b>	<b>\$286,730</b>	<b>\$1,035</b>	<b>(\$481,379)</b>
<b>Liabilities and Net Assets</b>											
<b>Current Liabilities</b>											
Current portion of long-term debt and capital lease obligations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,206	\$ -	\$ -	\$ -	\$ -
Portion of variable rate demand obligations classified as current	-	-	-	-	-	-	-	-	-	-	-
Accounts payable and accrued expenses	323	-	-	-	101	10	89,249	139	215	27	(260,166)
Collateral due broker on securities pledged	-	-	-	-	-	-	-	-	-	-	67,972
Estimated third party payor settlements, net	-	-	-	-	-	-	-	-	-	-	(23,380)
Other	-	-	-	1,494	-	6,744	232	16,512	14,237	-	(37,802)
Liabilities related to assets held for sale	-	-	-	-	-	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>323</b>	<b>-</b>	<b>-</b>	<b>1,494</b>	<b>101</b>	<b>6,754</b>	<b>91,687</b>	<b>16,651</b>	<b>14,452</b>	<b>27</b>	<b>(253,376)</b>
<b>Long-term debt, net</b>											
Other liabilities	189	-	-	-	-	-	118,725	-	-	-	(27,450)
Pension liabilities	2,092	-	-	270	473	-	23,096	-	41,209	-	(6,809)
Insurance liabilities, net of current portion	336	-	-	-	-	-	12,346	-	-	-	(7,635)
Other liabilities related to assets held for sale	-	-	-	-	-	-	458	19,607	172,068	-	(186,114)
Deferred revenue from entrance fees	-	-	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>2,940</b>	<b>-</b>	<b>-</b>	<b>1,764</b>	<b>574</b>	<b>6,754</b>	<b>246,312</b>	<b>36,258</b>	<b>227,729</b>	<b>27</b>	<b>(481,384)</b>
<b>Net assets</b>											
Unrestricted	(2,604)	9,963	1,329,822	-	5,985	117,975	27,144	(6,820)	59,001	563	5
Temporarily restricted	-	2,099	15,072	-	18,495	-	-	-	-	445	-
Permanently restricted	-	54	5,838	-	1,183	-	-	-	-	-	-
<b>Total net assets</b>	<b>(2,604)</b>	<b>12,116</b>	<b>1,350,732</b>	<b>-</b>	<b>25,663</b>	<b>117,975</b>	<b>27,144</b>	<b>(6,820)</b>	<b>59,001</b>	<b>1,008</b>	<b>5</b>
<b>Total liabilities and net assets</b>	<b>\$336</b>	<b>\$12,116</b>	<b>\$1,350,732</b>	<b>\$1,764</b>	<b>\$26,237</b>	<b>\$124,729</b>	<b>\$273,456</b>	<b>\$29,438</b>	<b>\$286,730</b>	<b>\$1,035</b>	<b>(\$481,379)</b>

Catholic Health East  
Consolidating Statement of Operations  
December 31, 2012

		Sisters of						Our Lady of		
	Consolidated	Mercy Health System of Maine	Providence Health System, Inc.	St. Peter's Health Partners	St. James Mercy Health System, Inc.	Maxis Health System	Mercy Health System of SEPA	St. Mary Medical Center	Lourdes Health Care Services, Inc.	Pittsburgh Mercy Health System, Inc.
<i>(in thousands of dollars)</i>										
<b>Unrestricted revenue, gains and other support</b>										
Net patient service revenue, net of bad debt expense	\$3,877,621	\$ -	\$276,300	\$993,750	\$48,430	\$ -	\$680,798	\$436,638	\$455,841	\$34,942
Other operating revenue, gains and other support	357,420	-	27,785	75,877	1,723	3	69,251	13,133	25,430	59,054
Total unrestricted revenues, gains and other support	4,235,041	-	304,085	1,069,627	50,153	3	750,049	449,771	481,271	93,996
<b>Expenses</b>										
Salaries, wages and benefits	2,298,084	-	170,901	568,005	30,680	18	411,371	208,830	254,154	64,491
Medical supplies	560,708	-	33,040	158,326	4,742	-	70,687	68,738	64,362	-
Purchased services, professional fees and other expenses	966,244	-	65,957	218,986	14,987	23	208,752	106,070	130,407	24,702
Depreciation and amortization	190,360	-	11,240	61,851	2,391	12	26,332	18,517	17,846	562
Interest	44,102	-	1,952	16,474	164	2	4,913	5,089	3,825	-
Insurance	57,066	-	2,953	14,731	602	-	18,840	7,000	7,007	661
Total operating expenses	4,116,564	-	286,043	1,038,373	53,566	55	740,895	414,244	477,601	90,416
Operating income (loss)	118,477	-	18,042	31,254	(3,413)	(52)	9,154	35,527	3,670	3,580
<b>Non-operating gains (losses)</b>										
Investment returns, net	97,873	1,786	523	23,225	899	70	6,451	6,529	1,122	4,054
Equity in gains in earnings of unconsolidated organizations	135,405	-	1,316	-	-	-	581	474	454	-
Impairment losses	(90)	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of assets	28,021	(146)	-	(627)	(63)	28	3,525	(43)	21,021	-
Loss on extinguishment of debt	(2,908)	-	-	-	-	-	(783)	(133)	-	-
Change in fair value of interest rate swaps	6,424	978	738	(415)	-	133	2,119	1,109	1,659	-
Total non-operating gains (losses)	264,725	2,618	2,577	22,183	836	231	11,893	7,936	24,256	4,054
Excess (deficit) of revenues over expenses	\$383,202	\$2,618	\$20,619	\$53,437	(\$2,577)	\$179	\$21,047	\$43,463	\$27,926	\$7,634

**Catholic Health East**  
**Consolidating Statement of Operations**  
**December 31, 2012**

*(in thousands of dollars)*

	Saint Francis Healthcare	St. Francis Medical Center	Saint Michael's Medical Center	Holy Cross Hospital, Inc.	St. Joseph's Health System, Inc.	Mercy Hospital, Inc.	St. Mary's Health Care System, Inc.	Mercy Medical Corporation	Mercy Community Health, Inc.	St. Joseph's of the Pines
<b>Unrestricted revenue, gains and other support</b>										
Net patient service revenue, net of bad debt expense	\$124,608	\$144,661	\$ -	\$434,080	\$786	\$ -	\$185,539	\$11,081	\$29,442	\$20,725
Other operating revenue, gains and other support	7,018	6,283	-	13,901	17,155	548	5,164	1,142	12,117	17,776
Total unrestricted revenues, gains and other support	131,626	150,944	-	447,981	17,941	548	190,703	12,223	41,559	38,501
<b>Expenses</b>										
Salaries, wages and benefits	68,262	65,591	-	223,128	11,107	340	90,599	8,361	24,216	18,535
Medical supplies	16,014	23,444	-	82,578	453	4	34,934	1,131	488	1,767
Purchased services, professional fees and other expenses	37,860	50,078	-	92,451	4,630	278	47,106	5,403	11,594	14,380
Depreciation and amortization	5,834	5,719	-	19,512	807	1	9,772	496	2,367	4,411
Interest	1,178	585	-	4,779	91	-	901	388	1,239	1,973
Insurance	2,099	2,599	-	10,581	203	17	1,690	118	242	176
Total operating expenses	131,247	148,016	-	433,029	17,291	640	185,002	15,897	40,146	41,242
Operating income (loss)	379	2,928	-	14,952	650	(92)	5,701	(3,674)	1,413	(2,741)
<b>Non-operating gains (losses)</b>										
Investment returns, net	(99)	6	-	6,187	15,444	1,246	3,207	512	57	1,637
Equity in gains in earnings of unconsolidated organizations	58	142	-	235	(88,879)	51	-	-	-	-
Impairment losses	-	(104)	-	-	-	-	-	14	-	-
Gain (loss) on sale of assets	77	-	-	(35)	(246)	-	(62)	4,394	198	-
Loss on extinguishment of debt	(13)	(12)	-	(791)	-	-	-	-	-	(1,176)
Change in fair value of interest rate swaps	613	227	-	1,035	-	-	239	406	237	743
Total non-operating gains (losses)	636	259	-	6,631	(73,681)	1,297	3,384	5,326	492	1,204
Excess (deficit) of revenues over expenses	\$1,015	\$3,187	\$ -	\$21,583	(\$73,031)	\$1,205	\$9,085	\$1,652	\$1,905	(\$1,537)

**Catholic Health East  
Consolidating Statement of Operations  
December 31, 2012**

(in thousands of dollars)

	Mercy Uihlein Health Corp.	Catholic Health System, Inc.	Baycare Health System	SJSA Foundation	Allegheny Franciscan Ministries	CHE System Office	CHE Insurance Prog On- Shore	Stella Maris	Global Health Ministries	Eliminations
<b>Unrestricted revenue, gains and other support</b>										
Net patient service revenue, net of bad debt expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other operating revenue, gains and other support	-	-	-	2,839	8,252	142,026	-	37,444	715	(187,216)
Total unrestricted revenues, gains and other support	-	-	-	2,839	8,252	142,026	-	37,444	715	(187,216)
<b>Expenses</b>										
Salaries, wages and benefits	48	-	-	1,174	792	77,174	-	-	307	-
Medical supplies	-	-	-	-	-	-	-	-	-	-
Purchased services, professional fees and other expenses	-	-	-	673	7,434	63,233	-	1,359	257	(140,376)
Depreciation and amortization	-	-	-	5	6	2,679	-	-	-	-
Interest	-	-	-	-	-	551	-	-	(2)	-
Insurance	-	-	-	-	20	209	2,973	31,180	5	(46,840)
Total operating expenses	48	-	-	1,852	8,252	143,846	2,973	32,539	567	(187,216)
Operating income (loss)	(48)	-	-	987	-	(1,820)	(2,973)	4,905	148	-
<b>Non-operating gains (losses)</b>										
Investment returns, net	-	-	-	2,293	2,261	3,834	-	16,625	4	-
Equity in gains in earnings of unconsolidated organizations	-	9,187	211,786	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of assets	-	-	-	-	-	-	-	-	-	-
Loss on extinguishment of debt	-	-	-	-	-	-	-	-	-	-
Change in fair value of interest rate swaps	-	-	-	-	-	(3,397)	-	-	-	-
Total non-operating gains (losses)	-	9,187	211,786	2,293	2,261	437	-	16,625	4	-
Excess (deficit) of revenues over expenses	(\$48)	\$9,187	\$211,786	\$3,280	\$2,261	(\$1,383)	(\$2,973)	\$21,530	\$152	\$ -

**Catholic Health East**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

<i>(in thousands of dollars)</i>	<b>CHE Consolidated</b>	<b>Mercy Health System of Maine</b>	<b>Sisters of Providence Health System, Inc.</b>	<b>St. Peter's Health Partners</b>	<b>St. James Mercy Health System, Inc.</b>	<b>Maxis Health System</b>	<b>Mercy Health System of SEPA</b>	<b>St. Mary Medical Center</b>	<b>Our Lady of Lourdes Health Care Services, Inc.</b>	<b>Pittsburg Mercy Health System, Inc.</b>
<b>Unrestricted net assets</b>										
Excess (deficit) of revenue over expenses	\$383,202	\$2,618	\$20,619	\$53,437	(\$2,577)	\$179	\$21,047	\$43,463	\$27,926	\$7,634
Change in unrealized gains on available-for-sale securities	3,553	-	-	-	-	-	3,553	-	-	-
(Decrease) increase in pension liability adjustment - consolidated organizations	(15,219)	-	97	1,312	-	(2,451)	(4,409)	2,138	(1,721)	(5,427)
(Decrease) increase in pension liability adjustment - unconsolidated organizations	(8,875)	-	-	-	-	-	-	-	-	-
Net assets released from restriction for capital expenditures	10,418	1,523	501	1,793	20	-	499	153	-	-
Other changes	(9,032)	133	(934)	285	227	6	(2,387)	(774)	(1,380)	769
Increase (decrease) in unrestricted net assets before discontinued operations	364,047	4,274	20,283	56,827	(2,330)	(2,266)	18,303	44,980	24,825	2,976
(Loss) income from discontinued operations	(171,771)	(9,234)	765	-	(907)	(3,868)	500	-	2,643	(1,609)
Increase (decrease) in unrestricted net assets	192,276	(4,960)	21,048	56,827	(3,237)	(6,134)	18,803	44,980	27,468	1,367
<b>Temporarily restricted net assets</b>										
Contributions	22,078	3,624	522	4,081	43	-	431	2,792	801	607
Investment income (loss)	1,272	11	36	713	-	-	3	-	466	25
Change in unrealized gains (losses) on investments	4,800	16	176	4,080	-	-	-	-	252	-
Net assets released from restrictions	(25,000)	(2,093)	(885)	(3,843)	(45)	-	(1,046)	(1,299)	(1,523)	(978)
Other changes	(754)	-	31	(2,337)	-	-	22	6	-	-
Increase (decrease) in temporarily restricted net assets	2,396	1,558	(120)	2,694	(2)	-	(590)	1,499	(4)	(346)
<b>PERMANENTLY RESTRICTED NET ASSETS</b>										
Contributions	670	656	-	12	-	-	-	-	-	-
Investment income	1,248	80	143	506	-	-	-	-	-	-
Other	1,203	-	-	1,091	-	-	130	-	-	-
Increase (decrease) in permanently restricted net assets	3,121	736	143	1,609	-	-	130	-	-	-
Increase in net assets	197,793	(2,666)	21,071	61,130	(3,239)	(6,134)	18,343	46,479	27,464	1,021
<b>Net assets</b>										
Beginning of the year	3,141,903	80,839	37,467	662,542	13,618	(34,103)	187,275	259,002	8,369	108,308
End of the year	\$3,339,696	\$78,173	\$58,538	\$723,672	\$10,379	(\$40,237)	\$205,618	\$305,481	\$35,833	\$109,329

**Catholic Health East**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

(in thousands of dollars)

	Saint Francis Healthcare	St. Francis Medical Center	Saint Michael's Medical Center	Holy Cross Hospital, Inc.	St. Joseph's Health System, Inc.	Mercy Hospital, Inc.	St. Mary's Health Care System, Inc.	Mercy Medical Corporation	Mercy Community Health, Inc.	St. Joseph's of the Pines
<b>Unrestricted net assets</b>										
Excess (deficit) of revenue over expenses	\$1,015	\$3,187	\$ -	\$21,583	(\$73,031)	\$1,205	\$9,085	\$1,652	\$1,905	(\$1,537)
Change in unrealized gains on available-for-sale securities	-	-	-	-	-	-	-	-	-	-
(Decrease) increase in pension liability adjustment - consolidated organizations	(375)	168	-	(6,321)	(629)	-	(2,544)	-	-	-
(Decrease) increase in pension liability adjustment - unconsolidated organizations	-	-	-	-	-	-	-	-	-	-
Net assets released from restriction for capital expenditures	131	14	-	4,722	539	-	-	110	413	-
Other changes	(493)	(556)	(1,364)	(2,359)	(9,100)	4	(510)	-	-	(24)
Increase (decrease) in unrestricted net assets before discontinued operations	278	2,813	(1,364)	17,625	(82,221)	1,209	6,031	1,762	2,318	(1,561)
(Loss) income from discontinued operations	(4,106)	-	(151,454)	(1,610)	(163)	(2,103)	-	(570)	-	-
Increase (decrease) in unrestricted net assets	(3,828)	2,813	(152,818)	16,015	(82,384)	(894)	6,031	1,192	2,318	(1,561)
<b>Temporarily restricted net assets</b>										
Contributions	964	65	-	4,299	240	-	-	342	35	162
Investment income (loss)	-	3	-	204	178	-	-	-	(1)	-
Change in unrealized gains (losses) on investments	-	3	-	(40)	-	-	-	-	65	-
Net assets released from restrictions	(836)	-	303	(6,847)	(1,323)	(369)	(230)	(290)	(282)	(75)
Other changes	-	24	769	(522)	1,194	-	-	-	(49)	-
Increase (decrease) in temporarily restricted net assets	128	95	1,072	(2,906)	289	(369)	(230)	52	(232)	87
<b>PERMANENTLY RESTRICTED NET ASSETS</b>										
Contributions	-	2	-	-	-	-	-	-	-	-
Investment income	-	3	-	-	-	-	-	-	-	-
Other	-	(118)	-	-	-	-	-	-	-	-
Increase (decrease) in permanently restricted net assets	-	(113)	-	-	-	-	-	-	-	-
Increase in net assets	(3,700)	2,795	(151,746)	13,109	(82,095)	(1,263)	5,801	1,244	2,086	(1,474)
<b>Net assets</b>										
Beginning of the year	(39,944)	(3,636)	(62,607)	144,451	388,363	(18,520)	102,208	(3,925)	(21,859)	(598)
End of the year	(\$43,644)	(\$841)	(\$214,353)	\$157,560	\$306,268	(\$19,783)	\$108,009	(\$2,681)	(\$19,773)	(\$2,072)

**Catholic Health East**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

(in thousands of dollars)

	Mercy Uihlein Health Corp.	Catholic Health System, Inc.	Baycare Health System	SJSA Foundation	Allegany Franciscan Ministries	CHE System Office	CHE Insurance Progm On- Shore	Stella Maris	Global Health Ministries	Eliminations
<b>Unrestricted net assets</b>										
Excess (deficit) of revenue over expenses	(\$48)	\$9,187	\$211,786	\$3,280	\$2,261	(\$1,383)	(\$2,973)	\$21,530	\$152	\$ -
Change in unrealized gains on available-for-sale securities	-	-	-	-	-	-	-	-	-	-
(Decrease) increase in pension liability adjustment - consolidated organizations	(396)	-	-	-	-	5,339	-	-	-	-
(Decrease) increase in pension liability adjustment - unconsolidated organizations	-	(9,981)	1,106	-	-	-	-	-	-	-
Net assets released from restriction for capital expenditures	-	-	-	-	-	-	-	-	-	-
Other changes	(1)	-	-	(737)	-	51,851	(1,688)	(40,000)	-	-
Increase (decrease) in unrestricted net assets before discontinued operations	(445)	(794)	212,892	2,543	2,261	55,807	(4,661)	(18,470)	152	-
(Loss) income from discontinued operations	(55)	-	-	-	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets	(500)	(794)	212,892	2,543	2,261	55,807	(4,661)	(18,470)	152	-
<b>Temporarily restricted net assets</b>										
Contributions	-	141	414	2,515	-	-	-	-	-	-
Investment income (loss)	-	12	(381)	-	-	-	-	-	3	-
Change in unrealized gains (losses) on investments	-	-	-	248	-	-	-	-	-	-
Net assets released from restrictions	-	(260)	(829)	(1,882)	-	-	-	-	(368)	-
Other changes	-	103	-	-	-	-	-	-	-	5
Increase (decrease) in temporarily restricted net assets	-	(4)	(796)	881	-	-	-	-	(365)	5
<b>PERMANENTLY RESTRICTED NET ASSETS</b>										
Contributions	-	-	-	-	-	-	-	-	-	-
Investment income	-	-	516	-	-	-	-	-	-	-
Other	-	-	-	100	-	-	-	-	-	-
Increase (decrease) in permanently restricted net assets	-	-	516	100	-	-	-	-	-	-
Increase in net assets	(500)	(798)	212,612	3,524	2,261	55,807	(4,661)	(18,470)	(213)	5
<b>Net assets</b>										
Beginning of the year	(2,104)	12,914	1,138,120	22,139	115,714	(28,663)	(2,159)	77,471	1,221	-
End of the year	(\$2,604)	\$12,116	\$1,350,732	\$25,663	\$117,975	\$27,144	(\$6,820)	\$59,001	\$1,008	\$5

**Holy Cross Hospital, Inc.**  
**Consolidating Balance Sheet**  
**December 31, 2012**

(in thousands of dollars)

	<b>Holy Cross Hospital, Inc.</b>	<b>Nursing Network, Inc.</b>	<b>Holy Cross Medical Properties, Inc.</b>	<b>Holy Cross Physician Partners</b>	<b>Physicians Outpatient Surgery Center, LLC</b>	<b>Holy Cross Hospital</b>
<b>Assets</b>						
Current assets						
Cash and cash equivalents	\$19,799	\$18	\$83	\$18	\$1,966	\$17,714
Marketable securities whose use is limited	35	-	-	-	-	35
Patient accounts receivable, net of estimated uncollectibles of \$14,475	58,338	-	-	-	695	57,643
Other accounts receivable	3,484	-	2	-	-	3,482
Prepaid expenses and inventories	13,524	4	-	-	478	13,042
Total current assets	<u>95,180</u>	<u>22</u>	<u>85</u>	<u>18</u>	<u>3,139</u>	<u>91,916</u>
Marketable securities and investments whose use is limited						
Board-designated funds	62,464	-	-	-	-	62,464
Trustee-held funds	10,394	-	-	-	-	10,394
Donor-restricted funds	14,426	-	-	-	-	14,426
Total marketable securities and investments whose use is limited	<u>87,284</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,284</u>
Property and equipment, net	241,048	179	10,857	-	292	229,720
Investments in unconsolidated organizations	2,267	-	-	-	-	2,267
Assets held for sale	18,384	-	-	-	-	18,384
Other assets	24,706	-	2	-	-	24,704
Total assets	<u>\$468,869</u>	<u>\$201</u>	<u>\$10,944</u>	<u>\$18</u>	<u>\$3,431</u>	<u>\$454,275</u>
<b>Liabilities and Net Assets</b>						
Current liabilities						
Current portion of long-term debt and capital lease obligations	\$6,841	\$ -	\$ -	\$ -	\$ -	\$6,841
Portion of variable rate demand obligations classified as current	4,620	-	-	-	-	4,620
Accounts payable and accrued expenses	30,738	-	33	3	272	30,430
Estimated third-party payor settlements, net	3,184	-	-	-	-	3,184
Other	15,484	24	61	-	500	14,899
Liabilities related to assets held for sale	18,850	-	-	-	-	18,850
Total current liabilities	<u>79,717</u>	<u>24</u>	<u>94</u>	<u>3</u>	<u>772</u>	<u>78,824</u>
Long-term debt, net	121,080	-	-	-	-	121,080
Other liabilities	11,772	-	-	-	-	11,772
Pension liabilities	67,858	-	-	-	-	67,858
Insurance liabilities, net of current portion	30,882	-	-	-	-	30,882
Total liabilities	<u>311,309</u>	<u>24</u>	<u>94</u>	<u>3</u>	<u>772</u>	<u>310,416</u>
Net assets						
Unrestricted	140,728	177	10,850	15	2,659	127,027
Temporarily restricted	14,891	-	-	-	-	14,891
Permanently restricted	1,941	-	-	-	-	1,941
Total net assets	<u>157,560</u>	<u>177</u>	<u>10,850</u>	<u>15</u>	<u>2,659</u>	<u>143,859</u>
Total liabilities and net assets	<u>\$468,869</u>	<u>\$201</u>	<u>\$10,944</u>	<u>\$18</u>	<u>\$3,431</u>	<u>\$454,275</u>

**Holy Cross Hospital, Inc.**  
**Consolidating Statement of Operations**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>Holy Cross Hospital, Inc.</b>	<b>Nursing Network, Inc.</b>	<b>Holy Cross Medical Properties, Inc.</b>	<b>Holy Cross Physician Partners</b>	<b>Physicians Outpatient Surgery Center, LLC</b>	<b>Holy Cross Hospital</b>
<b>Unrestricted revenues, gains and other support</b>						
Net patient service revenue, net of provision for bad debts of \$30,498	\$434,080	\$ -	\$ -	\$0	\$7,450	\$426,630
Other operating revenue, gains and other support	13,901	360	1,324	56	4	12,157
Total unrestricted revenues, gains and other support	<u>447,981</u>	<u>360</u>	<u>1,324</u>	<u>56</u>	<u>7,454</u>	<u>438,787</u>
<b>Expenses</b>						
Salaries, wages and benefits	223,128	-	-	418	-	222,710
Medical supplies	82,578	-	-	-	2,381	80,197
Purchased services, professional fees and other expenses	92,451	256	752	616	3,563	87,264
Depreciation and amortization	19,512	18	498	-	224	18,772
Interest	4,779	-	-	-	1	4,778
Insurance	10,581	-	-	-	27	10,554
Total operating expenses	<u>433,029</u>	<u>274</u>	<u>1,250</u>	<u>1,034</u>	<u>6,196</u>	<u>424,275</u>
Operating income	14,952	86	74	(978)	1,258	14,512
<b>Non-operating gains (losses)</b>						
Investment returns, net	6,187	-	-	-	-	6,187
Equity in gains in earnings of unconsolidated organizations	235	-	-	-	-	235
Gain on sale of assets	(35)	-	-	-	-	(35)
Loss on extinguishment of debt	(791)	-	-	-	-	(791)
Change in fair value of interest rate swaps	1,035	-	-	-	-	1,035
Total non-operating gains (losses)	<u>6,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,631</u>
Excess of revenue over expenses	<u>\$21,583</u>	<u>\$86</u>	<u>\$74</u>	<u>(\$978)</u>	<u>\$1,258</u>	<u>\$21,143</u>

**Holy Cross Hospital, Inc.**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>Holy Cross Hospital, Inc.</b>	<b>Nursing Network, Inc.</b>	<b>Holy Cross Long Term Care, Inc.</b>	<b>Holy Cross Medical Properties, Inc.</b>	<b>Holy Cross Physician Partners</b>	<b>Physicians Outpatient Surgery Center, LLC</b>	<b>Holy Cross Hospital</b>
<b>Unrestricted net assets</b>							
Excess of revenue over expenses	\$21,583	\$86	\$ -	\$74	(\$978)	\$1,258	\$21,143
Decrease in pension liability adjustment	(6,321)	-	-	-	-	-	(6,321)
Net assets released from restrictions for capital expenditures	4,722	-	-	-	-	-	4,722
Other changes	(2,359)	(101)	(2)	(500)	993	(869)	(1,880)
Increase (decrease) in unrestricted net assets before discontinued operations	17,625	(15)	(2)	(426)	15	389	17,664
Loss from discontinued operations	(1,610)	-	-	-	-	-	(1,610)
Increase (decrease) in unrestricted net assets	16,015	(15)	(2)	(426)	15	389	16,054
<b>Temporarily restricted net assets</b>							
Contributions	4,299	-	-	-	-	-	4,299
Investment income	204	-	-	-	-	-	204
Change in unrealized losses on investments	(40)	-	-	-	-	-	(40)
Net assets released from restrictions	(6,847)	-	-	-	-	-	(6,847)
Other changes	(522)	-	-	-	-	-	(522)
Decrease in temporarily restricted net assets	(2,906)	-	-	-	-	-	(2,906)
Increase (decrease) in net assets	13,109	(15)	(2)	(426)	15	389	13,148
Beginning of year	144,451	192	2	11,276	-	2,270	130,711
End of year	\$157,560	\$177	\$ -	\$10,850	\$15	\$2,659	\$143,859

**Our Lady of Lourdes Health Care Services**  
**Consolidating Balance Sheet**  
**December 31, 2012**

(in thousands of dollars)

	<b>Our Lady of Lourdes Health Care Services</b>	<b>Eliminations</b>	<b>Lourdes Dialysis at Innova Inc.</b>	<b>Health Care Services</b>	<b>Our LOL Medical Center</b>	<b>Lourdes Med Center of Burlington County</b>	<b>Our LOL Assoc. Foundation, Inc.</b>	<b>LIFE at Lourdes</b>	<b>Lourdes Ancillary Services Combined</b>
<b>Assets</b>									
Current assets									
Cash and cash equivalents	\$7,699	\$ -	\$16	\$ -	\$4,085	\$856	\$11	\$2,463	\$268
Patient accounts receivable, net of estimated uncollectibles of \$31,654	54,161	-	(14)	-	34,160	14,002	-	145	5,868
Other accounts receivable	22,445	(225,363)	4,909	47,032	131,527	6,278	1,110	25	56,927
Prepaid expenses and inventories	12,334	-	39	416	8,350	2,383	4	107	1,035
Total current assets	96,639	(225,363)	4,950	47,448	178,122	23,519	1,125	2,740	64,098
Marketable securities and investments whose use is limited									
Board-designated funds	1,957	-	-	-	-	-	1,957	-	-
Donor-restricted funds	2,999	-	-	-	2,999	-	-	-	-
Investments	1,665	-	267	-	1,398	-	-	-	-
Total marketable securities and investments whose use is limited	6,621	-	267	-	4,397	-	1,957	-	-
Property and equipment, net	150,946	-	-	4,590	95,613	42,009	5	2,006	6,723
Investments in unconsolidated organizations	11,569	-	-	-	(266)	71	-	-	11,764
Goodwill	29,554	-	-	-	10,438	-	-	-	19,116
Other assets	16,438	-	-	-	11,320	4,766	-	-	352
Total assets	\$311,767	(\$225,363)	\$5,217	\$52,038	\$299,624	\$70,365	\$3,087	\$4,746	\$102,053
<b>Liabilities and Net Assets</b>									
Current liabilities									
Current portion of long-term debt and capital lease obligations	\$5,362	\$ -	\$ -	\$ -	\$3,450	\$1,180	\$ -	\$153	\$579
Accounts payable and accrued expenses	57,098	-	13	1,874	16,952	8,753	359	2,427	26,720
Estimated third party payor settlements, net	15,199	-	-	-	9,816	5,383	-	-	-
Other	12,704	(217,793)	10	50,164	11,462	48,848	645	449	118,919
Total current liabilities	90,363	(217,793)	23	52,038	41,680	64,164	1,004	3,029	146,218
Long-term debt, net	123,432	(6,700)	1,696	-	73,150	55,024	-	201	61
Other liabilities	20,871	-	-	-	10,571	741	-	-	9,559
Pension liabilities	21,917	-	15	-	15,321	6,173	46	87	275
Insurance liabilities, net of current portion	19,351	-	-	-	12,981	6,370	-	-	-
Total liabilities	275,934	(224,493)	1,734	52,038	153,703	132,472	1,050	3,317	156,113
Net assets									
Unrestricted	31,978	-	3,482	-	142,449	(62,527)	1,214	1,428	(54,068)
Temporarily restricted	3,590	(870)	1	-	3,217	420	813	1	8
Permanently restricted	265	-	-	-	255	-	10	-	-
Total net assets	35,833	(870)	3,483	-	145,921	(62,107)	2,037	1,429	(54,060)
Total liabilities and net assets	\$311,767	(\$225,363)	\$5,217	\$52,038	\$299,624	\$70,365	\$3,087	\$4,746	\$102,053

**Our Lady of Lourdes Health Care Services**  
**Consolidating Statement of Operations**  
**December 31, 2012**

<i>(in thousands of dollars)</i>	<b>Our Lady of Lourdes Health Care Services</b>	<b>Eliminations</b>	<b>Lourdes Dialysis at Innova Inc.</b>	<b>Our LOL Medical Center</b>	<b>Lourdes Med Center of Burlington County</b>	<b>Our LOL Assoc. Foundation, Inc.</b>	<b>LIFE at Lourdes</b>	<b>Lourdes Ancillary Services Combined</b>
<b>Unrestricted revenue, gains and other support</b>								
Net patient service revenue, net of provision for bad debts of \$23,751	\$455,841	\$ -	\$ -	\$273,049	\$112,301	\$ -	\$19,542	\$50,949
Other operating revenue, gains and other support	25,430	(21,996)	-	10,605	4,351	3,754	389	28,327
Total unrestricted revenue, gains and other support	<u>481,271</u>	<u>(21,996)</u>	<u>-</u>	<u>283,654</u>	<u>116,652</u>	<u>3,754</u>	<u>19,931</u>	<u>79,276</u>
<b>Expenses</b>								
Salaries, wages and benefits	254,154	-	-	122,532	52,399	2,677	5,138	71,408
Medical supplies	64,362	-	-	48,541	13,188	253	96	2,284
Purchased services, professional fees and other expenses	130,407	(20,279)	-	72,905	34,822	887	12,836	29,236
Depreciation and amortization	17,846	-	-	12,335	4,226	1	267	1,017
Interest	3,825	(2,019)	-	2,420	1,785	-	12	1,627
Insurance	7,007	-	-	2,894	1,380	1	131	2,601
Total operating expenses	<u>477,601</u>	<u>(22,298)</u>	<u>-</u>	<u>261,627</u>	<u>107,800</u>	<u>3,819</u>	<u>18,480</u>	<u>108,173</u>
Operating income (loss)	3,670	302	-	22,027	8,852	(65)	1,451	(28,897)
<b>Non-operating gains (losses)</b>								
Investment returns, net	1,122	(302)	18	1,102	102	197	13	(8)
Equity in losses in earning of unconsolidated organizations	454	-	-	9	8	-	-	437
Gain on sale of assets	21,021	-	4,775	16,232	7	-	-	7
Change in fair value of interest rate swaps	1,659	-	-	1,028	631	-	-	-
Total non-operating gains (losses)	<u>24,256</u>	<u>(302)</u>	<u>4,793</u>	<u>18,371</u>	<u>748</u>	<u>197</u>	<u>13</u>	<u>436</u>
Excess (deficit) of revenues over expenses	<u>\$27,926</u>	<u>\$ -</u>	<u>\$4,793</u>	<u>\$40,398</u>	<u>\$9,600</u>	<u>\$132</u>	<u>\$1,464</u>	<u>(\$28,461)</u>

**Our Lady of Lourdes Health Care Services**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

(in thousands of dollars)

	Our Lady of Lourdes Health Care Services	Eliminations	Lourdes Dialysis at Innova Inc.	Our LOL Medical Center	Lourdes Med Center of Burlington County	Our LOL Assoc. Foundation, Inc.	LIFE at Lourdes	Lourdes Ancillary Services Combined
<b>Unrestricted net assets</b>								
Excess (deficit) of revenue over expenses	\$27,926	\$ -	\$4,793	\$40,398	\$9,600	\$132	\$1,464	(\$28,461)
Decrease in pension liability adjustment	(1,721)	-	-	(1,291)	(430)	-	-	-
Increase (decrease) in unrestricted net assets before discontinued operations	24,825	-	4,793	27,427	9,170	132	1,464	(18,161)
Loss from discontinued operations	2,643	-	(67)	2,710	-	-	-	-
Increase (decrease) in unrestricted net assets	27,468	-	4,726	30,137	9,170	132	1,464	(18,161)
<b>Temporarily restricted net assets</b>								
Contributions	801	-	-	76	137	588	-	-
Investment income	466	-	-	466	-	-	-	-
Change in unrealized gains on investments	252	-	1	230	12	-	1	8
Net assets released from restrictions	(1,523)	(153)	-	(890)	(42)	(438)	-	-
(Decrease) increase in temporarily restricted net assets	(4)	(153)	1	(118)	107	150	1	8
Increase (decrease) in net assets	27,464	(153)	4,727	30,019	9,277	282	1,465	(18,153)
Beginning of year	8,369	(717)	(1,244)	115,902	(71,384)	1,755	(36)	(35,907)
End of year	\$35,833	(\$870)	\$3,483	\$145,921	(\$62,107)	\$2,037	\$1,429	(\$54,060)

**Mercy Health System of Maine  
Consolidating Balance Sheet  
December 31, 2012**

	<b>Total Mercy Health System of Maine</b>	<b>MHSM Corporate Office</b>	<b>Mercy Hospital</b>	<b>VNA Home Health and Hospice</b>
<i>(in thousands of dollars)</i>				
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$1,217	\$708	(\$2,840)	\$3,349
Assets held for sale	45,130	-	42,179	2,951
Total current assets	46,347	708	39,339	6,300
Marketable securities and investments whose use is limited				
Donor-restricted funds	3,579	-	3,525	54
Total marketable securities and investments whose use is limited	3,579	-	3,525	54
Assets held for sale				
	162,334	467	153,208	8,659
Total assets	<u>\$212,260</u>	<u>\$1,175</u>	<u>\$196,072</u>	<u>\$15,013</u>
<b>Liabilities and Net Assets</b>				
Current liabilities				
Liabilities related to assets held for sale	\$51,943	\$700	\$49,734	\$1,509
Total current liabilities	51,943	700	49,734	1,509
Other liabilities related to assets held for sale				
	82,143	467	81,676	-
Total liabilities	134,086	1,167	131,410	1,509
Net assets				
Unrestricted	73,817	8	60,359	13,450
Temporarily restricted	2,569	-	2,525	44
Permanently restricted	1,788	-	1,778	10
Total net assets	78,174	8	64,662	13,504
Total liabilities and net assets	<u>\$212,260</u>	<u>\$1,175</u>	<u>\$196,072</u>	<u>\$15,013</u>

**Mercy Health System of Maine**  
**Consolidating Statement of Operations and Statement of Changes in Net Assets**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>Total Mercy Health System of Maine</b>	<b>MHSM Corporate Office</b>	<b>Mercy Hospital</b>	<b>VNA Home Health and Hospice</b>
<b>Unrestricted non-operating gains (losses)</b>				
Investment returns, net	\$1,786	\$ -	\$1,188	\$598
Loss on sale of assets	(146)	-	(146)	-
Change in fair value of interest rate swaps	978	-	978	-
Excess of revenues over expenses	2,618	-	2,020	598
Net assets released from restrictions for capital expenditures	1,523	-	1,523	-
Other changes	133	-	133	-
Increase in unrestricted net assets before discontinued operations	4,274	-	3,676	598
Loss from discontinued operations	(9,234)	-	(10,192)	958
(Decrease) increase in unrestricted net assets	(4,960)	-	(6,516)	1,556
<b>Temporarily restricted net assets</b>				
Contributions	3,624	-	3,591	33
Investment income	11	-	11	-
Change in unrealized gains on investments	16	-	16	-
Net assets released from restrictions	(2,093)	-	(2,067)	(26)
Increase in temporarily restricted net assets	1,558	-	1,551	7
<b>Permanently restricted net assets</b>				
Contributions	656	-	656	-
Net realized and unrealized losses on investments	80	-	79	1
Increase in permanently restricted net assets	736	-	735	1
(Decrease) increase in net assets	(2,666)	-	(4,230)	1,564
<b>Net assets</b>				
Beginning of year	80,839	7	68,892	11,940
End of year	<u>\$78,173</u>	<u>\$7</u>	<u>\$64,662</u>	<u>\$13,504</u>

**Maxis Health System**  
**Consolidating Balance Sheet**  
**December 31, 2012**

(in thousands of dollars)

	<b>Maxis Health System</b>	<b>Maxis Hlth System - Eliminations</b>	<b>Marian Community Hospital</b>	<b>Tri- CountyHuman Services Center, Inc.</b>	<b>Maxis Foundation</b>	<b>Maxis Medical Services</b>
<b>Assets</b>						
Current assets						
Cash and cash equivalents	\$33	\$ -	\$ -	\$ -	\$18	\$15
Investments	581	-	311	-	270	-
Marketable securities whose use is limited	8	-	8	-	-	-
Patient accounts receivable, net of estimated uncollectibles of \$4	419	-	-	419	-	-
Other accounts receivable	8	(2)	10	-	-	-
Total current assets	<u>1,049</u>	<u>(2)</u>	<u>329</u>	<u>419</u>	<u>288</u>	<u>15</u>
Marketable securities and investments whose use is limited						
Board-designated funds	3,733	-	3,733	-	-	-
Trustee-held funds	1,525	-	1,525	-	-	-
Total marketable securities and investments whose use is limited	<u>5,258</u>	<u>-</u>	<u>5,258</u>	<u>-</u>	<u>-</u>	<u>-</u>
Property and equipment, net	183	-	-	-	183	-
Investments in unconsolidated organizations	15	-	15	-	-	-
Assets held for sale	3,200	-	3,200	-	-	-
Other assets	2,315	(665)	2,980	-	-	-
Total assets	<u>\$12,020</u>	<u>(\$667)</u>	<u>\$11,782</u>	<u>\$419</u>	<u>\$471</u>	<u>\$15</u>
<b>Liabilities and Net Assets</b>						
Current liabilities						
Current portion of long-term debt and capital leases	\$775	\$ -	\$775	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	32,493	(2)	32,495	-	-	-
Estimated third party payor settlements, net	1,106	-	1,106	-	-	-
Other	99	-	99	-	-	-
Total current liabilities	<u>34,473</u>	<u>(2)</u>	<u>34,475</u>	<u>-</u>	<u>-</u>	<u>-</u>
Long-term debt, net	8,508	-	8,508	-	-	-
Other liabilities	88	-	88	-	-	-
Pension liabilities	6,972	-	6,972	-	-	-
Insurance liabilities, net of current portion	2,216	-	2,216	-	-	-
Total liabilities	<u>52,257</u>	<u>(2)</u>	<u>52,259</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets						
Unrestricted	(40,237)	-	(41,142)	419	471	15
Temporarily restricted	-	(665)	665	-	-	-
Total net assets	<u>(40,237)</u>	<u>(665)</u>	<u>(40,477)</u>	<u>419</u>	<u>471</u>	<u>15</u>
Total liabilities and net assets	<u>\$12,020</u>	<u>(\$667)</u>	<u>\$11,782</u>	<u>\$419</u>	<u>\$471</u>	<u>\$15</u>

**Maxis Health System**  
**Consolidating Statement of Operations**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>Maxis Health System</b>	<b>Marian Community Hospital</b>	<b>Maxis Foundation</b>
<b>Unrestricted revenue, gains and other support</b>			
Other operating revenue, gains and other support	\$3	\$ -	\$3
Total unrestricted revenue, gains and other support	<u>3</u>	<u>-</u>	<u>3</u>
<b>Expenses</b>			
Salaries, wages and benefits	18	18	-
Purchased services, professional fees and other expenses	23	-	23
Depreciation and amortization	12	-	12
Interest	2	-	2
Total operating expenses	<u>55</u>	<u>18</u>	<u>37</u>
Operating loss	(52)	(18)	(34)
<b>Non-operating gains</b>			
Investment returns, net	70	70	-
Gain on sale of assets	28	-	28
Change in fair value of interest rate swaps	133	133	-
Total non-operating gains	<u>231</u>	<u>203</u>	<u>28</u>
Excess (deficit) of revenues over expenses	<u>\$179</u>	<u>\$185</u>	<u>(\$6)</u>

**Maxis Health System**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

*(in thousands of dollars)*

**Unrestricted net assets**

	<b>Maxis Health System</b>	<b>Maxis Hlth System - Eliminations</b>	<b>Marian Community Hospital</b>	<b>Tri- CountyHuman Services Center, Inc.</b>	<b>Maxis Medical Services</b>	<b>Maxis Medical Services</b>
Excess (deficit) of revenue over expenses	\$179	\$ -	\$185	\$ -	(\$6)	\$ -
Decrease in pension liability adjustment	(2,451)	-	(2,451)	-	-	-
Other changes	6	-	218	300	(502)	(10)
(Decrease) increase in unrestricted net assets before discontinued operations	(2,266)	-	(2,048)	300	(508)	(10)
Loss from discontinued operations	(3,868)	-	(3,927)	123	-	(64)
(Decrease) increase in unrestricted net assets	(6,134)	-	(5,975)	423	(508)	(74)
(Decrease) increase in net assets	(6,134)	-	(5,975)	423	(508)	(74)
Beginning of year	(34,103)	(665)	(34,502)	(4)	979	89
End of year	(\$40,237)	(\$665)	(\$40,477)	\$419	\$471	\$15

**Mercy Community Health, Inc.**  
**Consolidating Balance Sheet**  
**December 31, 2012**

*(in thousands of dollars)*

	Mercy Community Health, Inc.	Saint Mary Home, Inc.	The McAuley Center	Mercyknoll Inc.	Mercy Community Home Care, Inc.	MCH - Corporate Office
<b>Assets</b>						
Current assets						
Marketable securities whose use is limited	\$1,402	\$3,826	\$126	(\$3,570)	(\$837)	\$1,857
Patient accounts receivable, net of estimated uncollectibles of \$1,655	3,106	2,959	147	-	-	-
Other accounts receivable	40	40	-	-	-	-
Prepaid expenses and inventories	624	358	175	-	-	91
Total current assets	5,172	7,183	448	(3,570)	(837)	1,948
Marketable securities and investments whose use is limited						
Trustee-held funds	1,250	187	933	-	-	130
Donor-restricted funds	277	265	12	-	-	-
Total marketable securities and investments whose use is limited	1,527	452	945	-	-	130
Property and equipment, net	26,143	10,271	15,115	151	-	606
Other assets	895	555	613	17	(379)	89
Total assets	\$33,737	\$18,461	\$17,121	(\$3,402)	(\$1,216)	\$2,773
<b>Liabilities and Net Assets</b>						
Current liabilities						
Current portion of long-term debt and capital lease obligations	\$1,056	\$664	\$354	\$27	\$7	\$4
Accounts payable and accrued expenses	7,349	2,449	1,170	8	2	3,720
Estimated third party payor settlements, net	389	389	-	-	-	-
Other	2,417	1,130	1,226	-	-	61
Total current liabilities	11,211	4,632	2,750	35	9	3,785
Long-term debt, net	24,612	11,264	11,990	982	237	139
Other liabilities	1,383	231	803	-	-	349
Pension liabilities	622	206	400	-	-	16
Insurance liabilities, net of current portion	641	385	96	-	-	160
Deferred revenue from entrance fees	15,041	(82)	15,123	-	-	-
Total liabilities	53,510	16,636	31,162	1,017	246	4,449
Net assets						
Unrestricted	(20,175)	1,572	(14,108)	(4,419)	(1,462)	(1,758)
Temporarily restricted	125	(12)	55	-	-	82
Permanently restricted	277	265	12	-	-	-
Total net assets	(19,773)	1,825	(14,041)	(4,419)	(1,462)	(1,676)
Total liabilities and net assets	\$33,737	\$18,461	\$17,121	(\$3,402)	(\$1,216)	\$2,773

**Mercy Community Health, Inc.**  
**Consolidating Statement of Operations**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>Mercy Community Health, Inc.</b>	<b>Saint Mary Home, Inc.</b>	<b>The McAuley Center</b>	<b>Mercyknoll Inc.</b>	<b>Mercy Community Home Care, Inc.</b>	<b>MCH - Corporate Office</b>
<b>Unrestricted revenue, gains and other support</b>						
Net patient service revenue, net of provision for bad debts of \$308	\$29,442	\$31,445	(\$3)	\$ -	\$ -	(\$2,000)
Other operating revenue, gains and other support	12,117	232	11,715	-	-	170
Total unrestricted revenue, gains and other support	<u>41,559</u>	<u>31,677</u>	<u>11,712</u>	<u>-</u>	<u>-</u>	<u>(1,830)</u>
<b>Expenses</b>						
Salaries, wages and benefits	24,216	19,091	3,415	-	-	1,710
Medical supplies	488	488	-	-	-	-
Purchased services, professional fees and other expenses	11,594	9,258	5,790	58	-	(3,512)
Depreciation and amortization	2,367	878	1,389	1	-	99
Interest	1,239	734	596	45	12	(148)
Insurance	242	140	81	-	-	21
Total operating expenses	<u>40,146</u>	<u>30,589</u>	<u>11,271</u>	<u>104</u>	<u>12</u>	<u>(1,830)</u>
Operating income (loss)	1,413	1,088	441	(104)	(12)	-
<b>Non-operating gains</b>						
Investment returns, net	57	37	27	-	-	(7)
Change in fair value of interest rate swaps	237	-	-	-	-	237
Total non-operating gains	<u>492</u>	<u>234</u>	<u>28</u>	<u>-</u>	<u>-</u>	<u>230</u>
Excess (deficit) of revenues over expenses	<u>\$1,905</u>	<u>\$1,322</u>	<u>\$469</u>	<u>(\$104)</u>	<u>(\$12)</u>	<u>\$230</u>

**Mercy Community Health, Inc.**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>Mercy Community Health, Inc.</b>	<b>Saint Mary Home, Inc.</b>	<b>The McAuley Center</b>	<b>Mercyknoll Inc.</b>	<b>Mercy Community Home Care, Inc.</b>	<b>MCH - Corporate Office</b>
<b>Unrestricted net assets</b>						
(Deficit) excess of revenue over expenses	\$1,905	\$1,322	\$469	(\$104)	(\$12)	\$230
Other changes	413	413	-	-	-	-
Increase (decrease) in unrestricted net assets	<u>2,318</u>	<u>1,735</u>	<u>469</u>	<u>(104)</u>	<u>(12)</u>	<u>230</u>
<b>Temporarily restricted net assets</b>						
Contributions	35	11	3	-	-	21
Investment (loss) income	(1)	(4)	3	-	-	-
Change in unrealized gains on investments	65	40	25	-	-	-
Net assets released from restrictions	(282)	(282)	-	-	-	-
Other changes	(49)	(15)	(32)	-	-	(2)
(Decrease) increase in temporarily restricted net assets	<u>(232)</u>	<u>(250)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>19</u>
Increase (decrease) in net assets	2,086	1,485	468	(104)	(12)	249
Beginning of year	<u>(21,859)</u>	<u>340</u>	<u>(14,509)</u>	<u>(4,315)</u>	<u>(1,450)</u>	<u>(1,925)</u>
End of year	<u><u>(\$19,773)</u></u>	<u><u>\$1,825</u></u>	<u><u>(\$14,041)</u></u>	<u><u>(\$4,419)</u></u>	<u><u>(\$1,462)</u></u>	<u><u>(\$1,676)</u></u>

**Mercy Medical, A Corporation**  
**Consolidating Balance Sheet**  
**December 31, 2012**

(in thousands of dollars)

	<b>Mercy Medical, A Corporation</b>	<b>Hospital, OP</b>	<b>Skilled Nursing</b>	<b>Home Care</b>	<b>Residential</b>	<b>Mercy Life of Alabama</b>	<b>Mercy LIFE Birmingham</b>	<b>Other</b>
<b>Assets</b>								
Current assets								
Cash and cash equivalents	\$1,778	\$ -	\$ -	\$907	\$ -	\$871	\$ -	\$ -
Patient accounts receivable, net of estimated uncollectibles of \$303	1,221	(225)	-	1,143	-	303	-	-
Other accounts receivable	98	36	-	-	-	62	-	-
Prepaid expenses and inventories	285	90	-	-	-	26	169	-
Total current assets	3,382	(99)	-	2,050	-	1,262	169	-
Marketable securities and investments whose use is limited								
Board-designated funds	5,679	4,956	(55)	(1,321)	(117)	(34)	-	2,250
Donor-restricted funds	31	31	-	-	-	-	-	-
Investments	122	122	-	-	-	-	-	-
Total marketable securities and investments whose use is limited	5,832	5,109	(55)	(1,321)	(117)	(34)	-	2,250
Property and equipment, net	3,890	1,255	-	-	-	2,546	89	-
Assets held for sale	220	220	0	-	-	-	-	-
Other assets	2,303	2,393	-	-	-	-	(90)	-
Total assets	<u>\$15,627</u>	<u>\$8,878</u>	<u>(\$55)</u>	<u>\$729</u>	<u>(\$117)</u>	<u>\$3,774</u>	<u>\$168</u>	<u>\$2,250</u>
<b>Liabilities and Net Assets</b>								
Current liabilities								
Portion of variable rate demand obligations classified as current	\$12,685	\$12,685	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	1,665	1,074	-	-	-	525	66	-
Other	219	(10)	-	-	-	229	-	-
Total current liabilities	14,569	13,749	-	-	-	754	66	-
Other liabilities	1,405	(5,819)	-	-	-	6,305	919	-
Insurance liabilities, net of current portion	2,334	894	-	1,440	-	-	-	-
Total liabilities	18,308	8,824	-	1,440	-	7,059	985	-
Net assets								
Unrestricted	(2,929)	1,212	-	-	-	(3,309)	(832)	-
Temporarily restricted	248	(1,158)	(55)	(711)	(117)	24	15	2,250
Total net assets	(2,681)	54	(55)	(711)	(117)	(3,285)	(817)	2,250
Total liabilities and net assets	<u>\$15,627</u>	<u>\$8,878</u>	<u>(\$55)</u>	<u>\$729</u>	<u>(\$117)</u>	<u>\$3,774</u>	<u>\$168</u>	<u>\$2,250</u>

**Mercy Medical, A Corporation**  
**Consolidating Statement of Operations**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>Mercy Medical, A Corporation</b>	<b>Home Care</b>	<b>Residential</b>	<b>Mercy Life of Alabama</b>	<b>Mercy LIFE Birmingham</b>	<b>Other</b>
<b>Unrestricted revenue, gains and other support</b>						
Net patient service revenue, net of provision for bad debts of (\$7)	\$11,081	\$7,849	(\$253)	\$3,380	\$ -	\$105
Other operating revenue, gains and other support	1,142	79	847	18	-	198
Total unrestricted revenue, gains and other support	<u>12,223</u>	<u>7,928</u>	<u>594</u>	<u>3,398</u>	<u>-</u>	<u>303</u>
<b>Expenses</b>						
Salaries, wages and benefits	8,361	3,466	225	1,953	154	2,563
Medical supplies	1,131	450	-	676	-	5
Purchased services, professional fees and other expenses	5,403	4,327	679	2,412	677	(2,692)
Depreciation and amortization	496	4	114	286	-	92
Interest	388	-	73	19	1	295
Insurance	118	-	6	72	-	40
Total operating expenses	<u>15,897</u>	<u>8,247</u>	<u>1,097</u>	<u>5,418</u>	<u>832</u>	<u>303</u>
Operating (loss) income	(3,674)	(319)	(503)	(2,020)	(832)	0
<b>Non-operating gains</b>						
Investment returns, net	512	-	302	-	-	210
Impairment gains	14	-	-	-	-	14
Gain on sale of assets	4,394	-	-	-	-	4,394
Change in fair value of interest rate swaps	406	-	-	-	-	406
Total non-operating gains	<u>5,326</u>	<u>-</u>	<u>302</u>	<u>-</u>	<u>-</u>	<u>5,024</u>
Excess (deficit) of revenues over expenses	<u>\$1,652</u>	<u>(\$319)</u>	<u>(\$201)</u>	<u>(\$2,020)</u>	<u>(\$832)</u>	<u>\$5,024</u>

**Mercy Medical, A Corporation**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>Mercy Medical, A Corporation</b>	<b>Hospital, OP</b>	<b>Skilled Nursing</b>	<b>Home Care</b>	<b>Residential</b>	<b>Mercy Life of Alabama</b>	<b>Mercy LIFE Birmingham</b>	<b>Other</b>
<b>Unrestricted net assets</b>								
Excess (deficit) of revenue over expenses	\$1,652	\$ -	\$ -	(\$319)	(\$201)	(\$2,020)	(\$832)	\$5,024
Net assets released from restrictions for capital expenditures	110	-	-	-	-	110	-	-
Increase (decrease) in unrestricted net assets before discontinued operations	1,762	-	-	(319)	(201)	(1,910)	(832)	5,024
Loss from discontinued operations	(570)	(32)	(55)	-	(483)	-	-	-
Increase (decrease) in unrestricted net assets	1,192	(32)	(55)	(319)	(684)	(1,910)	(832)	5,024
<b>Temporarily restricted net assets</b>								
Contributions	342	86	-	-	-	241	15	-
Net assets released from restrictions	(290)	-	-	(106)	-	(184)	-	-
Increase (decrease) in temporarily restricted net assets	52	86	-	(106)	-	57	15	-
Increase (decrease) in net assets	1,244	54	(55)	(425)	(684)	(1,853)	(817)	5,024
Beginning of year	(3,925)	-	-	(286)	567	(1,432)	-	(2,774)
End of year	(\$2,681)	\$54	(\$55)	(\$711)	(\$117)	(\$3,285)	(\$817)	\$2,250

**Mercy Health System of SEPA  
Consolidating Balance Sheet  
December 31, 2012**

(in thousands of dollars)

	<b>Mercy Health System of SEPA</b>	<b>Mercy Catholic Medical Center</b>	<b>Mercy Suburban Hospital</b>	<b>E. Norriton Phys. Serv.- Hospital Based</b>	<b>Nazareth Hospital</b>	<b>Nazareth Health Care Foundation</b>	<b>St. Agnes Continuing Care Corp and Subs</b>	<b>St. Agnes LIFE</b>
<b>Assets</b>								
Current assets								
Cash and cash equivalents	\$53,787	(\$42,458)	(\$9,636)	\$886	\$15,386	\$1,777	(\$37,516)	\$15,403
Investments	285	-	285	-	-	-	-	-
Patient accounts receivable, net of estimated uncollectibles of \$116,843	73,006	32,425	12,314	202	14,102	-	-	690
Other accounts receivable	5,886	707	167	-	321	-	(16)	51
Prepaid expenses and inventories	14,926	5,394	2,852	-	4,034	-	26	232
Total current assets	147,890	(3,932)	5,982	1,088	33,843	1,777	(37,506)	16,376
Marketable securities and investments whose use is limited								
Board-designated funds	10,000	-	-	-	-	-	-	-
Trustee-held funds	3,897	2,085	1,361	-	-	-	-	-
Donor-restricted funds	5,216	3,404	285	-	-	1,029	21	3
Investments	126,281	-	-	-	-	-	-	-
Total marketable securities and investments whose use is limited	145,394	5,489	1,646	-	-	1,029	21	3
Property and equipment, net	175,216	75,457	50,887	-	33,868	-	-	419
Investments in unconsolidated organizations	163,387	37	802	-	2,220	-	858	-
Goodwill	71	-	-	-	-	-	-	-
Other assets	98,914	39,492	12,462	-	20,291	-	488	1,620
Total assets	<u>\$730,872</u>	<u>\$116,543</u>	<u>\$71,779</u>	<u>\$1,088</u>	<u>\$90,222</u>	<u>\$2,806</u>	<u>(\$36,139)</u>	<u>\$18,418</u>
<b>Liabilities and Net Assets</b>								
Current liabilities								
Current portion of long-term debt and capital lease obligation	\$9,827	\$5,069	\$1,319	\$-	\$1,187	\$-	\$-	\$-
Accounts payable and accrued expenses	74,673	24,405	8,725	515	12,550	25	300	6,305
Estimated third party payor settlements, net	16,355	8,656	5,428	-	1,675	-	13	580
Other	38,143	(18,083)	(2,733)	11,130	(730)	448	575	960
Total current liabilities	138,998	20,047	12,739	11,645	14,682	473	888	7,845
Long-term debt, net	149,139	62,240	29,323	-	22,553	-	-	-
Other liabilities	12,285	334	192	-	1,679	-	(1)	2,518
Pension liabilities	127,953	54,228	19,859	-	21,421	-	8,444	-
Insurance liabilities, net of current portion	96,879	53,300	10,526	552	22,194	-	535	162
Total liabilities	525,254	190,149	72,639	12,197	82,529	473	9,866	10,525
Net assets								
Unrestricted	198,782	(77,010)	(1,145)	(11,109)	7,693	1,304	(46,026)	6,270
Temporarily restricted	2,739	927	285	-	-	1,029	21	3
Permanently restricted	4,097	2,477	-	-	-	-	-	1,620
Total net assets	205,618	(73,606)	(860)	(11,109)	7,693	2,333	(46,005)	7,893
Total liabilities and net assets	<u>\$730,872</u>	<u>\$116,543</u>	<u>\$71,779</u>	<u>\$1,088</u>	<u>\$90,222</u>	<u>\$2,806</u>	<u>(\$36,139)</u>	<u>\$18,418</u>

**Mercy Health System of SEPA  
Consolidating Balance Sheet  
December 31, 2012**

(in thousands of dollars)

	Mercy Health Plan	Mercy Home Health Services Consolidated	Mercy Management	Mercy Eastwick, Inc.	Nazareth Physician Services	N.E. Physician Services, Inc.	Mercy Health System Foundation	Mercy Home Office	Eliminations
<b>Assets</b>									
<b>Current assets</b>									
Cash and cash equivalents	\$ -	\$20,192	(\$18,500)	(\$15,950)	(\$6,491)	(\$152)	\$8,007	\$122,839	\$ -
Investments	-	-	-	-	-	-	-	-	-
Patient accounts receivable, net of estimated uncollectibles of \$116,843	-	10,110	3,228	-	381	-	-	-	(446)
Other accounts receivable	3,445	14	172	73	(58)	-	1	1,009	-
Prepaid expenses and inventories	-	385	268	212	18	-	-	1,505	-
Total current assets	3,445	30,701	(14,832)	(15,665)	(6,150)	(152)	8,008	125,353	(446)
<b>Marketable securities and investments whose use is limited</b>									
Board-designated funds	-	-	-	-	-	-	-	10,000	-
Trustee-held funds	-	-	-	-	-	-	-	451	-
Donor-restricted funds	-	-	-	-	-	-	474	-	-
Investments	-	-	-	-	-	-	-	126,281	-
Total marketable securities and investments whose use is limited	-	-	-	-	-	-	474	136,732	-
Property and equipment, net	-	789	1,333	4,068	32	-	-	8,363	-
Investments in unconsolidated organizations	152,577	-	3,721	760	-	-	-	2,412	-
Goodwill	-	-	13	-	58	-	-	-	-
Other assets	22,093	9	23	-	15	-	-	2,421	-
Total assets	\$178,115	\$31,499	(\$9,742)	(\$10,837)	(\$6,045)	(\$152)	\$8,482	\$275,281	(\$446)
<b>Liabilities and Net Assets</b>									
<b>Current liabilities</b>									
Current portion of long-term debt and capital lease obligation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,252	\$ -
Accounts payable and accrued expenses	99	3,647	6,523	302	603	2	-	10,672	-
Estimated third party payor settlements, net	-	-	3	-	-	-	-	-	-
Other	735	2,660	58,334	15,070	1,685	1,135	-	(27,471)	(5,572)
Total current liabilities	834	6,307	64,860	15,372	2,288	1,137	-	(14,547)	(5,572)
Long-term debt, net	-	-	-	-	-	-	-	35,023	-
Other liabilities	-	573	212	5,103	18	-	-	1,657	-
Pension liabilities	-	5,151	9,698	-	-	-	-	9,152	-
Insurance liabilities, net of current portion	-	-	7,226	-	-	-	-	2,384	-
Total liabilities	834	12,031	81,996	20,475	2,306	1,137	-	33,669	(5,572)
<b>Net assets</b>									
Unrestricted	177,281	19,468	(91,738)	(31,312)	(8,351)	(1,289)	8,008	241,612	5,126
Temporarily restricted	-	-	-	-	-	-	474	-	-
Permanently restricted	-	-	-	-	-	-	-	-	-
Total net assets	177,281	19,468	(91,738)	(31,312)	(8,351)	(1,289)	8,482	241,612	5,126
Total liabilities and net assets	\$178,115	\$31,499	(\$9,742)	(\$10,837)	(\$6,045)	(\$152)	\$8,482	\$275,281	(\$446)

**Mercy Health System of SEPA**  
**Consolidating Statement of Operations**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>Mercy Health System of SEPA</b>	<b>Mercy Catholic Medical Center</b>	<b>Mercy Suburban Hospital</b>	<b>E. Norriton Phys. Serv.- Hospital Based</b>	<b>Nazareth Hospital</b>	<b>Nazareth Health Care Foundation</b>	<b>St. Agnes Continuing Care Corp and Subs</b>	<b>St. Agnes LIFE</b>
<b>Unrestricted revenue, gains and other support</b>								
Net patient service revenue, net of provision for bad debts of \$83,166	\$680,798	\$302,908	\$99,887	\$1,714	\$142,158	\$ -	\$ -	\$34,818
Other operating revenue, gains and other support	69,251	16,425	2,888	2,442	6,164	171	2	71
<b>Total unrestricted revenue, gains and other support</b>	<b>750,049</b>	<b>319,333</b>	<b>102,775</b>	<b>4,156</b>	<b>148,322</b>	<b>171</b>	<b>2</b>	<b>34,889</b>
<b>Expenses</b>								
Salaries, wages and benefits	411,371	152,627	50,326	-	75,319	50	-	12,118
Medical supplies	70,687	35,112	13,229	-	17,666	-	-	2,613
Purchased services, professional fees and other expenses	208,752	109,642	39,685	4,056	44,560	43	-	19,447
Depreciation and amortization	26,332	11,492	5,510	-	5,302	-	-	135
Interest	4,913	2,135	910	-	710	-	-	-
Insurance	18,840	7,178	2,018	77	4,098	-	-	280
<b>Total operating expenses</b>	<b>740,895</b>	<b>318,186</b>	<b>111,678</b>	<b>4,133</b>	<b>147,655</b>	<b>93</b>	<b>-</b>	<b>34,593</b>
<b>Operating income (loss)</b>	<b>9,154</b>	<b>1,147</b>	<b>(8,903)</b>	<b>23</b>	<b>667</b>	<b>78</b>	<b>2</b>	<b>296</b>
<b>Non-operating gains (losses)</b>								
Investment returns, net	6,451	(296)	(7)	(24)	68	-	(176)	77
Equity in gains (losses) in earnings of unconsolidated organizations	581	4	9	-	230	-	89	-
Gain on sale of assets	3,525	1	149	-	-	-	-	-
Loss on extinguishment of debt	(783)	(474)	-	-	(19)	-	-	-
Change in fair value of interest rate swaps	2,119	-	-	-	-	-	-	-
<b>Total non-operating gains (losses)</b>	<b>11,893</b>	<b>(765)</b>	<b>151</b>	<b>(24)</b>	<b>279</b>	<b>-</b>	<b>(87)</b>	<b>77</b>
<b>Excess (deficit) of revenues over expenses</b>	<b>\$21,047</b>	<b>\$382</b>	<b>(\$8,752)</b>	<b>(\$1)</b>	<b>\$946</b>	<b>\$78</b>	<b>(\$85)</b>	<b>\$373</b>

**Mercy Health System of SEPA**  
**Consolidating Statement of Operations**  
**December 31, 2012**

(in thousands of dollars)

	Mercy Health Plan	Mercy Home Health Services Consolidated	Mercy Management	Mercy Eastwick, Inc.	Nazareth Physician Services	N.E. Physician Services, Inc.	Mercy Health System Foundation	Mercy Home Office	Eliminations
<b>Unrestricted revenue, gains and other support</b>									
Net patient service revenue, net of provision for bad debts of \$83,166	\$ -	\$56,200	\$39,777	\$ -	\$3,334	\$2	\$ -	\$ -	\$ -
Other operating revenue, gains and other support	29,714	38	18,583	1,537	1,042	-	2,921	126,173	(138,920)
Total unrestricted revenue, gains and other support	29,714	56,238	58,360	1,537	4,376	2	2,921	126,173	(138,920)
<b>Expenses</b>									
Salaries, wages and benefits	-	40,920	50,533	-	4,859	-	-	73,379	(48,760)
Medical supplies	-	867	1,113	-	87	-	-	-	-
Purchased services, professional fees and other expenses	(931)	6,002	17,493	1,929	2,236	2	-	54,747	(90,159)
Depreciation and amortization	-	161	196	281	9	-	-	3,246	-
Interest	-	-	-	-	-	-	-	1,158	-
Insurance	-	374	4,753	9	507	-	-	(454)	-
Total operating expenses	(931)	48,324	74,088	2,219	7,698	2	-	132,076	(138,919)
Operating income (loss)	30,645	7,914	(15,728)	(682)	(3,322)	-	2,921	(5,903)	(1)
<b>Non-operating gains (losses)</b>									
Investment returns, net	-	107	(199)	(81)	(48)	(2)	-	7,032	-
Equity in gains (losses) in earnings of unconsolidated organizations	-	-	39	-	-	-	-	249	(39)
Gain on sale of assets	3,375	-	-	-	-	-	-	-	-
Loss on extinguishment of debt	-	-	-	-	-	-	-	(290)	-
Change in fair value of interest rate swaps	-	-	-	-	-	-	-	2,119	-
Total non-operating gains (losses)	3,375	107	(160)	(81)	(48)	(2)	-	9,110	(39)
Excess (deficit) of revenues over expenses	\$34,020	\$8,021	(\$15,888)	(\$763)	(\$3,370)	(\$2)	\$2,921	\$3,207	(\$40)

**Mercy Health System of SEPA**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

(in thousands of dollars)

	<b>Mercy Health System of SEPA</b>	<b>Mercy Catholic Medical Center</b>	<b>Mercy Suburban Hospital</b>	<b>E. Norriton Phys. Serv.- Hospital Based</b>	<b>Nazareth Hospital</b>	<b>Nazareth Health Care Foundation</b>	<b>St. Agnes Continuing Care Corp and Subs</b>	<b>St. Agnes LIFE</b>
<b>Unrestricted net assets</b>								
Excess (deficit) of revenue over expenses	\$21,047	\$382	(\$8,752)	(\$1)	\$946	\$78	(\$85)	\$373
Change in unrealized gains on available-for-sale securities	3,553	-	-	-	-	-	-	-
(Decrease) increase in pension liability adjustment	(4,409)	(986)	140	-	(1,479)	-	(490)	-
Net assets released from restrictions for capital expenditures	499	424	55	-	17	-	-	-
Other changes	(2,387)	(1,101)	(553)	-	(3,053)	-	1	1
Increase (decrease) in unrestricted net assets before discontinued operations	18,303	(1,281)	(9,110)	(\$1)	(3,569)	78	(574)	374
Loss from discontinued operations	500	-	-	-	-	-	500	-
Increase (decrease) in unrestricted net assets	18,803	(1,281)	(9,110)	(1)	(3,569)	78	(74)	374
<b>Temporarily restricted net assets</b>								
Contributions	431	177	159	-	-	60	-	2
Investment income	3	-	-	-	-	-	-	-
Net assets released from restrictions	(1,046)	(668)	(67)	-	(211)	-	-	-
Other changes	22	23	(4)	-	210	(210)	-	-
(Decrease) increase in temporarily restricted net assets	(590)	(468)	88	-	(1)	(150)	-	2
<b>Permanently restricted net assets</b>								
Other changes	130	-	-	-	-	-	-	130
Increase in permanently restricted net assets	130	-	-	-	-	-	-	130
Increase (decrease) in net assets	18,343	(1,749)	(9,022)	(1)	(3,570)	(72)	(74)	506
Beginning of year	187,275	(71,857)	8,162	(11,108)	11,263	2,405	(45,931)	7,387
End of year	<u>\$205,618</u>	<u>(\$73,606)</u>	<u>(\$860)</u>	<u>(\$11,109)</u>	<u>\$7,693</u>	<u>\$2,333</u>	<u>(\$46,005)</u>	<u>\$7,893</u>

**Mercy Health System of SEPA**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

*(in thousands of dollars)*

	Mercy Health Plan	Mercy Home Health Services Consolidated	Mercy Management	Mercy Eastwick, Inc.	Nazareth Physician Services	N.E. Physician Services, Inc.	Mercy Health System Foundation	Mercy Home Office	Eliminations
<b>Unrestricted net assets</b>									
Excess (deficit) of revenue over expenses	\$34,020	\$8,021	(\$15,888)	(\$763)	(\$3,370)	(\$2)	\$2,921	\$3,207	(\$40)
Change in unrealized gains on available-for-sale securities	3,553	-	-	-	-	-	-	-	-
(Decrease) increase in pension liability adjustment	-	(405)	(771)	-	-	-	-	(418)	-
Net assets released from restrictions for capital expenditures	-	-	3	-	-	-	-	-	-
Other changes	(9,428)	4	4	-	-	-	3,587	8,151	-
Increase (decrease) in unrestricted net assets before discontinued operations	28,145	7,620	(16,652)	(763)	(\$3,370)	(\$2)	\$6,508	10,940	(40)
Loss from discontinued operations	-	-	-	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets	28,145	7,620	(16,652)	(763)	(3,370)	(2)	6,508	10,940	(40)
<b>Temporarily restricted net assets</b>									
Contributions	-	33	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	3	-	-
Net assets released from restrictions	-	(33)	(3)	-	-	-	(64)	-	-
Other changes	-	-	3	-	-	-	0	-	-
(Decrease) increase in temporarily restricted net assets	-	-	-	-	-	-	(61)	-	-
<b>Permanently restricted net assets</b>									
Other changes	-	-	-	-	-	-	-	-	-
Increase in permanently restricted net assets	-	-	-	-	-	-	-	-	-
Increase (decrease) in net assets	28,145	7,620	(16,652)	(763)	(3,370)	(2)	6,447	10,940	(40)
Beginning of year	149,136	11,848	(75,086)	(30,549)	(4,981)	(1,287)	2,035	230,672	5,166
End of year	\$177,281	\$19,468	(\$91,738)	(\$31,312)	(\$8,351)	(\$1,289)	\$8,482	\$241,612	\$5,126

**Mercy Hospital (Miami) & Subs.**  
**Consolidating Balance Sheet**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>Mercy Hospital (Miami) &amp; Subsidiaries</b>	<b>Mercy Hospital (Miami)</b>	<b>Mercy Foundation, Inc.</b>	<b>Sister Emmanuel Hospital</b>	<b>Mercy Medical Development, Inc.</b>	<b>Mercy Mission Services</b>
<b>Assets</b>						
Current assets						
Cash and cash equivalents	\$689	\$639	33	\$ -	\$ -	\$17
Investments	853	-	853	-	-	-
Other accounts receivable	557	562	(21)	-	-	16
Prepaid expenses and inventories	5	2	3	-	-	-
Total current assets	<u>2,104</u>	<u>1,203</u>	<u>868</u>	<u>-</u>	<u>-</u>	<u>33</u>
Marketable securities and investments whose use is limited						
Board-designated funds	4,542	4,381	161	-	-	-
Donor-restricted funds	1,619	-	1,619	-	-	-
Investments	4,509	-	4,509	-	-	-
Total marketable securities and investments whose use is limited	<u>10,670</u>	<u>4,381</u>	<u>6,289</u>	<u>-</u>	<u>-</u>	<u>-</u>
Property and equipment, net	3	-	-	-	-	3
Investments in unconsolidated organizations	271	271	-	-	-	-
Other assets	6,588	6,251	337	-	-	-
Total assets	<u>\$19,636</u>	<u>\$12,106</u>	<u>\$7,494</u>	<u>\$0</u>	<u>\$ -</u>	<u>\$36</u>
<b>Liabilities and Net Assets</b>						
Current liabilities						
Accounts payable and accrued expenses	\$12,278	\$12,230	\$27	\$ -	\$8	\$13
Estimated third-party payor settlements, net	16,061	11,949	-	(138)	4,250	-
Other	6,434	6,393	-	41	-	-
Total current liabilities	<u>34,773</u>	<u>30,572</u>	<u>27</u>	<u>(97)</u>	<u>4,258</u>	<u>13</u>
Insurance liabilities, net of current portion	4,646	4,646	-	-	-	-
Total liabilities	<u>39,419</u>	<u>35,218</u>	<u>27</u>	<u>(97)</u>	<u>4,258</u>	<u>13</u>
Net assets						
Unrestricted	(21,556)	(23,112)	5,694	97	(4,258)	23
Temporarily restricted	1,619	-	1,619	-	-	-
Permanently restricted	154	-	154	-	-	-
Total net assets	<u>(19,783)</u>	<u>(23,112)</u>	<u>7,467</u>	<u>97</u>	<u>(4,258)</u>	<u>23</u>
Total liabilities and net assets	<u>\$19,636</u>	<u>\$12,106</u>	<u>\$7,494</u>	<u>\$0</u>	<u>\$ -</u>	<u>\$36</u>

**Mercy Hospital (Miami) & Subs.**  
**Consolidating Statement of Operations**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>Mercy Hospital (Miami) &amp; Subsidiaries</b>	<b>Mercy Hospital (Miami)</b>	<b>Mercy Foundation, Inc.</b>	<b>Sister Emmanuel Hospital</b>	<b>Mercy Mission Services</b>	<b>Mercy Eliminations</b>
<b>Unrestricted revenue, gains and other support</b>						
Other operating revenue, gains and other support	\$548	\$ -	\$548	\$ -	\$378	(\$378)
Total revenue, gains, and other support	<u>548</u>	<u>-</u>	<u>548</u>	<u>-</u>	<u>378</u>	<u>(378)</u>
<b>Expenses</b>						
Salaries, wages and benefits	340	-	33	-	307	-
Medical supplies	4	-	-	-	4	-
Purchased services, professional fees and other expenses	278	-	582	-	74	(378)
Depreciation and amortization	1	-	-	-	1	-
Insurance	17	-	16	-	1	-
Total operating expenses	<u>640</u>	<u>-</u>	<u>631</u>	<u>-</u>	<u>387</u>	<u>(378)</u>
Operating loss	(92)	-	(83)	-	(9)	-
<b>Non-operating gains</b>						
Investment returns, net	1,246	597	649	-	-	-
Equity in losses in earnings from unconsolidated organizations	51	51	-	-	-	-
Total non-operating gains	<u>1,297</u>	<u>648</u>	<u>649</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficit) of revenue over expenses	<u>\$1,205</u>	<u>\$648</u>	<u>\$566</u>	<u>\$ -</u>	<u>(\$9)</u>	<u>\$ -</u>

**Mercy Hospital (Miami) & Subs.**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>Mercy Hospital (Miami) &amp; Subsidiaries</b>	<b>Mercy Hospital (Miami)</b>	<b>Mercy Foundation, Inc.</b>	<b>Sister Emmanuel Hospital</b>	<b>Mercy Medical Development, Inc.</b>	<b>Mercy Mission Services</b>
<b>Unrestricted net assets</b>						
Excess (deficit) of revenue over expenses	\$1,205	\$648	\$566	\$ -	\$ -	(\$9)
Other changes	4	1,540	-	(1,705)	169	-
Increase (decrease) in unrestricted net assets before discontinued operations	1,209	2,188	566	(1,705)	169	(9)
Loss on discontinued operations	(2,103)	(2,592)	-	460	29	-
(Decrease) increase in unrestricted net assets	(894)	(404)	566	(1,245)	198	(9)
<b>Temporarily restricted net assets</b>						
Net assets released from restrictions	(369)	-	(369)	-	-	-
Decrease in temporarily restricted net assets	(369)	-	(369)	-	-	-
(Decrease) increase in net assets	(1,263)	(404)	197	(1,245)	198	(9)
Beginning of year	(18,520)	(22,708)	7,270	1,342	(4,456)	32
End of year	<u>(\$19,783)</u>	<u>(\$23,112)</u>	<u>\$7,467</u>	<u>\$97</u>	<u>(\$4,258)</u>	<u>\$23</u>

**Pittsburgh Mercy Health System**  
**Consolidating Balance Sheet**  
**December 31, 2012**

(in thousands of dollars)

	<b>Pittsburgh Mercy Health System</b>	<b>Pittsburgh Mercy Health System</b>	<b>McAuley Ministries</b>	<b>Mercy Life Center Corp (Behav)</b>	<b>Mercy Jeannette Hospital</b>	<b>Jeannette Medical Practices</b>
<b>Assets</b>						
Current assets						
Cash and cash equivalents	\$24,383	\$1,491	\$3,106	\$19,786	\$ -	\$ -
Patient accounts receivable	4,746	-	-	4,746	-	-
Other accounts receivable	16,100	430	4,387	11,283	-	-
Prepaid expenses and inventories	1,409	-	-	1,409	-	-
Total current assets	46,638	1,921	7,493	37,224	-	-
Marketable securities and investments whose use is limited						
Board-designated funds	87,095	21,173	65,922	-	-	-
Trustee-held funds	230	-	-	-	230	-
Donor-restricted funds	3,467	3,467	-	-	-	-
Total marketable securities and investments whose use is limited	90,792	24,640	65,922	-	230	-
Property and equipment, net	10,383	-	-	10,383	-	-
Other assets	4,658	262	3,952	444	-	-
Total assets	\$152,471	\$26,823	\$77,367	\$48,051	\$230	\$ -
<b>Liabilities and Net Assets</b>						
Current liabilities						
Current portion of long-term debt and capital lease obligations	\$1,199	\$ -	\$ -	\$1,199	\$ -	\$ -
Accounts payable and accrued expenses	13,503	368	672	8,745	3,718	-
Other	2,473	263	-	2,178	32	-
Total current liabilities	17,175	631	672	12,122	3,750	-
Long-term debt, net	3,522	-	-	3,522	-	-
Other liabilities	(2)	-	-	(2)	-	-
Pension liabilities	20,699	-	-	-	20,699	-
Insurance liabilities, net of current portion	1,748	262	-	530	753	203
Total liabilities	43,142	893	672	16,172	25,202	203
Net assets						
Unrestricted	101,416	21,755	76,695	30,108	(26,939)	(203)
Temporarily restricted	7,913	4,175	-	1,771	1,967	-
Total net assets	109,329	25,930	76,695	31,879	(24,972)	(203)
Total liabilities and net assets	\$152,471	\$26,823	\$77,367	\$48,051	\$230	\$ -

**Pittsburgh Mercy Health System**  
**Consolidating Statement of Operations**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>Pittsburgh Mercy Health System</b>	<b>Pittsburgh Mercy Health System</b>	<b>McAuley Ministries</b>	<b>Mercy Life Center Corp (Behav)</b>	<b>Mercy Jeannette Hospital</b>
<b>Unrestricted revenue, gains and other support</b>					
Net patient service revenue	\$34,942	\$ -	\$ -	\$34,942	\$ -
Other operating revenue, gains and other support	59,054	184	3,381	55,489	-
Total unrestricted revenue, gains and other support	<u>93,996</u>	<u>184</u>	<u>3,381</u>	<u>90,431</u>	<u>-</u>
<b>Expenses</b>					
Salaries, wages and benefits	64,491	3,434	253	60,548	256
Purchased services, professional fees and other expenses	24,702	(2,987)	2,402	25,287	-
Depreciation and amortization	562	-	-	562	-
Insurance	661	-	-	661	-
Total operating expenses	<u>90,416</u>	<u>447</u>	<u>2,655</u>	<u>87,058</u>	<u>256</u>
Operating income (loss)	3,580	(263)	726	3,373	(256)
<b>Non-operating gains</b>					
Investment returns, net	4,054	1,657	2,397	-	-
Total non-operating gains	<u>4,054</u>	<u>1,657</u>	<u>2,397</u>	<u>-</u>	<u>-</u>
Excess (deficit) of revenues over expenses	<u><u>\$7,634</u></u>	<u><u>\$1,394</u></u>	<u><u>\$3,123</u></u>	<u><u>\$3,373</u></u>	<u><u>(\$256)</u></u>

**Pittsburgh Mercy Health System**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>Pittsburgh Mercy Health System</b>	<b>Pittsburgh Mercy Health System</b>	<b>McAuley Ministries</b>	<b>Mercy Life Center Corp (Behav)</b>	<b>Mercy Jeannette Hospital</b>	<b>Jeannette Medical Practices</b>
<b>Unrestricted net assets</b>						
Excess (deficit) of revenue over expenses	\$7,634	\$1,394	\$3,123	\$3,373	(\$256)	\$ -
(Decrease) increase in pension liability adjustment	(5,427)	-	-	10	(5,437)	-
Other changes	769	-	-	769	-	-
Increase (decrease) in unrestricted net assets before discontinued operations	2,976	1,394	3,123	4,152	(5,693)	-
(Loss) income from discontinued operations	(1,609)	-	-	(1,983)	374	-
Increase (decrease) in unrestricted net assets	1,367	1,394	3,123	2,169	(5,319)	-
<b>Temporarily restricted net assets</b>						
Contributions	607	607	-	-	-	-
Investment income	25	25	-	-	-	-
Net assets released from restrictions	(978)	(978)	-	-	-	-
Decrease in temporarily restricted net assets	(346)	(346)	-	-	-	-
Increase (decrease) in net assets	1,021	1,048	3,123	2,169	(5,319)	-
Beginning of year	108,308	24,882	73,572	29,710	(19,653)	(203)
End of year	<b>\$109,329</b>	<b>\$25,930</b>	<b>\$76,695</b>	<b>\$31,879</b>	<b>(\$24,972)</b>	<b>(\$203)</b>

**Saint Francis Healthcare**  
**Consolidating Balance Sheet**  
**December 31, 2012**

*(in thousands of dollars)*

	<u>Saint Francis Healthcare</u>	<u>Saint Francis Hospital</u>	<u>Saint Francis Foundation</u>	<u>Franciscan ElderCare Corporation</u>	<u>Life at Saint Francis Healthcare</u>
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$233	\$16	\$41	\$76	\$100
Patient accounts receivable, net of estimated uncollectibles of \$8,691	12,421	11,647	-	774	-
Other accounts receivable	2,181	2,101	53	27	-
Prepaid expenses and inventories	4,388	4,323	-	39	26
Total current assets	<u>19,223</u>	<u>18,087</u>	<u>94</u>	<u>916</u>	<u>126</u>
Marketable securities and investments whose use is limited					
Trustee-held funds	1,819	1,819	-	-	-
Donor-restricted funds	362	26	336	-	-
Total marketable securities and investments whose use is limited	<u>2,181</u>	<u>1,845</u>	<u>336</u>	<u>-</u>	<u>-</u>
Property and equipment, net	54,555	51,938	-	385	2,232
Investments in unconsolidated organizations	563	563	0	0	0
Assets held for sale	2,015	0	-	2,015	-
Other assets	5,390	5,072	-	318	-
Total assets	<u><u>\$83,927</u></u>	<u><u>\$77,505</u></u>	<u><u>\$430</u></u>	<u><u>\$3,634</u></u>	<u><u>\$2,358</u></u>
<b>Liabilities and Net Assets</b>					
Current liabilities					
Current portion of long-term debt and capital lease obligations	\$1,786	\$1,675	\$ -	\$111	\$ -
Accounts payable and accrued expenses	54,263	50,032	2	834	3,395
Estimated third party payor settlements, net	4,398	4,398	-	-	-
Other	6,237	5,574	217	446	-
Total current liabilities	<u>66,684</u>	<u>61,679</u>	<u>219</u>	<u>1,391</u>	<u>3,395</u>
Long-term debt, net	39,545	36,707	-	2,838	-
Other liabilities	350	350	-	-	-
Pension liabilities	12,375	12,237	-	132	6
Insurance liabilities, net of current portion	8,617	8,056	-	561	-
Total liabilities	<u>127,571</u>	<u>119,029</u>	<u>219</u>	<u>4,922</u>	<u>3,401</u>
Net assets					
Unrestricted	(44,006)	(41,550)	(125)	(1,288)	(1,043)
Temporarily restricted	362	26	336	-	-
Total net assets	<u>(43,644)</u>	<u>(41,524)</u>	<u>211</u>	<u>(1,288)</u>	<u>(1,043)</u>
Total liabilities and net assets	<u><u>\$83,927</u></u>	<u><u>\$77,505</u></u>	<u><u>\$430</u></u>	<u><u>\$3,634</u></u>	<u><u>\$2,358</u></u>

**Saint Francis Healthcare**  
**Consolidating Statement of Operations**  
**December 31, 2012**

<i>(in thousands of dollars)</i>	<b>Saint Francis Healthcare</b>	<b>Saint Francis Hospital</b>	<b>Saint Francis Foundation</b>	<b>Franciscan ElderCare Corporation</b>	<b>Life at Saint Francis Healthcare</b>
<b>Unrestricted revenue, gains and other support</b>					
Net patient service revenue, net of provision for bad debts of \$8,834	\$124,608	\$124,608	\$ -	\$ -	\$ -
Other operating revenue, gains and other support	7,018	6,845	173	-	-
Total unrestricted revenue, gains and other support	<u>131,626</u>	<u>131,453</u>	<u>173</u>	<u>-</u>	<u>-</u>
<b>Expenses</b>					
Salaries, wages and benefits	68,262	67,438	195	-	629
Medical supplies	16,014	16,011	-	-	3
Purchased services, professional fees and other expenses	37,860	37,364	194	-	302
Depreciation and amortization	5,834	5,749	-	-	85
Interest	1,178	1,177	1	-	-
Insurance	2,099	2,097	2	-	-
Total operating expenses	<u>131,247</u>	<u>129,836</u>	<u>392</u>	<u>-</u>	<u>1,019</u>
Operating income (loss)	379	1,617	(219)	-	(1,019)
<b>Non-operating gains (losses)</b>					
Investment returns, net	(99)	(110)	-	11	-
Equity in gains in earnings of unconsolidated organizations	58	58	-	-	-
Gain on sale of assets	77	77	-	-	-
Loss on extinguishment of debt	(13)	(13)	-	-	-
Change in fair value of interest rate swaps	613	613	-	-	-
Total non-operating gains (losses)	<u>636</u>	<u>625</u>	<u>-</u>	<u>11</u>	<u>-</u>
Excess (deficit) of revenues over expenses	<u>\$1,015</u>	<u>\$2,242</u>	<u>(\$219)</u>	<u>\$11</u>	<u>(\$1,019)</u>

**Saint Francis Healthcare**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>Saint Francis Healthcare</b>	<b>Saint Francis Hospital</b>	<b>Saint Francis Foundation</b>	<b>Franciscan ElderCare Corporation</b>	<b>Life at Saint Francis Healthcare</b>
<b>Unrestricted net assets</b>					
Excess (deficit) of revenue over expenses	\$1,015	\$2,242	(\$219)	\$11	(\$1,019)
Decrease in pension liability adjustment	(375)	(375)	-	-	-
Net assets released from restrictions for capital expenditures	131	131	-	-	-
Other changes	(493)	(1,393)	-	900	-
Increase (decrease) in unrestricted net assets before discontinued operations	278	605	(219)	911	(1,019)
Loss from discontinued operations	(4,106)	(2,609)	-	(1,497)	-
Decrease in unrestricted net assets	(3,828)	(2,004)	(219)	(586)	(1,019)
<b>Temporarily restricted net assets</b>					
Contributions	964	1	963	-	-
Net assets released from restrictions	(836)	(5)	(831)	-	-
(Decrease) increase in temporarily restricted net assets	128	(4)	132	-	-
(Decrease) increase in net assets	(3,700)	(2,008)	(87)	(586)	(1,019)
Beginning of year	(39,944)	(39,516)	298	(702)	(24)
End of year	<b>(\$43,644)</b>	<b>(\$41,524)</b>	<b>\$211</b>	<b>(\$1,288)</b>	<b>(\$1,043)</b>

**Saint Joseph's Health System, Inc.**  
**Consolidating Balance Sheet**  
**December 31, 2012**

(in thousands of dollars)

	Saint Joseph's Health System, Inc.	Saint Joseph's Health System Corporate	Saint Joseph's Mercy Found., Inc.	Mercy Services Downtown	Mercy Care Svc's, Inc.	Mercy Senior Care, Inc.	SJHS, Adjustments	Saint Joseph's J.O.C.
<b>Assets</b>								
<b>Current assets</b>								
Cash and cash equivalents	\$5,772	\$756	\$2,680	\$793	\$1,319	\$224	\$ -	\$ -
Investments	2,174	-	2,174	-	-	-	-	-
Patient accounts receivable, net of estimated uncollectibles of \$9	72	-	-	-	36	36	-	-
Other accounts receivable	1,750	770	656	-	456	80	(212)	-
Prepaid expenses and inventories	340	126	10	-	201	3	-	-
Total current assets	<u>10,108</u>	<u>1,652</u>	<u>5,520</u>	<u>793</u>	<u>2,012</u>	<u>343</u>	<u>(212)</u>	<u>-</u>
<b>Marketable securities and investments whose use is limited</b>								
Board-designated funds	36,214	34,270	1,944	-	-	-	-	-
Investments	201,106	136,801	56,936	-	7,369	-	-	-
Total marketables securities and investments whose use is limited	<u>237,320</u>	<u>171,071</u>	<u>58,880</u>	<u>-</u>	<u>7,369</u>	<u>-</u>	<u>-</u>	<u>-</u>
Property and equipment, net	11,203	101	5	6,465	3,506	1,126	-	-
Investments in unconsolidated organizations	60,519	-	-	-	6,534	-	(6,534)	60,519
Other assets	59,528	-	5,967	-	-	-	(5,778)	59,339
Total assets	<u>\$378,678</u>	<u>\$172,824</u>	<u>\$70,372</u>	<u>\$7,258</u>	<u>\$19,421</u>	<u>\$1,469</u>	<u>(\$12,524)</u>	<u>\$119,858</u>
<b>Liabilities and Net Assets</b>								
<b>Current liabilities</b>								
Accounts payable and accrued expenses	\$1,886	\$369	\$312	\$ -	\$1,096	\$109	\$ -	\$ -
Estimated third party payor settlements, net	1,554	1,554	-	-	-	-	-	-
Other	2,667	212	1,837	-	781	49	(212)	-
Total current liabilities	<u>6,107</u>	<u>2,135</u>	<u>2,149</u>	<u>-</u>	<u>1,877</u>	<u>158</u>	<u>(212)</u>	<u>-</u>
Long-term debt, net	2,222	-	-	8,000	-	-	(5,778)	-
Other liabilities	1,008	-	1,008	-	-	-	-	-
Pension liabilities	62,995	784	174	-	2,502	196	-	59,339
Insurance liabilities, net of current portion	78	-	2	-	61	15	-	-
Total liabilities	<u>72,410</u>	<u>2,919</u>	<u>3,333</u>	<u>8,000</u>	<u>4,440</u>	<u>369</u>	<u>(5,990)</u>	<u>59,339</u>
<b>Net assets</b>								
Unrestricted	286,924	169,895	55,669	(742)	4,984	1,082	-	56,036
Temporarily restricted	15,440	10	10,835	-	6,628	18	(6,534)	4,483
Permanently restricted	3,904	-	535	-	3,369	-	-	-
Total net assets	<u>306,268</u>	<u>169,905</u>	<u>67,039</u>	<u>(742)</u>	<u>14,981</u>	<u>1,100</u>	<u>(6,534)</u>	<u>60,519</u>
Total liabilities and net assets	<u>\$378,678</u>	<u>\$172,824</u>	<u>\$70,372</u>	<u>\$7,258</u>	<u>\$19,421</u>	<u>\$1,469</u>	<u>(\$12,524)</u>	<u>\$119,858</u>

**Saint Joseph's Health System, Inc.**  
**Consolidating Statement of Operations**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>Saint Joseph's Health System, Inc.</b>	<b>Saint Joseph's Health System Corporate</b>	<b>Saint Joseph's Mercy Found., Inc.</b>	<b>Mercy Services Downtown</b>	<b>Mercy Care Svc's, Inc.</b>	<b>Mercy Senior Care, Inc.</b>	<b>SJHS, Adjustments</b>	<b>Saint Joseph's J.O.C.</b>
<b>Unrestricted revenue, gains and other support</b>								
Net patient service revenue, net of provision for bad debts of \$49	\$786	\$ -	\$ -	\$ -	\$683	\$103	\$ -	\$ -
Other operating revenue, gains and other support	17,155	1,335	2,693	80	12,634	984	(571)	-
Total unrestricted revenue, gains and other support	<u>17,941</u>	<u>1,335</u>	<u>2,693</u>	<u>80</u>	<u>13,317</u>	<u>1,087</u>	<u>(571)</u>	<u>-</u>
<b>Expenses</b>								
Salaries, wages and benefits	11,107	277	955	-	8,912	963	-	-
Medical supplies	453	-	-	-	448	5	-	-
Purchased services, professional fees and other expenses	4,630	948	1,827	24	2,107	295	(571)	-
Depreciation and amortization	807	190	1	313	274	29	-	-
Interest	91	11	-	80	-	-	-	-
Insurance	203	34	27	8	114	20	-	-
Total operating expenses	<u>17,291</u>	<u>1,460</u>	<u>2,810</u>	<u>425</u>	<u>11,855</u>	<u>1,312</u>	<u>(571)</u>	<u>-</u>
Operating income (loss)	650	(125)	(117)	(345)	1,462	(225)	-	-
<b>Non-operating (losses) gains</b>								
Investment returns, net	15,444	9,735	4,502	-	1,207	-	-	-
Equity in losses of unconsolidated organizations	(88,879)	-	-	-	-	-	-	(88,879)
Loss on sale of assets	(246)	(246)	-	-	-	-	-	-
Total non-operating (losses) gains	<u>(73,681)</u>	<u>9,489</u>	<u>4,502</u>	<u>-</u>	<u>1,207</u>	<u>-</u>	<u>-</u>	<u>(88,879)</u>
(Deficit) excess of revenues over expenses	<u>(\$73,031)</u>	<u>\$9,364</u>	<u>\$4,385</u>	<u>(\$345)</u>	<u>\$2,669</u>	<u>(\$225)</u>	<u>\$ -</u>	<u>(\$88,879)</u>

**Saint Joseph's Health System, Inc.**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

(in thousands of dollars)

	<b>Saint Joseph's Health System, Inc.</b>	<b>Saint Joseph's Health System at East Georgia</b>	<b>Saint Joseph's Health System Corporate</b>	<b>Saint Joseph's Mercy Found., Inc.</b>	<b>Mercy Services Downtown</b>	<b>Mercy Care Svc's, Inc.</b>	<b>Mercy Senior Care, Inc.</b>	<b>SJHS, Adjustments</b>	<b>Saint Joseph's J.O.C.</b>
<b>Unrestricted net assets</b>									
(Deficit) excess of revenue over expenses	(\$73,031)	\$-	\$9,364	\$4,385	(\$345)	\$2,669	(\$225)	\$-	(\$88,879)
Decrease in pension liability adjustment	(629)	-	(94)	(21)	-	(478)	(36)	-	-
Net assets released from restrictions for capital expenditures	539	-	-	-	-	36	503	-	-
Other changes	(9,100)	(3,594)	(3,609)	345	5	(1,546)	319	-	(1,020)
(Decrease) increase in unrestricted net assets before discontinued operations	(82,221)	(3,594)	5,661	4,709	(340)	681	561	-	(89,899)
Loss from discontinued operations	(163)	-	(163)	-	-	-	-	-	-
(Decrease) increase in unrestricted net assets	(82,384)	(3,594)	5,498	4,709	(340)	681	561	-	(89,899)
<b>Temporarily restricted net assets</b>									
Contributions	240	-	-	185	-	45	10	-	-
Investment income	178	-	-	178	-	-	-	-	-
Net assets released from restrictions	(1,323)	-	-	(1,172)	-	(151)	-	-	-
Other changes	1,194	(36)	-	(7,015)	-	(283)	-	4,045	4,483
Increase (decrease) in temporarily restricted net assets	289	(36)	-	(7,824)	-	(389)	10	4,045	4,483
(Decrease) increase in net assets	(82,095)	(3,630)	5,498	(3,115)	(340)	292	571	4,045	(85,416)
Beginning of year	388,363	3,630	164,407	70,154	(402)	14,689	529	(10,579)	145,935
End of year	\$306,268	\$0	\$169,905	\$67,039	(\$742)	\$14,981	\$1,100	(\$6,534)	\$60,519

**Saint Michael's Medical Center**  
**Consolidating Statement of Operations and Changes in Net Assets**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>Saint Michael's Medical Center</b>	<b>Saint Michael's Medical Center- Hospital</b>	<b>Chestnut Risk - Offshore Insurance Co.</b>	<b>University Heights Management Company</b>	<b>Saint Michael's Foundation</b>	<b>Saint Michael's Elimination Company</b>
<b>Unrestricted net assets</b>						
Other changes	(\$1,364)	(\$3,134)	\$ -	\$2,240	(\$470)	\$ -
(Decrease) increase in unrestricted net assets before discontinued operations	(1,364)	(3,134)	-	2,240	(470)	-
Loss from discontinued operations	(151,454)	(148,054)	746	(4,039)	(107)	-
(Decrease) increase in unrestricted net assets	(152,818)	(151,188)	746	(1,799)	(577)	-
<b>Temporarily restricted net assets</b>						
Net assets released from restrictions	303	-	-	-	303	-
Other changes	769	769	-	-	-	-
Increase in temporarily restricted net assets	1,072	769	-	-	303	-
(Decrease) increase in net assets	(151,746)	(150,419)	746	(1,799)	(274)	-
Beginning of period	(62,607)	(80,491)	5,940	7,290	5,994	(1,340)
End of period	(\$214,353)	(\$230,910)	\$6,686	\$5,491	\$5,720	(\$1,340)

**Sisters of Providence Health System  
Consolidating Balance Sheet  
December 31, 2012**

<i>(in thousands of dollars)</i>	<b>Sisters of Providence Health System Consolidated</b>	<b>Sisters of Providence Health System, Inc.</b>	<b>Mercy Medical Center</b>	<b>Providence Behaviorial Health Hospital</b>	<b>System Coordinated Services, Inc.</b>	<b>Continuing Care Network</b>	<b>Mercy Specialist Physicians</b>	<b>Brightside, Inc.</b>	<b>Pioneer Valley Cardiology Associates Inc.</b>	<b>Mercy Oncology Services, Inc.</b>
<b>Assets</b>										
<b>Current assets</b>										
Cash and cash equivalents	\$22,282	(\$18,836)	\$130,341	(\$51,727)	(\$11,494)	(\$110)	(\$3,752)	(\$19,921)	(\$1,551)	(\$668)
Patient accounts receivable, net of estimated uncollectibles of \$10,831	32,145	-	22,025	3,370	2,555	2,417	295	354	959	170
Other accounts receivable	2,659	1,303	706	32	379	102	129	8	-	-
Prepaid expenses and inventories	5,513	461	4,237	230	507	57	5	5	4	7
Assets held for sale	2,743	-	-	-	-	2,743	-	-	-	-
Total current assets	65,342	(17,072)	157,309	(48,095)	(8,053)	5,209	(3,323)	(19,554)	(588)	(491)
<b>Marketable securities and investments whose use is limited</b>										
Board-designated funds	3,422	-	-	-	-	-	-	3,422	-	-
Trustee-held funds	2,665	-	-	2,265	-	293	-	107	-	-
Donor-restricted funds	4,553	283	1,790	279	-	1,785	-	416	-	-
Total marketable securities and investments whose use is limited	10,640	283	1,790	2,544	-	2,078	-	3,945	-	-
<b>Property and equipment, net</b>										
Investments in unconsolidated organizations	6,988	6,185	376	-	407	-	-	-	-	-
Other assets	18,605	17,232	778	294	(10)	129	-	182	-	-
Total assets	\$191,679	\$12,438	\$232,130	(\$38,466)	(\$4,690)	\$10,087	(\$3,314)	(\$15,427)	(\$588)	(\$491)
<b>Liabilities and Net Assets</b>										
<b>Current liabilities</b>										
Current portion of long-term debt and capital leases	\$2,523	\$8	\$1,185	\$663	\$342	\$269	\$-	\$56	\$-	\$-
Accounts payable and accrued expenses	25,290	3,446	12,857	2,627	2,979	2,662	169	195	170	185
Estimated third party payor settlements, net	12,940	-	11,878	424	638	-	-	-	-	-
Other	7,046	(2,681)	4,097	883	13	4,733	30	(50)	14	7
Total current liabilities	47,799	773	30,017	4,597	3,972	7,664	199	201	184	192
<b>Long-term debt, net</b>										
Other liabilities	53,040	155	22,144	22,297	623	6,307	-	1,514	-	-
Pension liabilities	2,140	3	786	1,143	130	68	-	10	-	-
Insurance liabilities, net of current portion	11,787	218	8,516	2,276	1,019	(280)	-	38	-	-
Total liabilities	18,376	15,417	1,717	435	152	249	208	198	-	-
Total liabilities	133,142	16,566	63,180	30,748	5,896	14,008	407	1,961	184	192
<b>Net assets</b>										
Unrestricted	53,935	(4,291)	167,077	(69,495)	(10,586)	(5,707)	(3,721)	(17,887)	(772)	(683)
Temporarily restricted	2,336	113	1,741	55	-	135	-	292	-	-
Permanently restricted	2,266	50	132	226	-	1,651	-	207	-	-
Total net assets	58,537	(4,128)	168,950	(69,214)	(10,586)	(3,921)	(3,721)	(17,388)	(772)	(683)
Total liabilities and net assets	\$191,679	\$12,438	\$232,130	(\$38,466)	(\$4,690)	\$10,087	(\$3,314)	(\$15,427)	(\$588)	(\$491)

**Sisters of Providence Health System  
Consolidating Statement of Operations  
December 31, 2012**

*(in thousands of dollars)*

	<b>Sisters of Providence Health System Consolidated</b>	<b>Sisters of Providence Health System, Inc.</b>	<b>Mercy Medical Center</b>	<b>Providence Behavioral Health Hospital</b>	<b>System Coordinated Services, Inc.</b>	<b>Continuing Care Network</b>	<b>Mercy Specialist Physicians</b>	<b>Brightside, Inc.</b>	<b>Pioneer Valley Cardiology Associates Inc.</b>	<b>Mercy Oncology Services, Inc.</b>	<b>Eliminations</b>
<b>Unrestricted revenue, gains and other support</b>											
Net patient service revenue, net of provision for bad debts of \$8,905	\$276,300	\$ -	\$186,500	\$26,038	\$39,004	\$28,190	\$2,330	\$2,130	\$1,212	\$374	(\$9,478)
Other operating revenue, gains and other support	27,785	28,898	15,904	7,093	2,201	811	-	352	(7)	-	(27,467)
Total unrestricted revenue, gains and other support	304,085	28,898	202,404	33,131	41,205	29,001	2,330	2,482	1,205	374	(36,945)
<b>Expenses</b>											
Salaries, wages and benefits	170,901	13,537	80,842	26,973	26,666	18,180	2,506	1,866	256	75	-
Medical supplies	33,040	(58)	27,706	555	4,151	466	-	-	5	215	-
Purchased services, professional fees and other expenses	65,957	13,171	54,632	8,428	13,297	9,416	677	831	1,710	740	(36,945)
Depreciation and amortization	11,240	1,857	7,756	816	462	342	-	7	-	-	-
Interest	1,952	(350)	714	864	98	579	-	47	-	-	-
Insurance	2,953	386	1,735	303	317	124	48	9	5	26	-
Total operating expenses	286,043	28,543	173,385	37,939	44,991	29,107	3,231	2,760	1,976	1,056	(36,945)
Operating income (loss)	18,042	355	29,019	(4,808)	(3,786)	(106)	(901)	(278)	(771)	(682)	-
<b>Non-operating gains (losses)</b>											
Investment returns, net	523	(72)	601	(182)	(59)	60	(16)	193	(1)	(1)	-
Equity in gains in earnings of unconsolidated organizations	1,316	1,219	-	-	97	-	-	-	-	-	-
Change in fair value of interest rate swaps	738	4	547	70	-	102	-	15	-	-	-
Total non-operating gains (losses)	2,577	1,151	1,148	(112)	38	162	(16)	208	(1)	(1)	-
Excess (deficit) of revenues over expenses	\$20,619	\$1,506	\$30,167	(\$4,920)	(\$3,748)	\$56	(\$917)	(\$70)	(\$772)	(\$683)	\$ -

**Sisters of Providence Health System**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>Sisters of Providence Health System Consolidated</b>	<b>Sisters of Providence Health System, Inc.</b>	<b>Mercy Medical Center</b>	<b>Providence Behavioral Health Hospital</b>	<b>System Coordinated Services, Inc.</b>	<b>Continuing Care Network</b>	<b>Mercy Specialist Physicians</b>	<b>Brightside, Inc.</b>	<b>Pioneer Valley Cardiology Associates Inc.</b>	<b>Mercy Oncology Services, Inc.</b>
<b>Unrestricted net assets</b>										
Excess (deficit) of revenues over expenses	\$20,619	\$1,506	\$30,167	(\$4,920)	(\$3,748)	\$56	(\$917)	(\$70)	(\$772)	(\$683)
Increase (decrease) in pension liability adjustment	97	60	58	(10)	(89)	113	-	(35)	-	-
Net assets released from restrictions for capital expenditures	501	-	501	-	-	-	-	-	-	-
Other changes	(934)	(934)	100	-	(100)	-	-	-	-	-
Increase (decrease) in unrestricted net assets before discontinued operations	20,283	632	30,826	(4,930)	(3,937)	169	(917)	(105)	(772)	(683)
Loss from discontinued operations	765	-	-	-	-	765	-	-	-	-
Increase (decrease) in unrestricted net assets	21,048	632	30,826	(4,930)	(3,937)	934	(917)	(105)	(772)	(683)
<b>Temporarily restricted net assets</b>										
Contributions	522	28	245	9	-	239	-	1	-	-
Investment income (loss)	36	(1)	40	(1)	-	(1)	-	(1)	-	-
Change in unrealized gains on investments	176	12	106	25	-	6	-	27	-	-
Net assets released from restrictions	(885)	(94)	(545)	(10)	-	(220)	-	(16)	-	-
Other changes	31	-	29	-	-	-	-	2	-	-
(Decrease) increase in temporarily restricted net assets	(120)	(55)	(125)	23	-	24	-	13	-	-
<b>Permanently restricted net assets</b>										
Net realized and unrealized gains on investments	143	-	-	-	-	125	-	18	-	-
Increase in permanently restricted net assets	143	-	-	-	-	125	-	18	-	-
Increase (decrease) in net assets	21,071	577	30,701	(4,907)	(3,937)	1,083	(917)	(74)	(772)	(683)
Beginning of year	37,467	(4,704)	138,249	(64,307)	(6,649)	(5,004)	(2,804)	(17,314)	0	0
End of year	\$58,538	(\$4,127)	\$168,950	(\$69,214)	(\$10,586)	(\$3,921)	(\$3,721)	(\$17,388)	(\$772)	(\$683)

**St. Joseph's of the Pines  
Consolidating Balance Sheet  
December 31, 2012**

<i>(in thousands of dollars)</i>	<b>St. Joseph's of the Pines</b>	<b>Belle Meade</b>	<b>Pine Knoll</b>	<b>Neese Clinic</b>	<b>Coventry</b>	<b>Family Care Homes</b>	<b>PACE Program</b>	<b>Health Center</b>	<b>Home Care at St. Joseph of the Pines</b>	<b>HUD Housing Management</b>
<b>Assets</b>										
<b>Current assets</b>										
Cash and cash equivalents	\$1,972	\$94	\$19	\$1,460	\$10	\$ -	\$308	\$81	\$ -	\$ -
Patient accounts receivable, net of estimated uncollectibles of \$456	1,437	46	27	16	17	1	180	927	223	-
Other accounts receivable	2,565	1,701	264	299	(15)	(5)	235	(97)	(2)	185
Prepaid expenses and inventories	223	76	14	67	3	1	24	35	3	-
Total current assets	<u>6,197</u>	<u>1,917</u>	<u>324</u>	<u>1,842</u>	<u>15</u>	<u>(3)</u>	<u>747</u>	<u>946</u>	<u>224</u>	<u>185</u>
<b>Marketable securities and investments whose use is limited</b>										
Board-designated funds	10,523	10,523	-	-	-	-	-	-	-	-
Investments	4,995	1,099	1,466	761	-	-	1,669	-	-	-
Total marketable securities and investments whose use is limited	<u>15,518</u>	<u>11,622</u>	<u>1,466</u>	<u>761</u>	<u>-</u>	<u>-</u>	<u>1,669</u>	<u>-</u>	<u>-</u>	<u>-</u>
Property and equipment, net	69,186	36,845	11,571	2,145	2,868	1,089	2,712	11,889	22	45
Investments in unconsolidated organizations	50	-	-	50	-	-	-	-	-	-
Other assets	1,573	172	(29)	1,379	26	-	-	25	-	-
Total assets	<u>\$92,524</u>	<u>\$50,556</u>	<u>\$13,332</u>	<u>\$6,177</u>	<u>\$2,909</u>	<u>\$1,086</u>	<u>\$5,128</u>	<u>\$12,860</u>	<u>\$246</u>	<u>\$230</u>
<b>Liabilities and Net Assets</b>										
<b>Current liabilities</b>										
Current portion of long-term debt and capital obligations	\$1,285	\$188	\$270	\$91	\$390	\$ -	\$ -	\$346	\$ -	\$ -
Portion of variable rate demand obligations classified as current	8,425	8,425	-	-	-	-	-	-	-	-
Accounts payable and accrued expenses	2,487	970	163	642	(27)	27	464	154	86	8
Other	911	9	1	24	2	-	819	56	-	-
Total current liabilities	<u>13,108</u>	<u>9,592</u>	<u>434</u>	<u>757</u>	<u>365</u>	<u>27</u>	<u>1,283</u>	<u>556</u>	<u>86</u>	<u>8</u>
Long-term debt, net	46,036	21,530	5,961	2,034	8,745	-	-	7,766	-	-
Other liabilities	7,608	3,457	1,223	(10,261)	(4,078)	1,074	8,582	7,103	190	318
Pension liabilities	77	-	-	77	-	-	-	-	-	-
Insurance liabilities, net of current portion	422	27	7	311	4	-	-	73	-	-
Deferred revenue from entrance fees	27,345	21,284	6,061	-	-	-	-	-	-	-
Total liabilities	<u>94,596</u>	<u>55,890</u>	<u>13,686</u>	<u>(7,082)</u>	<u>5,036</u>	<u>1,101</u>	<u>9,865</u>	<u>15,498</u>	<u>276</u>	<u>326</u>
<b>Net assets</b>										
Unrestricted	(2,566)	(5,388)	(356)	12,886	(2,137)	(15)	(4,737)	(2,693)	(30)	(96)
Temporarily restricted	336	54	2	215	10	-	-	55	-	-
Permanently restricted	158	-	-	158	-	-	-	-	-	-
Total net assets	<u>(2,072)</u>	<u>(5,334)</u>	<u>(354)</u>	<u>13,259</u>	<u>(2,127)</u>	<u>(15)</u>	<u>(4,737)</u>	<u>(2,638)</u>	<u>(30)</u>	<u>(96)</u>
Total liabilities and net assets	<u>\$92,524</u>	<u>\$50,556</u>	<u>\$13,332</u>	<u>\$6,177</u>	<u>\$2,909</u>	<u>\$1,086</u>	<u>\$5,128</u>	<u>\$12,860</u>	<u>\$246</u>	<u>\$230</u>

St. Joseph's of the Pines  
Consolidating Statement of Operations  
December 31, 2012

<i>(in thousands of dollars)</i>	St. Joseph's of the Pines	Belle Meade	Pine Knoll	Neese Clinic	Coventry	Family Care Homes	PACE Program	Health Center	Home Care at St. Joseph of the Pines	HUD Housing Management	St. Joseph of the Pines Eliminations
<b>Unrestricted revenue, gains and other support</b>											
Net patient service revenue, net of provision for bad debts of \$191	\$20,725	(\$204)	(\$28)	\$ -	\$2	(\$11)	\$6,901	\$14,703	\$2,078	\$ -	(\$2,716)
Other operating revenue, gains and other support	17,776	13,194	3,053	298	2,358	859	3	158	19	123	(2,289)
Total unrestricted revenue, gains and other support	<u>38,501</u>	<u>12,990</u>	<u>3,025</u>	<u>298</u>	<u>2,360</u>	<u>848</u>	<u>6,904</u>	<u>14,861</u>	<u>2,097</u>	<u>123</u>	<u>(5,005)</u>
<b>Expenses</b>											
Salaries, wages and benefits	18,535	2,630	1,042	2,752	692	505	2,005	6,914	1,887	108	-
Medical supplies	1,767	-	-	-	8	3	958	795	3	-	-
Purchased services, professional fees and other expenses	14,380	8,483	1,657	(2,991)	828	196	5,436	5,485	269	22	(5,005)
Depreciation and amortization	4,411	2,264	645	380	189	89	229	594	6	15	-
Interest	1,973	1,058	226	81	321	-	2	285	-	-	-
Insurance	176	50	12	62	6	3	14	20	8	1	-
Total operating expenses	<u>41,242</u>	<u>14,485</u>	<u>3,582</u>	<u>284</u>	<u>2,044</u>	<u>796</u>	<u>8,644</u>	<u>14,093</u>	<u>2,173</u>	<u>146</u>	<u>(5,005)</u>
Operating (loss) income	<u>(2,741)</u>	<u>(1,495)</u>	<u>(557)</u>	<u>14</u>	<u>316</u>	<u>52</u>	<u>(1,740)</u>	<u>768</u>	<u>(76)</u>	<u>(23)</u>	<u>-</u>
<b>Non-operating gains (losses)</b>											
Investment returns, net	1,637	1,302	58	84	10	-	183	-	-	-	-
Loss on extinguishment of debt	(1,176)	(633)	(135)	(45)	(192)	-	-	(171)	-	-	-
Change in fair value of interest rate swaps	743	-	-	743	-	-	-	-	-	-	-
Total non-operating gains (losses)	<u>1,204</u>	<u>669</u>	<u>(77)</u>	<u>782</u>	<u>(182)</u>	<u>-</u>	<u>183</u>	<u>(171)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Deficit) excess of revenues over expenses	<u><u>(\$1,537)</u></u>	<u><u>(\$826)</u></u>	<u><u>(\$634)</u></u>	<u><u>\$796</u></u>	<u><u>\$134</u></u>	<u><u>\$52</u></u>	<u><u>(\$1,557)</u></u>	<u><u>\$597</u></u>	<u><u>(\$76)</u></u>	<u><u>(\$23)</u></u>	<u><u>\$ -</u></u>

**St. Joseph's of the Pines**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

(in thousands of dollars)

	<b>St. Joseph's of the Pines</b>	<b>Belle Meade</b>	<b>Pine Knoll</b>	<b>Neese Clinic</b>	<b>Coventry</b>	<b>Family Care Homes</b>	<b>PACE Program</b>	<b>Health Center</b>	<b>Home Care at St. Joseph of the Pines</b>	<b>HUD Housing Management</b>
<b>Unrestricted net assets</b>										
(Deficit) excess of revenue over expenses	(\$1,537)	(\$826)	(\$634)	\$796	\$134	\$52	(\$1,557)	\$597	(\$76)	(\$23)
Other changes	(24)	-	-	(24)	-	-	-	-	-	-
(Decrease) increase in unrestricted net assets	(1,561)	(826)	(634)	772	134	52	(1,557)	597	(76)	(23)
<b>Temporarily restricted net assets</b>										
Contributions	162	-	-	162	-	-	-	-	-	-
Net assets released from restrictions	(75)	-	-	(75)	-	-	-	-	-	-
Increase in temporarily restricted net assets	87	-	-	87	-	-	-	-	-	-
(Decrease) increase in net assets	(1,474)	(826)	(634)	859	134	52	(1,557)	597	(76)	(23)
Beginning of year	(598)	(4,508)	280	12,400	(2,261)	(67)	(3,180)	(3,235)	46	(73)
End of year	<b>(\$2,072)</b>	<b>(\$5,334)</b>	<b>(\$354)</b>	<b>\$13,259</b>	<b>(\$2,127)</b>	<b>(\$15)</b>	<b>(\$4,737)</b>	<b>(\$2,638)</b>	<b>(\$30)</b>	<b>(\$96)</b>

**St. Francis Medical Center**  
**Consolidating Balance Sheet**  
**December 31, 2012**

(in thousands of dollars)

	<b>St. Francis Medical Center</b>	<b>St. Francis Medical Center</b>	<b>LIFE St. Francis</b>	<b>St. Francis Medical Center Foundation</b>	<b>Central New Jersey Heart Services, Inc</b>	<b>Life Care Physicians</b>	<b>St. Francis Eliminations</b>
<b>Assets</b>							
Current assets							
Cash and cash equivalents	\$1,440	(\$4,959)	\$3,417	\$100	\$1,909	\$973	\$ -
Patient accounts receivable, net of estimated uncollectibles of \$11,546	12,739	12,466	273	-	-	-	-
Other accounts receivable	226	16,197	(4,942)	(540)	78	(10,567)	-
Prepaid expenses and inventories	3,188	2,941	18	4	225	-	-
Total current assets	<u>17,593</u>	<u>26,645</u>	<u>(1,234)</u>	<u>(436)</u>	<u>2,212</u>	<u>(9,594)</u>	<u>-</u>
Marketable securities and investments whose use is limited							
Board-designated funds	2,147	250	-	1,897	-	-	-
Donor-restricted funds	1,269	-	-	1,269	-	-	-
Total marketable securities and investments whose use is limited	<u>3,416</u>	<u>250</u>	<u>-</u>	<u>3,166</u>	<u>-</u>	<u>-</u>	<u>-</u>
Property and equipment, net	45,421	40,685	2,555	-	1,049	1,132	-
Investments in unconsolidated organizations	1,556	2,586	-	-	-	-	(1,030)
Goodwill	1,530	1,530	-	-	-	-	-
Other assets	2,482	4,933	-	-	-	4	(2,455)
Total assets	<u>\$71,998</u>	<u>\$76,629</u>	<u>\$1,321</u>	<u>\$2,730</u>	<u>\$3,261</u>	<u>(\$8,458)</u>	<u>(\$3,485)</u>
<b>Liabilities and Net Assets</b>							
Current liabilities							
Current portion of long-term debt and capital lease obligations	\$998	\$640	\$ -	\$ -	\$358	\$ -	\$ -
Portion of variable rate demand obligations classified as current	200	200	-	-	-	-	-
Accounts payable and accrued expenses	24,020	21,968	1,548	3	370	131	-
Estimated third party payor settlements, net	13,687	13,687	-	-	-	-	-
Other	3,652	2,973	8	104	-	-	567
Total current liabilities	<u>42,557</u>	<u>39,468</u>	<u>1,556</u>	<u>107</u>	<u>728</u>	<u>131</u>	<u>567</u>
Long-term debt, net	16,843	16,057	-	-	761	25	-
Other liabilities	666	646	-	-	-	20	-
Pension liabilities	9,598	9,598	-	-	-	-	-
Insurance liabilities, net of current portion	3,175	3,081	94	-	-	-	-
Total liabilities	<u>72,839</u>	<u>68,850</u>	<u>1,650</u>	<u>107</u>	<u>1,489</u>	<u>176</u>	<u>567</u>
Net assets							
Unrestricted	(2,111)	6,743	(329)	1,353	1,772	(8,634)	(3,016)
Temporarily restricted	655	476	-	655	-	-	(476)
Permanently restricted	615	560	-	615	-	-	(560)
Total net assets	<u>(841)</u>	<u>7,779</u>	<u>(329)</u>	<u>2,623</u>	<u>1,772</u>	<u>(8,634)</u>	<u>(4,052)</u>
Total liabilities and net assets	<u>\$71,998</u>	<u>\$76,629</u>	<u>\$1,321</u>	<u>\$2,730</u>	<u>\$3,261</u>	<u>(\$8,458)</u>	<u>(\$3,485)</u>

**St. Francis Medical Center**  
**Consolidating Statement of Operations**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>St. Francis Medical Center</b>	<b>St. Francis Medical Center</b>	<b>LIFE St. Francis</b>	<b>St. Francis Medical Center Foundation</b>	<b>Central New Jersey Heart Services, Inc</b>	<b>Life Care Physicians</b>	<b>St. Francis Eliminations</b>
<b>Unrestricted revenue, gains and other support</b>							
Net patient service revenue, net of provision for bad debts of \$4,075	\$144,661	\$123,468	\$19,878	\$ -	\$7,084	\$1,316	(\$7,085)
Other operating revenue, gains and other support	6,283	6,356	277	599	998	6	(1,953)
Total unrestricted revenue, gains and other support	<u>150,944</u>	<u>129,824</u>	<u>20,155</u>	<u>599</u>	<u>8,082</u>	<u>1,322</u>	<u>(9,038)</u>
<b>Expenses</b>							
Salaries, wages and benefits	65,591	56,431	5,688	201	449	2,822	-
Medical supplies	23,444	18,690	2,148	-	2,534	72	-
Purchased services, professional fees and other expenses	50,078	46,272	9,501	238	595	993	(7,521)
Depreciation and amortization	5,719	4,961	192	-	478	88	-
Interest	585	482	-	-	100	3	-
Insurance	2,599	2,357	127	-	23	92	-
Total operating expenses	<u>148,016</u>	<u>129,193</u>	<u>17,656</u>	<u>439</u>	<u>4,179</u>	<u>4,070</u>	<u>(7,521)</u>
Operating income (loss)	2,928	631	2,499	160	3,903	(2,748)	(1,517)
<b>Non-operating gains (losses)</b>							
Investment returns, net	6	(28)	34	-	-	-	-
Equity in gains in earnings from unconsolidated organizations	142	142	-	-	-	-	-
Impairment losses	(104)	-	-	-	-	(104)	-
Loss on extinguishment of debt	(12)	(12)	-	-	-	-	-
Change in fair value of interest rate swaps	227	227	-	-	-	-	-
Total non-operating gains (losses)	<u>259</u>	<u>329</u>	<u>34</u>	<u>-</u>	<u>-</u>	<u>(104)</u>	<u>-</u>
Excess (deficit) of revenues over expenses	<u>\$3,187</u>	<u>\$960</u>	<u>\$2,533</u>	<u>\$160</u>	<u>\$3,903</u>	<u>(\$2,852)</u>	<u>(\$1,517)</u>

**St. Francis Medical Center**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>St. Francis Medical Center</b>	<b>St. Francis Medical Center</b>	<b>LIFE St. Francis</b>	<b>St. Francis Medical Center Foundation</b>	<b>Central New Jersey Heart Services, Inc</b>	<b>Life Care Physicians</b>	<b>St. Francis Eliminations</b>
<b>Unrestricted net assets</b>							
Excess (deficit) of revenues over expenses	\$3,187	\$960	\$2,533	\$160	\$3,903	(\$2,852)	(\$1,517)
Increase in pension liability adjustment	168	168	-	-	-	-	-
Net assets released from restrictions for capital expenditures	14	14	-	-	-	-	-
Other changes	(556)	2,935	-	(252)	(5,246)	-	2,007
Increase (decrease) in unrestricted net assets	<u>2,813</u>	<u>4,077</u>	<u>2,533</u>	<u>(92)</u>	<u>(1,343)</u>	<u>(2,852)</u>	<u>490</u>
<b>Temporarily restricted net assets</b>							
Contributions	65	-	-	65	-	-	-
Investment income	3	-	-	3	-	-	-
Change in unrealized gains on investments	3	-	-	3	-	-	-
Other changes	24	-	-	24	-	-	-
Increase in temporarily restricted net assets	<u>95</u>	<u>-</u>	<u>-</u>	<u>95</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Permanently restricted net assets</b>							
Contributions	2	-	-	2	-	-	-
Net realized and unrealized gains on investments	3	-	-	3	-	-	-
Other changes	(118)	-	-	(118)	-	-	-
Decrease in permanently restricted net assets	<u>(113)</u>	<u>-</u>	<u>-</u>	<u>(113)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	<u>2,795</u>	<u>4,077</u>	<u>2,533</u>	<u>(110)</u>	<u>(1,343)</u>	<u>(2,852)</u>	<u>490</u>
Beginning of year	<u>(3,636)</u>	<u>3,702</u>	<u>(2,862)</u>	<u>2,733</u>	<u>3,115</u>	<u>(5,782)</u>	<u>(4,542)</u>
End of year	<u>(\$841)</u>	<u>\$7,779</u>	<u>(\$329)</u>	<u>\$2,623</u>	<u>\$1,772</u>	<u>(\$8,634)</u>	<u>(\$4,052)</u>

**St. James Mercy Health System**  
**Consolidating Balance Sheet**  
**December 31, 2012**

(in thousands of dollars)

	<b>St. James Mercy Health System</b>	<b>Eliminations</b>	<b>Corporate Office</b>	<b>St. James Mercy Hospital</b>	<b>SJM Properties</b>	<b>St. James Mercy Foundation</b>
<b>Assets</b>						
Current assets						
Cash and cash equivalents	\$602	\$ -	\$ -	\$39	\$397	\$166
Investments	1,042	-	-	738	304	-
Patient accounts receivable, net of estimated uncollectibles of \$2,403	5,213	-	-	5,213	-	-
Other accounts receivable	566	-	-	566	-	-
Prepaid expenses and inventories	1,903	-	-	1,821	80	2
Total current assets	<u>9,326</u>	<u>-</u>	<u>-</u>	<u>8,377</u>	<u>781</u>	<u>168</u>
Marketable securities and investments whose use is limited						
Board-designated funds	6,308	-	-	5,800	-	508
Donor-restricted funds	488	-	-	-	-	488
Investments	1,151	(10,371)	10,153	218	-	1,151
Total marketable securities and investments whose use is limited	<u>7,947</u>	<u>(10,371)</u>	<u>10,153</u>	<u>6,018</u>	<u>-</u>	<u>2,147</u>
Property and equipment, net	15,258	-	-	14,263	995	-
Assets held for sale	158	-	-	158	-	-
Other assets	6,611	(455)	-	7,066	-	-
Total assets	<u>\$39,300</u>	<u>(\$10,826)</u>	<u>\$10,153</u>	<u>\$35,882</u>	<u>\$1,776</u>	<u>\$2,315</u>
<b>Liabilities and Net Assets</b>						
Current liabilities						
Current portion of long-term debt and capital lease obligations	\$1,297	(\$31)	\$ -	\$1,274	\$54	\$ -
Accounts payable and accrued expenses	6,323	-	-	6,266	56	1
Estimated third party payor settlements, net	3,725	-	-	3,725	-	-
Other	630	-	-	630	-	-
Total current liabilities	<u>11,975</u>	<u>(31)</u>	<u>-</u>	<u>11,895</u>	<u>110</u>	<u>1</u>
Long-term debt, net	7,444	-	-	7,007	437	-
Other liabilities	871	(424)	-	871	362	62
Insurance liabilities, net of current portion	8,631	-	-	8,631	-	-
Total liabilities	<u>28,921</u>	<u>(455)</u>	<u>-</u>	<u>28,404</u>	<u>909</u>	<u>63</u>
Net assets						
Unrestricted	9,883	(9,883)	9,883	7,252	867	1,764
Temporarily restricted	226	(218)	-	226	-	218
Permanently restricted	270	(270)	270	-	-	270
Total net assets	<u>10,379</u>	<u>(10,371)</u>	<u>10,153</u>	<u>7,478</u>	<u>867</u>	<u>2,252</u>
Total liabilities and net assets	<u>\$39,300</u>	<u>(\$10,826)</u>	<u>\$10,153</u>	<u>\$35,882</u>	<u>\$1,776</u>	<u>\$2,315</u>

**St. James Mercy Health System**  
**Consolidating Statement of Operations**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>St. James Mercy Health System</b>	<b>Eliminations</b>	<b>St. James Mercy Hospital</b>	<b>SJM Properties</b>	<b>St. James Mercy Foundation</b>
<b>Unrestricted revenue, gains and other support</b>					
Net patient service revenue, net of provision for bad debts of \$1,801	\$48,430	\$ -	\$48,430	\$ -	\$ -
Other operating revenue, gains and other support	1,723	(510)	867	517	849
Total unrestricted revenue, gains and other support	<u>50,153</u>	<u>(510)</u>	<u>49,297</u>	<u>517</u>	<u>849</u>
<b>Expenses</b>					
Salaries, wages and benefits	30,680	-	30,455	60	165
Medical supplies	4,742	-	4,742	-	-
Purchased services, professional fees and other expenses	14,987	(530)	15,106	233	178
Depreciation and amortization	2,391	-	2,301	90	-
Interest	164	(18)	145	37	-
Insurance	602	-	596	6	-
Total operating expenses	<u>53,566</u>	<u>(548)</u>	<u>53,345</u>	<u>426</u>	<u>343</u>
Operating (loss) income	(3,413)	38	(4,048)	91	506
<b>Non-operating gains (losses)</b>					
Investment returns, net	899	(18)	734	2	181
Loss on sale of assets	(63)	-	(44)	-	(19)
Change in fair value of interest rate swaps	-	(18)	690	2	162
Total non-operating gains (losses)	<u>836</u>	<u>(18)</u>	<u>690</u>	<u>2</u>	<u>162</u>
(Deficit) excess of revenues over expenses	<u><u>(\$2,577)</u></u>	<u><u>\$20</u></u>	<u><u>(\$3,358)</u></u>	<u><u>\$93</u></u>	<u><u>\$668</u></u>

**St. James Mercy Health System**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>St. James Mercy Health System</b>	<b>Corporate Office</b>	<b>St. James Mercy Hospital</b>	<b>SJM Properties</b>	<b>St. James Mercy Foundation</b>	
	<b>Eliminations</b>					
<b>Unrestricted net assets</b>						
(Deficit) excess of revenue over expenses	(\$2,577)	\$20	\$ -	(\$3,358)	\$93	\$668
Net assets released from restrictions for capital expenditures	20	(20)	-	40	-	-
Other changes	227	3,237	(3,237)	227	-	-
(Decrease) increase in unrestricted net assets before discontinued operations	(2,330)	3,237	(3,237)	(3,091)	93	668
Loss from discontinued operations	(907)	-	-	(907)	-	-
(Decrease) increase in unrestricted net assets	(3,237)	3,237	(3,237)	(3,998)	93	668
<b>Temporarily restricted net assets</b>						
Contributions	43	(43)	-	43	-	43
Net assets released from restrictions	(45)	45	-	(45)	-	(45)
(Decrease) increase in temporarily restricted net assets	(2)	2	-	(2)	-	(2)
(Decrease) increase in net assets	(3,239)	3,239	(3,237)	(4,000)	93	666
Beginning of year	13,618	(13,610)	13,390	11,478	774	1,586
End of year	<u>\$10,379</u>	<u>(\$10,371)</u>	<u>\$10,153</u>	<u>\$7,478</u>	<u>\$867</u>	<u>\$2,252</u>

**St. Mary, Langhorne, PA Location**  
**Consolidating Balance Sheet**  
**December 31, 2012**

(in thousands of dollars)

	<b>St. Mary, Langhorne, PA Location</b>	<b>St. Mary Medical Center</b>	<b>St. Mary Foundation</b>	<b>Langhorne Services Inc.</b>	<b>LIFE St. Mary</b>	<b>Ambulatory Surgery Center at St. Mary</b>	<b>Langhorne Physician Services</b>	<b>St. Mary Eliminations</b>
<b>Assets</b>								
Current assets								
Cash and cash equivalents	\$152,485	\$129,931	\$601	\$159	\$10,376	\$215	\$11,249	(\$46)
Patient accounts receivable, net of estimated uncollectibles of \$48,648	48,731	45,137	-	-	178	1,594	1,822	-
Other accounts receivable	6,770	77,528	(6,799)	(219)	108	-	(50,423)	(13,425)
Prepaid expenses and inventories	12,504	11,685	16	-	58	532	213	-
Total current assets	220,490	264,281	(6,182)	(60)	10,720	2,341	(37,139)	(13,471)
Marketable securities and investments whose use is limited								
Trustee-held funds	10,380	10,380	-	-	-	-	-	-
Donor-restricted funds	13,063	-	13,063	-	-	-	-	-
Investments	75,364	74,182	1,182	-	-	-	-	-
Total marketable securities and investments whose use is limited	98,807	84,562	14,245	-	-	-	-	-
Property and equipment, net								
Investments in unconsolidated organizations	207,920	200,202	15	-	1,223	4,196	2,284	-
Other assets	5,917	5,750	-	143	-	24	-	-
Total assets	24,507	24,786	981	-	-	15	-	(1,275)
	<u>\$557,641</u>	<u>\$579,581</u>	<u>\$9,059</u>	<u>\$83</u>	<u>\$11,943</u>	<u>\$6,576</u>	<u>(\$34,855)</u>	<u>(\$14,746)</u>
<b>Liabilities and Net Assets</b>								
Current liabilities								
Current portion of long-term debt and capital lease obligations	\$4,755	\$3,181	\$-	\$-	\$-	\$1,574	\$-	\$-
Portion of variable rate demand obligations classified as current	3,395	3,395	-	-	-	-	-	-
Accounts payable and accrued expenses	37,032	29,660	4,404	-	1,214	334	1,420	-
Estimated third party payor settlements, net	2,188	2,188	-	-	-	-	-	-
Other	28,642	18,006	1,539	142	14,380	44	8,002	(13,471)
Total current liabilities	76,012	56,430	5,943	142	15,594	1,952	9,422	(13,471)
Long-term debt, net								
Other liabilities	131,640	126,939	-	-	1,275	4,701	-	(1,275)
Pension liabilities	6,963	6,696	-	-	-	10	-	257
Insurance liabilities, net of current portion	12,644	12,644	-	-	-	-	-	-
Total liabilities	24,901	24,901	-	-	-	-	-	-
	252,160	227,610	5,943	142	16,869	6,663	9,422	(14,489)
Net assets								
Unrestricted	296,736	351,971	(5,629)	(59)	(4,926)	(87)	(44,277)	(257)
Temporarily restricted	8,745	-	8,745	-	-	-	-	-
Total net assets	305,481	351,971	3,116	(59)	(4,926)	(87)	(44,277)	(257)
Total liabilities and net assets	<u>\$557,641</u>	<u>\$579,581</u>	<u>\$9,059</u>	<u>\$83</u>	<u>\$11,943</u>	<u>\$6,576</u>	<u>(\$34,855)</u>	<u>(\$14,746)</u>

**St. Mary, Langhorne, PA Location**  
**Consolidating Statement of Operations**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>St. Mary, Langhorne, PA Location</b>	<b>St. Mary Medical Center</b>	<b>St. Mary Foundation</b>	<b>Langhorne Services Inc.</b>	<b>LIFE St. Mary</b>	<b>Ambulatory Surgery Center at St. Mary</b>	<b>Langhorne Physician Services</b>	<b>St. Mary Eliminations</b>
<b>Unrestricted revenue, gains and other support</b>								
Net patient service revenue, net of provision for bad debts of \$19,149	\$436,638	\$403,690	\$ -	\$ -	\$11,399	\$7,290	\$14,259	\$ -
Other operating revenue, gains and other support	13,133	11,922	1,042	34	16	18	6,282	(6,181)
Total unrestricted revenue, gains and other support	<u>449,771</u>	<u>415,612</u>	<u>1,042</u>	<u>34</u>	<u>11,415</u>	<u>7,308</u>	<u>20,541</u>	<u>(6,181)</u>
<b>Expenses</b>								
Salaries, wages and benefits	208,830	180,140	1,260	-	4,557	2,006	20,867	-
Medical supplies	68,738	65,641	-	-	1,122	1,510	465	-
Purchased services, professional fees and other expenses	106,070	98,383	1,456	53	6,087	1,130	5,142	(6,181)
Depreciation and amortization	18,517	17,095	6	-	222	721	473	-
Interest	5,089	4,724	-	-	-	365	-	-
Insurance	7,000	5,128	-	17	132	22	1,701	-
Total operating expenses	<u>414,244</u>	<u>371,111</u>	<u>2,722</u>	<u>70</u>	<u>12,120</u>	<u>5,754</u>	<u>28,648</u>	<u>(6,181)</u>
Operating income (loss)	35,527	44,501	(1,680)	(36)	(705)	1,554	(8,107)	-
<b>Non-operating gains (losses)</b>								
Investment returns, net	6,529	6,438	18	-	39	-	34	-
Equity in gains (losses) in earnings of unconsolidated organizations	474	1,019	-	43	-	(588)	-	-
Loss on sale of assets	(43)	(43)	-	-	-	-	-	-
Loss on extinguishment of debt	(133)	(133)	-	-	-	-	-	-
Change in fair value of interest rate swaps	1,109	1,109	-	-	-	-	-	-
Total non-operating gains (losses)	<u>7,936</u>	<u>8,390</u>	<u>18</u>	<u>43</u>	<u>39</u>	<u>(588)</u>	<u>34</u>	<u>-</u>
Excess (deficit) of revenues over expenses	<u>\$43,463</u>	<u>\$52,891</u>	<u>(\$1,662)</u>	<u>\$7</u>	<u>(\$666)</u>	<u>\$966</u>	<u>(\$8,073)</u>	<u>\$ -</u>

**St. Mary, Langhorne, PA Location**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>St. Mary, Langhorne, PA Location</b>	<b>St. Mary Medical Center</b>	<b>St. Mary Foundation</b>	<b>Langhorne Services Inc.</b>	<b>LIFE St. Mary</b>	<b>Ambulatory Surgery Center at St. Mary</b>	<b>Langhorne Physician Services</b>	<b>St. Mary Eliminations</b>
<b>Unrestricted net assets</b>								
Excess (deficit) of revenue over expenses	\$43,463	\$52,891	(\$1,662)	\$7	(\$666)	\$966	(\$8,073)	\$ -
Increase in pension liability adjustment	2,138	2,138	-	-	-	-	-	-
Net assets released from restrictions for capital expenditures	153	153	-	-	-	-	-	-
Other changes	(774)	(1,535)	-	-	-	-	-	761
Increase (decrease) in unrestricted net assets	44,980	53,647	(1,662)	7	(666)	966	(8,073)	761
<b>Temporarily restricted net assets</b>								
Contributions	2,792	-	2,792	-	-	-	-	-
Net assets released from restrictions	(1,299)	-	(1,299)	-	-	-	-	-
Other changes	6	-	6	-	-	-	-	-
Increase in temporarily restricted net assets	1,499	-	1,499	-	-	-	-	-
Increase (decrease) in net assets	46,479	53,647	(163)	7	(666)	966	(8,073)	761
Beginning of year	259,002	298,324	3,279	(66)	(4,260)	(1,053)	(36,204)	(1,018)
End of year	\$305,481	\$351,971	\$3,116	(\$59)	(\$4,926)	(\$87)	(\$44,277)	(\$257)

**St. Mary's Health Care System, Inc.**  
**Consolidating Balance Sheet**  
**December 31, 2012**

(in thousands of dollars)

	St. Mary's Health Care System, Inc.	St. Mary's Hospital Combined	Good Samaritan Hospital	St. Mary's Foundation, Inc.	Georgia Health Enterprise, LLC	GHE Physicians, P.C.	St. Mary's Highland Hills Inc.	St. Mary's Medical Group	Eliminations
<b>Assets</b>									
Current assets									
Cash and cash equivalents	\$30,533	\$28,670	\$26	\$1,826	\$ -	\$ -	\$24	(\$13)	\$ -
Patient accounts receivable, net of estimated uncollectibles of \$14,134	22,976	20,987	1,428	-	-	-	46	515	-
Other accounts receivable	4,043	30,514	(1,919)	(1,018)	-	-	(5,867)	(17,689)	22
Prepaid expenses and inventories	4,840	4,336	374	-	-	-	31	99	-
Total current assets	62,392	84,507	(91)	808	-	-	(5,766)	(17,088)	22
Marketable securities and investments whose use is limited									
Board-designated funds	12,849	12,849	-	-	-	-	-	-	-
Trustee-held funds	3,324	3,324	-	-	-	-	-	-	-
Donor-restricted funds	7,327	-	-	7,327	-	-	-	-	-
Investments	15,582	14,907	-	-	-	-	675	-	-
Total marketable securities and investments whose use is limited	39,082	31,080	-	7,327	-	-	675	-	-
Property and equipment, net	83,752	63,827	6,478	12	-	-	10,453	2,982	-
Other assets	4,564	10,440	40	102	6,198	(6,198)	-	152	(6,170)
Total assets	\$189,790	\$189,854	\$6,427	\$8,249	\$6,198	(\$6,198)	\$5,362	(\$13,954)	(\$6,148)
<b>Liabilities and Net Assets</b>									
Current liabilities									
Current portion of long-term debt and capital lease obligations	\$1,166	\$1,008	\$ -	\$ -	\$ -	\$ -	\$158	\$ -	\$ -
Accounts payable and accrued expenses	27,491	24,435	1,808	234	-	-	253	739	22
Estimated third party payor settlements, net	3,213	3,213	-	-	-	-	-	-	-
Other	3,374	2,758	616	-	-	-	-	-	-
Total current liabilities	35,244	31,414	2,424	234	-	-	411	739	22
Long-term debt, net	20,968	17,429	-	-	-	-	3,539	-	-
Other liabilities	165	165	-	-	-	-	-	-	-
Pension liabilities	21,558	21,558	-	-	-	-	-	-	-
Insurance liabilities, net of current portion	3,846	3,729	117	-	-	-	-	-	-
Total liabilities	81,781	74,295	2,541	234	-	-	3,950	739	22
Net assets									
Unrestricted	107,583	116,442	3,886	6,706	6,198	(6,198)	1,412	(14,693)	(6,170)
Temporarily restricted	326	(883)	-	1,209	-	-	-	-	-
Permanently restricted	100	-	-	100	-	-	-	-	-
Total net assets	108,009	115,559	3,886	8,015	6,198	(6,198)	1,412	(14,693)	(6,170)
Total liabilities and net assets	\$189,790	\$189,854	\$6,427	\$8,249	\$6,198	(\$6,198)	\$5,362	(\$13,954)	(\$6,148)

**St. Mary's Health Care System, Inc.**  
**Consolidating Statement of Operations**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>St. Mary's Health Care System, Inc.</b>	<b>St. Mary's Hospital Combined</b>	<b>Good Samaritan Hospital</b>	<b>St. Mary's Foundation, Inc.</b>	<b>St. Mary's Highland Hills Inc.</b>	<b>St. Mary's Medical Group</b>
<b>Unrestricted revenue, gains and other support</b>						
Net patient service revenue, net of provision for bad debts of \$13,112	\$185,539	\$162,006	\$12,072	\$ -	\$3,838	\$7,623
Other operating revenue, gains and other support	5,164	2,836	592	1,643	15	78
Total unrestricted revenue, gains and other support	<u>190,703</u>	<u>164,842</u>	<u>12,664</u>	<u>1,643</u>	<u>3,853</u>	<u>7,701</u>
<b>Expenses</b>						
Salaries, wages and benefits	90,599	71,881	6,808	245	1,570	10,095
Medical supplies	34,934	33,940	873	-	9	112
Purchased services, professional fees and other expenses	47,106	40,023	4,312	259	1,009	1,503
Depreciation and amortization	9,772	8,419	394	2	589	368
Interest	901	659	6	-	236	-
Insurance	1,690	1,584	8	-	-	98
Total operating expenses	<u>185,002</u>	<u>156,506</u>	<u>12,401</u>	<u>506</u>	<u>3,413</u>	<u>12,176</u>
Operating income (loss)	5,701	8,336	263	1,137	440	(4,475)
<b>Non-operating gains (losses)</b>						
Investment returns, net	3,207	2,678	-	470	59	-
Loss on sale of assets	(62)	(55)	(7)	-	-	-
Change in fair value of interest rate swaps	239	239	-	-	-	-
Total non-operating gains (losses)	<u>3,384</u>	<u>2,862</u>	<u>(7)</u>	<u>470</u>	<u>59</u>	<u>-</u>
Excess (deficit) of revenues over expenses	<u>\$9,085</u>	<u>\$11,198</u>	<u>\$256</u>	<u>\$1,607</u>	<u>\$499</u>	<u>(\$4,475)</u>

**St. Mary's Health Care System, Inc.**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>St. Mary's Health Care System, Inc.</b>	<b>St. Mary's Hospital Combined</b>	<b>Good Samaritan Hospital</b>	<b>St. Mary's Foundation, Inc.</b>	<b>Georgia Health Enterprise, LLC</b>	<b>GHE Physicians, P.C.</b>	<b>St. Mary's Highland Hills Inc.</b>	<b>St. Mary's Medical Group</b>	<b>Eliminations</b>
<b>Unrestricted net assets</b>									
Excess (deficit) of revenue over expenses	\$9,085	\$11,198	\$256	\$1,607	\$ -	\$ -	\$499	(\$4,475)	\$ -
Decrease in pension liability adjustment	(2,544)	(2,544)	-	-	-	-	-	-	-
Other changes	(510)	(4,140)	3,630	0	-	-	-	-	-
Increase (decrease) in unrestricted net assets	6,031	4,514	3,886	1,607	-	-	499	(4,475)	-
<b>Temporarily restricted net assets</b>									
Net assets released from restrictions	(230)	(230)	-	-	-	-	-	-	-
Decrease in temporarily restricted net assets	(230)	(230)	-	-	-	-	-	-	-
Increase (decrease) in net assets	5,801	4,284	3,886	1,607	-	-	499	(4,475)	-
Beginning of year	102,208	111,275	-	6,408	6,198	(6,198)	913	(10,218)	(6,170)
End of year	<u>\$108,009</u>	<u>\$115,559</u>	<u>\$3,886</u>	<u>\$8,015</u>	<u>\$6,198</u>	<u>(\$6,198)</u>	<u>\$1,412</u>	<u>(\$14,693)</u>	<u>(\$6,170)</u>

**St. Peter's Health Partners  
Consolidating Balance Sheet  
December 31, 2012**

(in thousands of dollars)

	St. Peter's Health Partners	St. Peter's Health Care Inc.	Northeast Health	Seton Health	St. Peter's Health Partners Medical Associates	St. Peter's Health Partners Corporate	St. Peter's Health Partners Eliminations
<b>Assets</b>							
Current assets							
Cash and cash equivalents	\$89,187	\$25,533	\$51,502	\$12,152	\$ -	\$ -	\$ -
Investments	149,121	34,666	69,666	44,789	-	-	-
Marketable securities whose use is limited	251	-	2	249	-	-	-
Patient accounts receivable, net of estimated uncollectibles of \$57,383	95,496	51,892	33,186	10,624	-	-	(206)
Other accounts receivable	28,596	7,112	16,421	2,183	4,257	1,907	(3,284)
Prepaid expenses and inventories	16,870	7,892	6,584	2,373	21	-	-
Total current assets	379,521	127,095	177,361	72,370	4,278	1,907	(3,490)
Marketable securities and investments whose use is limited							
Board-designated funds	152,589	66,085	58,590	27,914	-	-	-
Trustee-held funds	38,568	35,807	2,761	-	-	-	-
Donor-restricted funds	52,869	9,185	40,701	2,983	-	-	-
Investments	27,799	25,513	2,072	214	-	-	-
Total marketable securities and investments whose use is limited	271,825	136,590	104,124	31,111	-	-	-
Property and equipment, net	675,020	363,490	185,291	27,927	7,130	91,182	-
Goodwill	1,697	-	-	-	1,283	414	-
Investment in unconsolidated organizations	1,057	1,057	-	-	-	-	-
Other assets	49,602	27,022	18,194	5,837	698	(2,149)	-
Total assets	\$1,378,722	\$655,254	\$484,970	\$137,245	\$13,389	\$91,354	(\$3,490)
<b>Liabilities and Net Assets</b>							
Current liabilities							
Current portion of long-term debt and capital lease obligations	\$55,076	\$8,770	\$4,008	\$42,298	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	97,402	49,085	36,738	11,839	888	103	(1,251)
Estimated third party payor settlements, net	31,477	12,550	12,091	6,836	-	-	-
Other	20,110	6,040	11,689	2,150	127	2,343	(2,239)
Total current liabilities	204,065	76,445	64,526	63,123	1,015	2,446	(3,490)
Long-term debt, net	300,788	247,159	53,629	-	-	-	-
Other liabilities	23,396	9,292	9,553	4,551	-	-	-
Pension liabilities	33,623	(555)	33,514	664	-	-	-
Insurance liabilities, net of current portion	44,505	26,976	13,181	4,348	-	-	-
Deferred revenue from entrance fees	48,673	-	48,673	-	-	-	-
Total liabilities	655,050	359,317	223,076	72,686	1,015	2,446	(3,490)
Net assets							
Unrestricted	654,205	282,657	208,949	61,317	12,374	88,908	-
Temporarily restricted	42,550	6,167	33,662	2,721	-	-	-
Permanently restricted	26,917	7,113	19,283	521	-	-	-
Total net assets	723,672	295,937	261,894	64,559	12,374	88,908	-
Total liabilities and net assets	\$1,378,722	\$655,254	\$484,970	\$137,245	\$13,389	\$91,354	(\$3,490)

**St. Peter's Health Partners**  
**Consolidating Statement of Operations**  
**December 31, 2012**

*(in thousands of dollars)*

	<b>St. Peter's Health Partners</b>	<b>St. Peter's Health Care Services, Inc.</b>	<b>Northeast Health</b>	<b>Seton Health</b>	<b>Health Partners Medical Associates</b>	<b>St. Peter's Health Partners Corporate</b>	<b>St. Peter's Health Partners Eliminations</b>
<b>Unrestricted revenue, gains and other support</b>							
Net patient service revenue, net of provision for bad debts of \$41,120	\$993,750	\$519,137	\$348,017	\$130,146	\$ -	\$ -	(\$3,550)
Other operating revenue, gains and other support	75,877	24,548	48,895	2,491	-	-	(57)
Total unrestricted revenues, gains and other support	1,069,627	543,685	396,912	132,637	-	-	(3,607)
<b>Expenses</b>							
Salaries, wages and benefits	568,005	254,632	231,337	81,327	709	-	-
Medical supplies	158,326	102,591	42,504	13,471	-	(240)	-
Purchased services, professional fees and other expenses	218,986	113,870	74,392	32,940	307	1,085	(3,608)
Depreciation and amortization	61,851	30,929	23,170	2,802	-	4,950	-
Interest	16,474	13,133	2,683	658	-	-	-
Insurance	14,731	4,743	8,212	1,776	-	-	-
Total operating expenses	1,038,373	519,898	382,298	132,974	1,016	5,795	(3,608)
Operating income (loss)	31,254	23,787	14,614	(337)	(1,016)	(5,795)	1
<b>Non-operating gains (losses)</b>							
Investment returns, net	23,225	6,716	10,078	6,431	-	-	-
(Loss) gain on sale of assets	(627)	42	(547)	(12)	-	(110)	-
Change in fair value of interest rate swaps	(415)	300	(715)	-	-	-	-
Total non-operating gains (losses)	22,183	7,058	8,816	6,419	-	(110)	-
Excess (deficit) of revenues over expenses	\$53,437	\$30,845	\$23,430	\$6,082	(\$1,016)	(\$5,905)	\$1

**St. Peter's Health Partners**  
**Consolidating Statement of Changes in Net Assets**  
**December 31, 2012**

<i>(in thousands of dollars)</i>	<b>St. Peter's Health Partners</b>	<b>St. Peter's Health Care Services, Inc.</b>	<b>Northeast Health</b>	<b>Seton Health</b>	<b>St. Peter's Health Partners Corporate</b>	<b>St. Peter's Health Partners Corporate</b>
<b>Unrestricted net assets</b>						
Excess (deficit) of revenues over expenses	\$53,437	\$30,845	\$23,430	\$6,082	(\$1,016)	(\$5,905)
Increase (decrease) in pension liability adjustment	1,312	171	(5,287)	6,428	-	-
Net assets released from restrictions for capital expenditures	1,793	1,353	395	45	-	-
Other changes	285	(18,015)	1,183	(66)	13,390	3,792
Increase (decrease) in unrestricted net assets	<u>56,827</u>	<u>14,354</u>	<u>19,721</u>	<u>12,489</u>	<u>12,374</u>	<u>(2,113)</u>
<b>Temporarily restricted net assets</b>						
Contributions	4,081	2,391	1,620	70	-	-
Investment income	713	174	539	-	-	-
Change in unrealized gains on investments	4,080	-	4,080	-	-	-
Net assets released from restrictions	(3,843)	(2,536)	(1,027)	(280)	-	-
Other changes	(2,337)	(19)	(2,286)	(32)	-	-
Increase (decrease) in temporarily restricted net assets	<u>2,694</u>	<u>10</u>	<u>2,926</u>	<u>(242)</u>	<u>-</u>	<u>-</u>
<b>Permanently restricted net assets</b>						
Contributions	12	-	12	-	-	-
Net realized and unrealized gains on investments	506	501	4	-	-	-
Other changes	1,091	-	1,092	-	-	-
Increase in permanently restricted net assets	<u>1,609</u>	<u>501</u>	<u>1,108</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	61,130	14,865	23,755	12,247	12,374	(2,113)
Beginning of year	<u>662,542</u>	<u>281,072</u>	<u>238,139</u>	<u>52,312</u>	<u>-</u>	<u>91,021</u>
End of year	<u><u>\$723,672</u></u>	<u><u>\$295,937</u></u>	<u><u>\$261,894</u></u>	<u><u>\$64,559</u></u>	<u><u>\$12,374</u></u>	<u><u>\$88,908</u></u>

**Schedule of Expenditure of Federal Awards**

# Catholic Health East

## Schedule of Expenditures of Federal Awards

### Period Ended December 31, 2012

FEDERAL AGENCY/COMPANY	PROGRAM	CFDA #	PASS THROUGH AGENCY	PASS THROUGH CONTRACT #	FEDERAL EXPENDITURES
<b>Department of Agriculture Food and Nutrition Service</b>					
<b>Child Nutrition Cluster</b>					
SAINT JOSEPH'S HEALTH SYSTEM, INC.	BRIGHT FROM THE START	10.555	STATE OF GA	14321	\$ 13,953
HOLY CROSS HOSPITAL, INC.	NATL SCHOOL LUNCH - 2011	10.555	STATE OF FL DEPARTMENT OF EDUCATION	01-0489	56,741
	<b>Subtotal Child Nutrition Cluster</b>				<b>\$ 70,694</b>
MERCY CARES FOR KIDS	CHILD AND ADULT FOOD CARE CENTERS	10.558	NY STATE DEPARTMENT OF HEALTH	CACFPC=2320	\$ 26,277
ST. JAMES MERCY HOSPITAL INC.	CHILD AND ADULT CARE FOOD PROGRAM	10.558			30,933
SISTERS OF PROVIDENCE HEALTH SYSTEM, INC.	NUTRITION PROGRAM	10.558	Mass. Dept. of Elementary and Secondary Education	DOE SCDOE12758N70532117A	18,168
SISTERS OF PROVIDENCE HEALTH SYSTEM, INC.	NUTRITION PROGRAM	10.558	Mass. Dept. of Elementary and Secondary Education	DOE SCDOE12758R70532117A	805
SISTERS OF PROVIDENCE HEALTH SYSTEM, INC.	NUTRITION PROGRAM	10.558	Mass. Dept. of Elementary and Secondary Education	DOE SCDOE12758T70532117A	7,233
SISTERS OF PROVIDENCE HEALTH SYSTEM, INC.	NUTRITION PROGRAM	10.558	Mass. Dept. of Elementary and Secondary Education	DOE SCDOE12758W70532117A	377
	<b>Subtotal CFDA #10.558</b>				<b>\$ 83,793</b>
	<b>Total Department of Agriculture Food and Nutrition Service</b>				<b>\$ 154,487</b>
<b>Department of Housing and Urban Development Office of Community Planning &amp; Development - Federal Housing Commissioner</b>					
OUR LADY OF MERCY LIFE CENTER	HUD INSURED MORTGAGE	14.129			\$ 6,303,343
VILLA MARY IMMACULATE	HUD INSURED MORTGAGE	14.129			5,057,097
	<b>Total Department of Housing and Urban Development Office of Community Planning &amp; Development - Federal Housing Commissioner</b>				<b>\$ 11,360,440</b>
<b>Department of Housing and Urban Development Office of Community Planning &amp; Development</b>					
<b>Community Development Block Grants - Entitlement Grant Cluster</b>					
ST. PETERS ADDICTION RECOVERY CENTER	EMERGENCY SHELTER ALBANY COUNTY	14.218	ALBANY COUNTY DSS	R117	\$ 229,446
ST. PETERS ADDICTION RECOVERY CENTER	STEHP-SOLUTIONS TO ENDING HOMELESSNESS PROGRAM	14.218	NY STATE OTDA	C021291	173,682
ST. PETERS ADDICTION RECOVERY CENTER	EMERGENCY SHELTER	14.218	ALBANY COMMUNITY DEVELOPMENT AGENCY	YR38	27,455
OUR LADY OF LOURDES HEALTH FOUNDATION INC.	CAMDEN CNTY BLOCK	14.218	CAMDEN COUNTY	N/A	8,993
	<b>Subtotal Community Development Block Grants - Entitlement Grant Cluster</b>				<b>\$ 439,576</b>
SAINT JOSEPH'S HEALTH SYSTEM, INC.	SUPPORTIVE HOUSING PROGRAM	14.235	CITY OF ATLANTA	GA0024B4B001003	\$ 19,679
SAINT JOSEPH'S HEALTH SYSTEM, INC.	SUPPORTIVE HOUSING PROGRAM	14.235	CITY OF ATLANTA	GA0024B4B001104	9,295
SISTERS OF PROVIDENCE HEALTH SYSTEM, INC.	MENTAL HEALTH ASSOCIATION SAFE HAVENS	14.235			4,944
SISTERS OF PROVIDENCE HEALTH SYSTEM, INC.	MASSACHUSETTS CAREER DEVELOPMENT INSTITUTE FAMILY HOUSING	14.235			4,944
SISTERS OF PROVIDENCE HEALTH SYSTEM, INC.	MENTAL HEALTH ASSOCIATION PROJECT REACH	14.235			32,592
	<b>Subtotal CFDA #14.235</b>				<b>\$ 71,454</b>
ST. PETERS ADDICTION RECOVERY CENTER	SHELTER PLUS CARE	14.238	NY STATE OASAS	C003896	162,169
	<b>Subtotal CFDA #14.238</b>				<b>\$ 162,169</b>
SAINT JOSEPH'S HEALTH SYSTEM, INC.	HOUSING OPPORTUNITIES FOR PERSONS LIVING WITH AIDS	14.241	CITY OF ATLANTA	250131963	\$ 321,838
	<b>Subtotal CFDA #14.241</b>				<b>\$ 321,838</b>
	<b>Total Department of Housing and Urban Development Office of Community Planning &amp; Development</b>				<b>\$ 995,037</b>

**Catholic Health East  
Schedule of Expenditures of Federal Awards  
Period Ended December 31, 2012**

FEDERAL AGENCY/COMPANY	PROGRAM	CFDA #	PASS THROUGH AGENCY	PASS THROUGH CONTRACT #	FEDERAL EXPENDITURES
<b>Department of Labor Employment Training Information</b>					
SAINT JOSEPH'S HEALTH SYSTEM, INC.	SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM	17.235	GEORGIA DEPT OF HUMAN RESOURCES	131616224	\$ 182,018
SAINT JOSEPH'S HEALTH SYSTEM, INC.	SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM	17.235	GEORGIA DEPT OF HUMAN RESOURCES	131616224	209,984
	<b>Subtotal CFDA #17.235</b>				<b>\$ 392,002</b>
<b>WIA Adult Program Cluster</b>					
SAINT JOSEPH'S HEALTH SYSTEM, INC.	WIA ADULT PROGRAM	17.258	GEORGIA DEPT OF HUMAN RESOURCES	10921607	\$ 74,156
	<b>Subtotal WIA Adult Program Cluster</b>				<b>\$ 74,156</b>
	<b>Total Department of Labor Employment Training Information</b>				<b>\$ 466,158</b>
<b>Department of Health &amp; Human Services Administration</b>					
OUR LADY OF LOURDES HEALTH FOUNDATION INC.	HRSA NURSE TRAINEE - 2012	93.124			\$ 8,730
	<b>Subtotal CFDA #93.124</b>				<b>\$ 8,730</b>
<b>Health Centers Cluster</b>					
SAINT JOSEPH'S HEALTH SYSTEM, INC.	COMMUNITY HEALTH CENTERS	93.224	U.S. DEPT OF HEALTH & HUMAN SERVICES	5 H80CS00022	\$ 2,702,825
SISTERS OF PROVIDENCE HEALTH SYSTEM, INC.	COMMUNITY HEALTH CENTERS	93.224	CITY OF SPRINGFIELD	30121224	446,302
	<b>Subtotal Health Centers Cluster</b>				<b>\$ 3,149,127</b>
OUR LADY OF LOURDES HEALTH FOUNDATION INC.	EARMARK FNDING 2	93.887			\$ 6,223
OUR LADY OF LOURDES HEALTH FOUNDATION INC.	EARMARK FNDING 3	93.887			36,947
ST. FRANCIS MEDICAL CENTER	HEALTH CARE AND OTHER FACILITIES	93.887			73,364
	<b>Subtotal CFDA #93.887</b>				<b>\$ 116,534</b>
ST. FRANCIS MEDICAL CENTER	HIV/AIDS RYAN WHITE CARE PART B APPLICATION 2012	93.917	NJ DEPT OF HEALTH & SENIOR SERVICES	N/A	\$ 54,819
	<b>Subtotal CFDA #93.917</b>				<b>\$ 54,819</b>
SAINT MICHAEL'S MEDICAL CENTER	HRSA RYAN WHITE C - 2011	93.918			\$ 302,566
SAINT MICHAEL'S MEDICAL CENTER	HRSA RYAN WHITE C - 2012	93.918	U.S. DEPT OF HEALTH & HUMAN SERVICES	5 H76HA12779-03-00	204,775
ST. FRANCIS MEDICAL CENTER	RYAN WHITE PART C OUTPATIENT EIS PROGRAM	93.918			191,078
SAINT JOSEPHS MERCY CARE	RYAN WHITE PART C OUTPATIENT EIS PROGRAM	93.918	U.S. DEPT OF HEALTH & HUMAN SERVICES	6 H76HA00090	774,314
	<b>Subtotal CFDA #93.918</b>				<b>\$ 1,472,733</b>
	<b>Total Department of Health &amp; Human Services Administration</b>				<b>\$ 4,801,943</b>

**Catholic Health East  
Schedule of Expenditures of Federal Awards  
Period Ended December 31, 2012**

FEDERAL AGENCY/COMPANY	PROGRAM	CFDA #	PASS THROUGH AGENCY	PASS THROUGH CONTRACT #	FEDERAL EXPENDITURES
<b>Department of Education Office of Student Financial Assistance Programs</b>					
<b>Student Financial Aid Cluster</b>					
ALBANY MEMORIAL HOSPITAL	SUBSIDIZED LOANS	84.268			\$ 245,849
ALBANY MEMORIAL HOSPITAL	UNSUBSIDIZED LOANS	84.268			282,445
SAMARITAN HOSPITAL	SUBSIDIZED LOANS	84.268			441,132
SAMARITAN HOSPITAL	UNSUBSIDIZED LOANS	84.268			520,580
ST. JAMES MERCY HOSPITAL INC.	STAFFORD LOANS	84.268			128,772
ALBANY MEMORIAL HOSPITAL	FEDERAL PELL GRANT PROGRAM	84.063			135,248
SAMARITAN HOSPITAL	FEDERAL PELL GRANT PROGRAM	84.063			246,546
ST. JAMES MERCY HOSPITAL INC.	PELL FUNDS	84.063			67,425
ST. FRANCIS MEDICAL CENTER	PELL GRANT - SCHOOL OF RADIOLOGY	84.063			11,700
	<b>Subtotal Student Financial Aid Cluster</b>				<b>\$ 2,079,697</b>
	<b>Total Department of Education Office of Student Financial Assistance Programs</b>				<b>\$ 2,079,697</b>
<b>Department of Health &amp; Human Services Office of the Secretary</b>					
ST. PETERS HOSPITAL	HEALTH RESEARCH, INC BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM	93.003	HEALTH RESEARCH INC	1864-07	\$ 17,000
ALBANY MEMORIAL HOSPITAL	PUBLIC HEALTH AND SOCIAL SERVICES EMERGENCY FUND	93.003	HEALTH RESEARCH INC	N/A	40,000
SAMARITAN HOSPITAL	PUBLIC HEALTH AND SOCIAL SERVICES EMERGENCY FUND	93.003	HEALTH RESEARCH INC	N/A	40,000
MERCY SUBURBAN HOSPITAL	EMERGENCY PREPAREDNESS	93.003	PA DEPT OF HEALTH	4100039757	76,634
	<b>Subtotal CFDA #93.003</b>				<b>\$ 173,634</b>
SAINT MICHAEL'S MEDICAL CENTER	EMERGENCY PREPAREDNESS	93.889	NJ DEPT OF HEALTH & SENIOR SERVICES	PHLP12FUL008 2012	\$ 39,908
SAINT MICHAEL'S MEDICAL CENTER	EMERGENCY PREPAREDNESS	93.889	NJ DEPT OF HEALTH & SENIOR SERVICES	PHLP13FUL017	2,101
OUR LADY OF LOURDES HEALTH FOUNDATION INC.	EMERGENCY PREPAREDNESS	93.889	NJ DEPT OF HEALTH & SENIOR SERVICES	PHLP12FUL009	213,199
ST. FRANCIS MEDICAL CENTER	EMERGENCY PREPAREDNESS	93.889	NJ DEPT OF HEALTH & SENIOR SERVICES	N/A	4,484
HOLY CROSS HOSPITAL INC	EMERGENCY PREPAREDNESS	93.889	STATE OF FLORIDA DEPT OF HEALTH	COP 2S	51,374
ST. JAMES MERCY HOSPITAL INC.	HEALTH RESEARCH BIOTERRORISM	93.889			51,000
ST. MARY ATHENS	EMERGENCY PREPAREDNESS & RESPONSE	93.889			13,126
	<b>Subtotal CFDA #93.889</b>				<b>\$ 375,192</b>
	<b>Total Department of Health &amp; Human Services Office of the Secretary</b>				<b>\$ 548,826</b>
<b>Department of Health &amp; Human Services National Institutes of Health</b>					
<b>Research Cluster</b>					
ST. FRANCIS MEDICAL CENTER	NINDS ISCHEMIC STROKE GENETICS CONSORTIUM	93.853	UNIVERSITY OF MARYLAND	N/A	\$ 58,790
	<b>Total Research Cluster</b>				<b>\$ 58,790</b>

# Catholic Health East

## Schedule of Expenditures of Federal Awards

### Period Ended December 31, 2012

FEDERAL AGENCY/COMPANY	PROGRAM	CFDA #	PASS THROUGH AGENCY	PASS THROUGH CONTRACT #	FEDERAL EXPENDITURES
<b>Corporation for National and Community Service</b>					
<b>Foster Grandparent/Senior Companion Cluster</b>					
OUR LADY OF LOURDES HEALTH FOUNDATION INC.	FOSTER GRANDPARENT	94.011			\$ 343,860
OUR LADY OF LOURDES HEALTH FOUNDATION INC.	SR COMPANION PRG	94.016			377,918
	<b>Subtotal Foster Grandparent/Senior Companion Cluster</b>				<b>\$ 721,778</b>
	<b>Total Corporation for National and Community Service</b>				<b>\$ 721,778</b>
<b>Department of Health and Human Services Administration on Aging</b>					
<b>Aging Cluster</b>					
SAINT JOSEPHS MERCY SENIOR CARE	AGING TITLE III, PART B GRANTS/SUPPORTIVE SVCS	93.044	STATE OF GA DEPT OF HUMAN RESOURCES	131616224	\$ 19,762
OUR LADY OF LOURDES HEALTH FOUNDATION INC.	HELPING HANDS - 2012	93.044			20,500
ST. FRANCIS MEDICAL CENTER	MERCER COUNTY RESPITE CARE PROJECT	93.045	NJ DEPT OF HEALTH & SENIOR SERVICES	N/A	55,334
ST. FRANCIS MEDICAL CENTER	CARING FOR THE CAREGIVER PROJECT	93.045	NJ DEPT OF HEALTH & SENIOR SERVICES	N/A	4,055
	<b>Subtotal Aging Cluster</b>				<b>\$ 99,651</b>
<b>Department of Health and Human Services Administration on Aging</b>					
SAINT JOSEPHS MERCY SENIOR CARE	NATL CAREGIVER 1	93.052	NORTHWEST GEORGIA REGIONAL COMMISSION	42700-373-0000005018	\$ 32,112
SAINT JOSEPHS MERCY SENIOR CARE	NATL CAREGIVER 2	93.052	NORTHWEST GEORGIA REGIONAL COMMISSION	42700-373-0000005018	181,761
	<b>Subtotal CFDA #93.052</b>				<b>\$ 213,873</b>
	<b>Total Department of Health and Human Services Administration on Aging</b>				<b>\$ 313,524</b>
<b>Department of Health and Human Services Administration for Children and Families</b>					
SISTERS OF PROVIDENCE HEALTH SYSTEM, INC.	SOCIAL SERVICES BLOCK GRANT	93.667	COMMONWEALTH OF MASSACHUSETTS DEPARTMENT OF SENIOR SERVICES	DSS INTF00000000912FNSSO	\$ 767
	<b>Total Department of Health and Human Services Administration for Children and Families</b>				<b>\$ 767</b>
<b>Department of Health and Human Services Administration Abuse and Mental Health Services Administration</b>					
ST. PETERS HOSPITAL	ST. CATHERINE'S CENTER FOR CHILDREN-DHHS SAMHSA ARCH	93.243			\$ 56,507
SAINT MICHAEL'S MEDICAL CENTER	RW ADDICTION SVCS	93.243	CITY OF NEWARK	7R2-A 090811	138,786
MERCY HEALTH SYSTEM OF MAINE	SAMHSA - RESIDENTIAL SERVICES	93.243	SUBSTANCE ABUSE & MENTAL HEALTH SERVICES ADMINISTRATION	10T123161A	138,248
	<b>Subtotal CFDA #93.243</b>				<b>\$ 333,541</b>
SISTERS OF PROVIDENCE HEALTH SYSTEM, INC.	MAINTENANCE TREATMENT PROGRAM	93.959	COMMONWEALTH OF MASSACHUSETTS DEPARTMENT OF PUBLIC HEALTH	DPH SCDPH231853620180000	\$ 51,070
SISTERS OF PROVIDENCE HEALTH SYSTEM, INC.	INPATIENT DETOXIFICATION	93.959	COMMONWEALTH OF MASSACHUSETTS DEPARTMENT OF PUBLIC HEALTH	DPH INFT2303MM3900617065	25,564
SISTERS OF PROVIDENCE HEALTH SYSTEM, INC.	OUTPATIENT SUBSTANCE ABUSE COUNSELING	93.959	COMMONWEALTH OF MASSACHUSETTS DEPARTMENT OF PUBLIC HEALTH	DPH SCDPH230153581390000	89,313
SISTERS OF PROVIDENCE HEALTH SYSTEM, INC.	SHERRIF'S DEPT HAMPDEN COUNTY, MASSACHUSETTS	93.959	COMMONWEALTH OF MASSACHUSETTS DEPARTMENT OF PUBLIC HEALTH	SDH 2862861THEMERCYHOAJS	13,197
	<b>Subtotal CFDA #93.959</b>				<b>\$ 179,144</b>
	<b>Total Department of Health and Human Services Administration Abuse and Mental Health Services Administration</b>				<b>\$ 512,685</b>

**Catholic Health East  
Schedule of Expenditures of Federal Awards  
Period Ended December 31, 2012**

FEDERAL AGENCY/COMPANY	PROGRAM	CFDA #	PASS THROUGH AGENCY	PASS THROUGH CONTRACT #	FEDERAL EXPENDITURES
<b>Department of Health and Human Services Administration Centers for Disease Control and Prevention</b>					
ST. PETERS HOSPITAL	HEALTH RESEARCH, INC CSP ALBANY	93.283	HEALTH RESEARCH INSTITUTE	3493-04	\$ 28,780
ST. PETERS HOSPITAL	HEALTH RESEARCH, INC CSP ALBANY	93.283	HEALTH RESEARCH INSTITUTE	3493-05	34,079
ST. PETERS HOSPITAL	HEALTH RESEARCH, INC CSP RENSSELAER	93.283	HEALTH RESEARCH INSTITUTE	3497-04	22,450
ST. PETERS HOSPITAL	HEALTH RESEARCH, INC CSP RENSSELAER	93.283	HEALTH RESEARCH INSTITUTE	3497-05	26,693
SAINT MICHAEL'S MEDICAL CENTER	MT SINAI MCHB	93.283	MT. SINAI SCHOOL OF MEDICINE	MCHB#5H30 MC 00019-21-00	8,422
SAINT MICHAEL'S MEDICAL CENTER	MCHB - HRSA HEMOPHILIA RESEARCH MT SINAI	93.283	MT. SINAI SCHOOL OF MEDICINE	MCHB#5H30 MC 00019-21-03	7,917
SAINT MICHAEL'S MEDICAL CENTER	MT SINAI CDC	93.283	MT. SINAI SCHOOL OF MEDICINE	CDC#U01/DD000195-05	15,017
ST. JAMES MERCY HOSPITAL INC.	HEALTH RESEARCH INC	93.283			44,745
	<b>Subtotal CFDA #93.283</b>				<b>\$ 188,103</b>
SAINT JOSEPHS MERCY SENIOR CARE	COOPERATIVE AGREEMENTS FOR STATE-BASED COMPREHENSIVE BREAST	93.919	GEORGIA ASSOCIATION FOR PRIMARY HEALTH CARE	N/A	\$ 140,964
	<b>Subtotal CFDA #93.919</b>				<b>\$ 140,964</b>
SAINT JOSEPHS MERCY SENIOR CARE	HIV PREVENTION ACTIVITIES_NON GOVERNMENTAL ORGANIZATION BASED	93.939	DHHS	U65 PS002210	332,249
	<b>Subtotal CFDA #93.939</b>				<b>\$ 332,249</b>
SAINT MICHAEL'S MEDICAL CENTER	AIDS12NAVOO4 - 2012	93.940	NEW JERSEY DEPT OF HEALTH		\$ 46,021
HOLY CROSS OUTREACH	EXTENDED TESTING INITIATIVE	93.940	FL DEPT OF HEALTH/BROWARD COUTNY HEALTH DEPT	BW162	100,000
	<b>Subtotal CFDA #93.940</b>				<b>\$ 146,021</b>
	<b>Total Department of Health and Human Services Administration Centers for Disease Control and Prevention</b>				<b>\$ 807,337</b>

**Catholic Health East  
Schedule of Expenditures of Federal Awards  
Period Ended December 31, 2012**

FEDERAL AGENCY/COMPANY	PROGRAM	CFDA #	PASS THROUGH AGENCY	PASS THROUGH CONTRACT #	FEDERAL EXPENDITURES
<b>Department of Health and Human Services Administration Health Resources &amp; Services Administration</b>					
SAINT MICHAEL'S MEDICAL CENTER	RW PT A CASE MGMT	93.914	CITY OF NEWARK	7R2-K 061511	\$ 9,448
SAINT MICHAEL'S MEDICAL CENTER	RW PT A CASE MGMT	93.914	CITY OF NEWARK	7R2-A 041812	91,059
SAINT MICHAEL'S MEDICAL CENTER	RW PT A SUPRT SVCS	93.914	CITY OF NEWARK	7R2-K 061511	2,852
SAINT MICHAEL'S MEDICAL CENTER	RW PT A SUPRT SVCS	93.914	CITY OF NEWARK	7R2-A 041812	450
SAINT MICHAEL'S MEDICAL CENTER	RW PT A DENTAL	93.914	CITY OF NEWARK	7R2-K 061511	5,276
SAINT MICHAEL'S MEDICAL CENTER	RW PT A DENTAL	93.914	CITY OF NEWARK	7R2-A 041812	4,373
SAINT MICHAEL'S MEDICAL CENTER	RW PT A MENTAL	93.914	CITY OF NEWARK	7R2-K 061511	16,913
SAINT MICHAEL'S MEDICAL CENTER	RW PT A MENTAL	93.914	CITY OF NEWARK	7R2-A 041812	81,457
SAINT MICHAEL'S MEDICAL CENTER	RW PT A PRIM MED	93.914	CITY OF NEWARK	7R2-K 061511	183,282
SAINT MICHAEL'S MEDICAL CENTER	RW PT A PRIM MED	93.914	CITY OF NEWARK	7R2-A 041812	382,504
SAINT MICHAEL'S MEDICAL CENTER	RW PT A EIS	93.914	CITY OF NEWARK	7R2-K 061511	12,704
SAINT MICHAEL'S MEDICAL CENTER	RW PT A EIS	93.914	CITY OF NEWARK	7R2-A 041812	40,806
SAINT MICHAEL'S MEDICAL CENTER	RW PT F MCM	93.914	CITY OF NEWARK	7R2-K 061511	12,482
SAINT MICHAEL'S MEDICAL CENTER	RW PT F TRANS	93.914	CITY OF NEWARK	7R2-K 061511	15,272
SAINT MICHAEL'S MEDICAL CENTER	RW PT F ORAL HLTH	93.914	CITY OF NEWARK	7R2-K 061511	2,877
SAINT MICHAEL'S MEDICAL CENTER	RW PT F PRIM MED	93.914	CITY OF NEWARK	7R2-A 041812	300,000
SAINT JOSEPHS MERCY SENIOR CARE	RW PT A HIV/AIDS TREATMENT	93.914	FULTON COUNTY BOARD OF COMMISSIONERS	PC118-20117922BL-4	204,351
SAINT JOSEPHS MERCY SENIOR CARE	RW PT A HIV/AIDS TREATMENT	93.914	FULTON COUNTY BOARD OF COMMISSIONERS	PC118-12SC84649B-TR	243,116
MERCY SUBURBAN HOSPITAL	RYAN WHITE CARE ACT, TITLE I	93.914	PHILADELPHIA AIDS ACITIVITY COORDINATION OFFICE	05-20684	54,428
	<b>Subtotal CFDA #93.914</b>				<b>\$ 1,663,650</b>

**Catholic Health East  
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FEDERAL AGENCY/COMPANY	PROGRAM	CFDA #	PASS THROUGH AGENCY	PASS THROUGH CONTRACT #	FEDERAL EXPENDITURES
<b>Department of Health and Human Services Administration Health Resources &amp; Services Administration</b>					
ST. PETERS HOSPITAL	HRSA ACA GRANTS FOR SCHOOL BASED HEALTH CENTERS	93.501			52,038
	<b>Subtotal CFDA #93.501</b>				<b>\$ 52,038</b>
HOLY CROSS OUTREACH	CDC TOUCH - 2013	93.531			62,083
	<b>Subtotal CFDA #93.531</b>				<b>\$ 62,083</b>
SAMARITAN HOSPITAL	HUMAN SERVICES PREVENT BLOCK GRANT	93.991	NEW YORK STATE DEPT OF HEALTH	N/A	\$ 1,492
SAMARITAN HOSPITAL	RAPE PREVENTION EDUCATION	93.136	NEW YORK STATE DEPT OF HEALTH	N/A	\$ 26,099
SAINTE JOSEPHS MERCY SENIOR CARE	SUPPORTIVE SERVICES FOR VETERANS FAMILY	64.033	HOPE ATLANTA	N/A	\$ 1,140
<b>Medicaid Cluster</b>					
ST. PETERS HOSPITAL	MEDICAL ASSISTANCE PROGRAM	93.778	NY STATE DEPT of HEALTH	C026131	\$ 65,314
	<b>Subtotal Medicaid Cluster</b>				<b>\$ 65,314</b>
	<b>Total Department of Health and Human Services Administration Health Resources &amp; Services Administration</b>				<b>\$ 1,871,816</b>
<b>Department of Homeland Security</b>					
SAINTE MICHAEL'S MEDICAL CENTER	NJOHSP UASI FFY11	97.008	NJ OFFICE OF HOMELAND SECURITY	UASI-DANISH	16,666
	<b>Subtotal CFDA #97.008</b>				<b>\$ 16,666</b>
	<b>Total Department of Homeland Security</b>				<b>\$ 16,666</b>
<b>Department of Justice</b>					
SAMARITAN HOSPITAL	CRIME VICTIMS ASSISTANCE	16.575	STATE OF NEW YORK EXEC DEPT	N/A	\$ 310,205
SAMARITAN HOSPITAL	SEXUAL ASSAULT SERVICES FORMULA GRANT PROGRAM SASP	16.017	STATE OF NEW YORK DIVISION OF CRIMINAL JUSTICE	N/A	\$ 4,840
SAMARITAN HOSPITAL	SEXUAL ASSAULT NURSE EXAMINER (SANE) ARRA	16.588	STATE OF NEW YORK DIVISION OF CRIMINAL JUSTICE	N/A	\$ 37,883
	<b>Total Department of Justice</b>				<b>\$ 352,928</b>
	<b>Total Federal Expenditures</b>				<b>\$ 25,062,879</b>

**Catholic Health East**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Period Ended December 31, 2012**

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**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activities in all the federal financial assistance programs of Catholic Health East (the "Company") which has been financed by the U.S. Government. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the consolidated financial statements.

The Schedule is presented on the accrual basis of accounting.

**2. Expenditures and Other Reporting**

Pittsburgh Mercy Health System ("PMHS") is a recipient of grants from the Department of Health and Human Services and is subject to compliance reporting and compliance requirements under OMB Circular A-133. The consolidated financial statements include the financial activity of PMHS as of December 31, 2012 and 2011. PMHS' fiscal year end is June 30 and accordingly, the financial statements and Schedule of Federal Expenditures of PMHS are audited separately for the years ended June 30, 2013 and 2012. Total Federal expenditure of PMHS included in the consolidated financial statements for the year ended December 31, 2012 are \$13,215,534.

Other RHCs are also subject to the reporting and compliance requirements of the New Jersey Department of Treasury Circular Letter NJ 04-04-OMB. The New Jersey state expenditures associated with these entities (St. Francis Medical Center and Subsidiaries expenditures of \$290,642, Our Lady of Lourdes Healthcare Services, Inc. expenditures of \$1,704,830 and Saint Michael's Medical Center expenditures of \$2,006,024) are included in a separate report.

**3. Facilities and Administrative Costs**

Expenditures consist of direct costs and indirect costs.

**4. Loans**

St. Peter's Healthcare Services is responsible for the performance of certain administrative duties with respect to the Federal Loan Program and has the following obligations outstanding at December 31, 2012 that are insured by the U.S. Department of Housing and Urban Development (HUD):

<b>Project #</b>	<b>CFDA #</b>	<b>Original Loan Amount</b>	<b>Outstanding Balance</b>
014-43058	14.129	\$ 10,688,000	\$ 6,303,343
013-43063	14.129	\$ 7,580,000	\$ 5,057,097
		<u>\$ 18,268,000</u>	<u>\$ 11,360,440</u>

Refer to the consolidated financial statements Note 8 for additional loan information.



**Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

To the Board of Directors  
Catholic Health East

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Catholic Health East (the "Company") as of and for the year ended December 31, 2012, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 30, 2013. Our report includes a reference to other auditors who audited the financial statements of certain consolidated and unconsolidated entities, as described in our report on the Company's consolidated financial statements. The financial statements of the consolidated entities audited by other auditors were not audited in accordance with *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Company's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PricewaterhouseCoopers LLP*

April 30, 2013



**Independent Auditor's Report on Compliance with Requirements  
That Could Have a Direct and Material Effect to Each Major Program and on  
Internal Control Over Compliance in Accordance with OMB Circular A-133**

To the Board of Directors  
Catholic Health East

**Report on Compliance for Each Major Federal Program**

We have audited Catholic Health East's (the "Company") compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. The Company's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Company's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Company's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Company complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.



### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-1. Our opinion on each major federal program is not modified with respect to these matters.

The Company's consolidated financial statements include the operations of Pittsburgh Mercy Health System which received \$13,215,534 in federal awards which are not included in the Schedule of Expenditures of Federal Awards during the year ended December 31, 2012. Our audit, described below, did not include the operations of Pittsburgh Mercy Health System because a separate audit in accordance with OMB Circular A-133 was performed for the individual company.

The Company's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Company's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the Company is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Company's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*PricewaterhouseCoopers LLP*

September 30, 2013

**Catholic Health East  
Summary Schedule of Prior Audit Findings  
Period Ended December 31, 2012**

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**Section I – Summary of Auditor’s Results**

**Financial statements**

- (i) Type of auditor’s report issued: Unmodified
- (ii) Internal control over financial reporting:
- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified not considered to be material weaknesses?  yes  none reported
- (iii) Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

- (iv) Internal control over major programs:
- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified not considered to be material weaknesses?  yes  none reported
- (v) Type of auditor’s report issued on compliance for major programs: Unmodified
- (vi) Any audit findings disclosed that are required to be reported in compliance with section .510(a) of OMB Circular A-133?  yes  no
- (vii) Identification of major programs:

<b>CFDA No.</b>	<b>Name of Program</b>
93.914	HIV Emergency Relief Project Grants
84.268/84.063	Department of Education, Student Financial Aid Cluster
14.129	Department of Housing & Urban Development Office of Housing Federal Housing Commissioner
94.011/94.016	Foster Grandparent/Senior Companion Cluster
14.241	Housing Opportunities for Persons with AIDS
17.235	Senior Community Service Employment Program

- (viii) Dollar threshold used to distinguish between Type A and Type B programs: \$751,886
- (ix) Auditee qualified as low-risk auditee?  yes  no

**Section II – Financial Statement Findings**

None Reported.

# Catholic Health East

## Summary Schedule of Prior Audit Findings

### Period Ended December 31, 2012

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#### Section III – Federal Awards Findings and Questioned Costs

##### St. Michaels Medical Center

**Finding 2012-1: Services Provided and Reimbursement Requested for a Client Identified as Ineligible**

**Impacted Programs: Ryan White, Part F**

**Federal Agency: Department of Health and Human Services**

**CFDA: #93.914**

**Award Year: 2012**

**Award Number:**

##### **Criteria:**

Guidance: Ryan White, Part F Grant – Emergency Relief Grant Program Agreement, Special Conditions Section #1

In order to receive services funded by Part A (inclusive of MAI funding), clients must meet eligibility criteria which include:

- Clients must have a verified HIV positive diagnosis.
- Clients must provide documentation of primary residence within the 5 county Newark Eligible Metropolitan Area (“EMA”).
- A client’s gross income can be no more than 500% of the Federal Poverty level (FPL). Initial proof of income must be submitted prior to the provision of any Part A service and reassessment of income eligibility should be performed semi-annually.
- Clients must have minimal or no health insurance. Ryan White HIV/AIDS Program is the payer of last resort.

Recipients of Part A funds must maintain documentation of the items listed above prior to the provision of any Part A service. It is not acceptable for the client to self-report the information required to determine eligibility.

##### **Condition:**

To test eligibility for this program, the engagement team tested 40 patients who received services under this program for which reimbursement of service costs was requested and received by St. Michael's. Of the 40 tested, we found one patient who did not reside within the 5 county Newark EMA and therefore, was ineligible.

##### **Questioned Costs:**

The above item resulted in \$106 of expenditures of federal awards for a patient who was not eligible for the Ryan White, Part F funding.

##### **Cause:**

Human error.

##### **Effect:**

One patient who received services under this funding was not eligible. Reimbursement was requested by St. Michael's and paid by the City of Newark in the amount of \$106.

##### **Recommendation:**

We recommend management re-emphasize the need for diligence of reviewers and that \$106 be refunded to the Department of Health and Human Services.



August 2, 2013

**St. Michaels Medical Center**

**Finding 2012-1: Services Provided and Reimbursement Requested for a Client Identified as Ineligible**

**Impacted Programs: Ryan White, Part A&F**

**Cognizant Agency: Department of Health and Human Services**

**CFDA# 93.914**

**Award Year: 2012**

**Management Action Plan:**

Effective March 1, 2013, all CHAMP monthly reports will be screened for primary residence using the CHAMP Ad Hoc query. All units for patients that reside outside of the 5 eligible counties in the Newark EMA will be removed from the final report. Monthly internal audits will be conducted to insure that the program is adhering to this requirement.

The results of Part A CHAMP quality reports will be reviewed at the quarterly Quality Management Team meetings.

**Catholic Health East**  
**Summary Schedule of Prior Audit Findings**  
**Period Ended December 31, 2012**

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**Section IV – Summary Schedule of Prior Audit Findings**

**Albany Memorial Hospital and Samaritan Hospital**  
**Finding #2011-01 of the Northeast Health, Inc. & Affiliates A-133 Report: Exit Counseling**  
**Federal Program: Student Financial Assistance Programs Cluster, CFDA No. 84.063, 84.268**  
**Federal Agency: U.S. Department of Education**  
**Federal Award Year: January 1, 2011 to December 31, 2011**

**Condition**

The Samaritan and Memorial schools of nursing participate in the Federal Direct Loan (FDL) program and provide exit counseling to students that receive Stafford and Plus loan funds. The schools are required to maintain documentation substantiating the required information was communicated to the borrowers during exit interviews. During 2011, the schools did not maintain any documentation substantiating that exit counseling was conducted with each borrower after they ceased to be a student.

**Update**

The A-133 Audit was an agenda item on the monthly meetings of the Student Services Committee. Exit counseling was provided to all students and copies of the email communications were maintained in the students' files.

**Albany Memorial Hospital and Samaritan Hospital**  
**Finding #2011-02 of the Northeast Health, Inc. & Affiliates A-133 Report: Student Status Changes**  
**Federal Program: Student Financial Assistance Programs Cluster, CFDA No. 84.063, 84.268**  
**Federal Agency: U.S. Department of Education**  
**Federal Award Year: January 1, 2011 to December 31, 2011**

**Condition**

The Samaritan and Memorial schools of nursing received Student Status Confirmation Reports every 60 days. Each school has an assigned financial aid coordinator who reviews the report for accuracy, and submits any changes electronically to the NSLDS. If a student status change needs to be reported, and the SSCR report is not due within the 60 days reporting requirement, the financial aid coordinator will submit the necessary changes to the student's record in the NSLDS website.

*Memorial* - During fiscal year 2011, the auditors selected 10 student status changes and tested compliance with enrollment reporting requirements. Of the 10 students tested, the auditors noted two student status changes that were not reported within the 60 day deadline.

*Samaritan* - During fiscal year 2011, there were 19 students that changed status. The school did not submit any of these student status changes nor the required enrollment reports to NSLDS.

**Update**

The A-133 Audit was an agenda item on the monthly meetings of the Student Services Committee. All Student Status Change Forms were submitted within the required time periods. SSCRs were submitted on a monthly basis. The Student Services Office maintained a log of all student status changes and the 2011 items were also submitted.

**Catholic Health East**  
**Summary Schedule of Prior Audit Findings**  
**Period Ended December 31, 2012**

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**Saint Joseph's Mercy Care Services, (SJMCS)**

**Finding #2011-3: Eligibility Documentation**

**Impacted Programs: Ryan White, Part A**

**Cognizant Agency: Department of Health and Human Services**

**CFDA# 93.914**

**Award Year: Fiscal 2011**

**Condition:**

To test eligibility for this program, the engagement team tested 40 patients who received discounted services under this program. Of those 40 patients, documentation of current gross income and household level was not provided for 4 patients. In addition, current proof of residency was not provided for 2 of the 4 patients as evidence that they live within the 20 counties covered by this funding.

**Status of Prior Year Finding:**

All patients seen as part of the SJMCS Ryan White program are screened for income and residence eligibility as required under federal regulations. SJMCS implemented an audit tool that looks at each patient access form to determine whether all required documentation is presented and whether the patient has been properly classified as Ryan White Part A or Ryan White Part C. SJMCS also uses the "notes" capabilities section of the Nextgen practice management section to document efforts at collecting patient information.