

CONSOLIDATED FINANCIAL
STATEMENTS

Ascension Health
Years Ended June 30, 2011 and 2010
With Report of Independent Auditors

Ascension Health
Consolidated Financial Statements
Years Ended June 30, 2011 and 2010

Contents

| | |
|--|----|
| Report of Independent Auditors..... | 1 |
| Consolidated Financial Statements | |
| Consolidated Balance Sheets | 2 |
| Consolidated Statements of Operations and Changes in Net Assets | 4 |
| Consolidated Statements of Cash Flows..... | 6 |
| Notes to Consolidated Financial Statements..... | 8 |
| Other Financial Information | |
| Report of Independent Auditors on Other Financial Information | 54 |
| Schedule of Net Cost of Providing Care of Persons | |
| Living in Poverty and Community Benefit Programs | 55 |
| Details of Consolidated Balance Sheet: | |
| June 30, 2011 | 56 |
| June 30, 2010 | 60 |
| Details of Consolidated Statement of Operations and Changes in Net Assets: | |
| Year Ended June 30, 2011 | 64 |
| Year Ended June 30, 2010 | 68 |

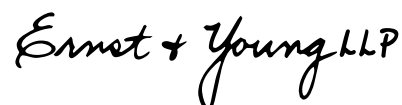
Report of Independent Auditors

The Board of Trustees
Ascension Health

We have audited the accompanying consolidated balance sheets of Ascension Health (as identified in Note 1) as of June 30, 2011 and 2010, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of Ascension Health's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of Ascension Health's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ascension Health's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ascension Health at June 30, 2011 and 2010, and the consolidated results of its operations and changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

A handwritten signature in black ink that reads 'Ernst & Young LLP'.

September 8, 2011

Ascension Health

Consolidated Balance Sheets

(Dollars in Thousands)

| | June 30, | |
|---|-----------------|---------------|
| | 2011 | 2010 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,117,574 | \$ 1,168,278 |
| Short-term investments | 91,146 | 81,650 |
| Accounts receivable, less allowances for uncollectible accounts (\$1,091,291 and \$1,018,364 in 2011 and 2010, respectively) | 1,700,917 | 1,590,084 |
| Assets limited as to use | 161,300 | 158,676 |
| Inventories | 192,057 | 201,353 |
| Estimated third-party payor settlements | 90,365 | 115,798 |
| Other | 297,549 | 313,698 |
| Total current assets | 3,650,908 | 3,629,537 |
| Board-designated and other investments | 8,251,466 | 6,701,328 |
| Property and equipment, net | 6,013,874 | 6,093,288 |
| Other assets: | | |
| Investment in unconsolidated entities | 889,077 | 809,488 |
| Capitalized software costs, net | 486,916 | 388,701 |
| Other | 660,818 | 487,782 |
| Total other assets | 2,036,811 | 1,685,971 |
| Total assets | \$ 19,953,059 | \$ 18,110,124 |

| | June 30, | |
|--|----------------------|----------------------|
| | 2011 | 2010 |
| Liabilities and net assets | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$ 29,563 | \$ 31,221 |
| Long-term debt subject to short-term remarketing arrangements* | 1,662,950 | 1,228,115 |
| Accounts payable and accrued liabilities | 1,831,710 | 1,734,533 |
| Estimated third-party payor settlements | 281,007 | 254,232 |
| Current portion of self-insurance liabilities | 191,551 | 188,114 |
| Other | 75,963 | 67,955 |
| Total current liabilities | <u>4,072,744</u> | <u>3,504,170</u> |
| Noncurrent liabilities: | | |
| Long-term debt (senior and subordinated) | 2,546,785 | 3,007,210 |
| Self-insurance liabilities | 448,624 | 461,907 |
| Pension and other postretirement liabilities | 396,903 | 1,022,488 |
| Other | 681,626 | 659,390 |
| Total noncurrent liabilities | <u>4,073,938</u> | <u>5,150,995</u> |
| Total liabilities | <u>8,146,682</u> | <u>8,655,165</u> |
| Net assets: | | |
| Unrestricted | 11,332,631 | 9,013,920 |
| Temporarily restricted | 331,563 | 310,032 |
| Permanently restricted | 99,444 | 89,871 |
| Total net assets excluding noncontrolling interests | <u>11,763,638</u> | <u>9,413,823</u> |
| Noncontrolling interests | 42,739 | 41,136 |
| Total net assets | <u>11,806,377</u> | <u>9,454,959</u> |
| Total liabilities and net assets | <u>\$ 19,953,059</u> | <u>\$ 18,110,124</u> |

*Consists of variable rate demand bonds with put options that may be exercised at the option of the bondholders, with stated repayment installments through 2047, as well as certain serial mode bonds with scheduled remarketing/mandatory tender dates occurring prior to June 30, 2012. In the event that bonds are not remarketed upon the exercise of put options or the scheduled mandatory tenders, management would utilize other sources to access the necessary liquidity. Potential sources include liquidating investments, drawing upon the \$500,000 line of credit, and issuing commercial paper. The \$250,000 commercial paper program is supported by lines of credit totaling \$250,000, as discussed in the Long-Term Debt note.

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

Ascension Health

Consolidated Statements of Operations and Changes in Net Assets *(Dollars in Thousands)*

| | Year Ended June 30, | |
|--|----------------------------|---------------|
| | 2011 | 2010 |
| Operating revenue: | | |
| Net patient service revenue | \$ 14,719,615 | \$ 13,967,469 |
| Other revenue | 844,747 | 788,842 |
| Total operating revenue | 15,564,362 | 14,756,311 |
| Operating expenses: | | |
| Salaries and wages | 6,264,651 | 5,762,470 |
| Employee benefits | 1,462,380 | 1,358,256 |
| Purchased services | 781,392 | 837,171 |
| Professional fees | 895,074 | 747,007 |
| Supplies | 2,279,657 | 2,253,201 |
| Insurance | 92,610 | 120,350 |
| Bad debts | 1,001,893 | 973,767 |
| Interest | 130,725 | 114,323 |
| Depreciation and amortization | 659,673 | 666,933 |
| Other | 1,570,018 | 1,397,185 |
| Total operating expenses before self-insurance trust fund investment return and impairment, restructuring, and nonrecurring expenses | 15,138,073 | 14,230,663 |
| Income from operations before self-insurance trust fund investment return and impairment, restructuring, and nonrecurring expenses | 426,289 | 525,648 |
| Self-insurance trust fund investment return | 90,402 | 73,976 |
| Income from operations before impairment, restructuring, and nonrecurring expenses | 516,691 | 599,624 |
| Impairment, restructuring, and nonrecurring expenses | 92,458 | 31,111 |
| Income from operations | 424,233 | 568,513 |
| Nonoperating gains (losses): | | |
| Investment return | 1,140,325 | 722,870 |
| Loss on extinguishment of debt | (1,007) | (7,515) |
| Gain on interest rate swaps | 30,941 | 3,119 |
| Income from unconsolidated entities | 11,915 | 10,147 |
| Donations | (25,968) | (9,864) |
| Other | (43,077) | (33,762) |
| Total nonoperating gains, net | 1,113,129 | 684,995 |
| Excess of revenues and gains over expenses and losses | 1,537,362 | 1,253,508 |
| Less excess of revenues and gains over expenses and losses attributable to noncontrolling interests | 27,484 | 23,423 |
| Excess of revenues and gains over expenses and losses attributable to controlling interest | 1,509,878 | 1,230,085 |

Ascension Health

Consolidated Statements of Operations and Changes in Net Assets (continued)

(Dollars in Thousands)

| | Year Ended June 30, | |
|--|----------------------------|--------------|
| | 2011 | 2010 |
| Unrestricted net assets, controlling interest: | | |
| Excess of revenues and gains over expenses and losses | \$ 1,509,878 | \$ 1,230,085 |
| Contributed net assets | (374) | 64 |
| Transfers to sponsors and other affiliates, net | (16,959) | (86,940) |
| Net assets released from restrictions for property acquisitions | 70,829 | 92,351 |
| Pension and other postretirement liability adjustments | 793,938 | (4,361) |
| Change in unconsolidated entities' net assets | 1,175 | (20,113) |
| Deferred gain on interest rate swaps | (303) | (14,123) |
| Other | (96) | (224) |
| Increase in unrestricted net assets, controlling interest, before gain (loss) from discontinued operations and cumulative effect of change in accounting principle | 2,358,088 | 1,196,739 |
| Gain (loss) from discontinued operations | 6,616 | (48,911) |
| Cumulative effect of change in accounting principle | (45,993) | - |
| Increase in unrestricted net assets, controlling interest | 2,318,711 | 1,147,828 |
| Unrestricted net assets, noncontrolling interest: | | |
| Excess of revenues and gains over expenses and losses | 27,484 | 23,423 |
| Distributions and other | (25,881) | (38,046) |
| Increase (decrease) in unrestricted net assets, noncontrolling interest | 1,603 | (14,623) |
| Temporarily restricted net assets: | | |
| Contributions and grants | 100,884 | 109,068 |
| Net change in unrealized gains/losses on investments | 15,714 | 13,618 |
| Investment return | 8,295 | 2,602 |
| Net assets released from restrictions | (103,972) | (128,604) |
| Other | 610 | (5,410) |
| Increase (decrease) in temporarily restricted net assets | 21,531 | (8,726) |
| Permanently restricted net assets: | | |
| Contributions | 8,030 | 2,607 |
| Net change in unrealized gains/losses on investments | 1,692 | (151) |
| Investment return | (62) | (252) |
| Other | (87) | (2,225) |
| Increase (decrease) in permanently restricted net assets | 9,573 | (21) |
| Increase in net assets | 2,351,418 | 1,124,458 |
| Net assets, beginning of year | 9,454,959 | 8,330,501 |
| Net assets, end of year | \$ 11,806,377 | \$ 9,454,959 |

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

Ascension Health

Consolidated Statements of Cash Flows

(Dollars in Thousands)

| | Year Ended June 30, | |
|---|----------------------------|--------------|
| | 2011 | 2010 |
| Operating activities | | |
| Increase in net assets | \$ 2,351,418 | \$ 1,124,458 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 659,673 | 666,933 |
| Amortization of bond premiums | (9,951) | (9,390) |
| Loss on extinguishment of debt | 1,007 | 7,515 |
| Provision for bad debts | 1,001,893 | 973,767 |
| Pension and other postretirement liability adjustments | (793,938) | 4,361 |
| Contributed net assets | 374 | (64) |
| Interest, dividends, and net gains on investments | (1,256,366) | (812,663) |
| Change in market value of interest rate swaps | (25,257) | 18,641 |
| Deferred gain on interest rate swaps | (303) | (14,123) |
| Gain on sale of assets, net | (21,290) | (9,555) |
| Cumulative effect of change in accounting principle | 45,993 | - |
| Impairment and nonrecurring expenses | 35,384 | 14,670 |
| Transfers to sponsor and other affiliates, net | 16,959 | 86,940 |
| Restricted contributions, investment return, and other | (117,670) | (106,390) |
| Other restricted activity | (1,394) | 20,524 |
| Nonoperating depreciation expense | 311 | 303 |
| (Increase) decrease in: | | |
| Short-term investments | (9,496) | (8,286) |
| Accounts receivable | (1,112,960) | (903,747) |
| Inventories and other current assets | 18,489 | 11,699 |
| Investments classified as trading | (295,223) | (478,803) |
| Other assets | (218,766) | (163,877) |
| Increase (decrease) in: | | |
| Accounts payable and accrued liabilities | 105,101 | 198,666 |
| Estimated third-party payor settlements payable, net | 52,208 | (21,818) |
| Other current liabilities | 36,358 | (15,522) |
| Self-insurance liabilities | (9,846) | 13,259 |
| Other noncurrent liabilities | 235,244 | 139,038 |
| Net cash provided by continuing operating activities | 687,952 | 736,536 |
| Net cash used in discontinued operations | (2,098) | (27,738) |
| Net cash provided by operating activities | 685,854 | 708,798 |

Ascension Health

Consolidated Statements of Cash Flows (continued)

(Dollars in Thousands)

| | Year Ended June 30, | |
|--|----------------------------|--------------|
| | 2011 | 2010 |
| Investing activities | | |
| Property, equipment, and capitalized software additions, net | \$ (730,404) | (622,308) |
| Proceeds from sale of property and equipment | 25,714 | 3,001 |
| Net cash used in investing activities | (704,690) | (619,307) |
| Financing activities | | |
| Issuance of long-term debt | 691,240 | 2,854,053 |
| Repayment of long-term debt | (804,536) | (2,839,341) |
| Decrease in assets under bond indenture agreements | 467 | 1,197 |
| Transfers to sponsors and other affiliates, net | (36,709) | (13,930) |
| Restricted contributions, investment return, and other | 117,670 | 106,390 |
| Net cash (used in) provided by financing activities | (31,868) | 108,369 |
| Net (decrease) increase in cash and cash equivalents | (50,704) | 197,860 |
| Cash and cash equivalents at beginning of year | 1,168,278 | 970,418 |
| Cash and cash equivalents at end of year | \$ 1,117,574 | \$ 1,168,278 |

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

Ascension Health

Notes to Consolidated Financial Statements (Dollars in Thousands)

June 30, 2011

1. Organization and Mission

Organizational Structure

Ascension Health is a Catholic, national health system consisting primarily of nonprofit corporations that own and operate local health care facilities, or Health Ministries, located in 20 of the United States and the District of Columbia. Ascension Health is sponsored by the Northeast, Southeast, East Central, and West Central Provinces of the Daughters of Charity of St. Vincent de Paul, the Congregation of St. Joseph, and the Congregation of the Sisters of St. Joseph of Carondelet. All of the Health Ministries are related through common control. Substantially all expenses of Ascension Health are related to providing health care services.

Mission

Ascension Health directs its governance and management activities toward strong, vibrant, Catholic Health Ministries united in service and healing, and dedicates its resources to spiritually centered care which sustains and improves the health of the individuals and communities it serves. In accordance with Ascension Health's mission of service to those persons living in poverty and other vulnerable persons, each Health Ministry accepts patients regardless of their ability to pay. Ascension Health uses four categories to identify the resources utilized for the care of persons living in poverty and community benefit programs:

- Traditional charity care includes the cost of services provided to persons who cannot afford health care because of inadequate resources and/or who are uninsured or underinsured.
- Unpaid cost of public programs, excluding Medicare, represents the unpaid cost of services provided to persons covered by public programs for persons living in poverty and other vulnerable persons.
- Cost of other programs for persons living in poverty and other vulnerable persons includes unreimbursed costs of programs intentionally designed to serve the persons living in poverty and other vulnerable persons of the community, including substance abusers, the homeless, victims of child abuse, and persons with acquired immune deficiency syndrome.

Ascension Health

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

1. Organization and Mission (continued)

- Community benefit consists of the unreimbursed costs of community benefit programs and services for the general community, not solely for the persons living in poverty, including health promotion and education, health clinics and screenings, and medical research.

Discounts are provided to all uninsured patients, including those with the means to pay. Discounts provided to those patients who did not qualify for assistance under charity care guidelines are not included in the cost of providing care of persons living in poverty and community benefit programs. The cost of providing care to persons living in poverty and community benefit programs is estimated using each facility's internal cost data and is calculated in compliance with guidelines established by both the Catholic Health Association (CHA) and the Internal Revenue Service. The amount of traditional charity care provided, determined on the basis of cost, was \$408,894 and \$375,039 for the years ended June 30, 2011 and 2010, respectively. The amount of unpaid cost of public programs, cost of other programs for persons living in poverty and other vulnerable persons, and community benefit cost are reported in the accompanying other financial information.

2. Significant Accounting Policies

Principles of Consolidation

All corporations and other entities for which operating control is exercised by Ascension Health or one of its member corporations are consolidated, and all significant inter-entity transactions have been eliminated in consolidation. Investments in entities where Ascension Health does not have operating control are recorded under the equity or cost method of accounting. Income from unconsolidated entities is included in consolidated excess of revenues and gains over expenses and losses in the consolidated statements of operations and changes in net assets as follows:

| | Year Ended June 30, | |
|-------------------------|----------------------------|-------------|
| | 2011 | 2010 |
| Other revenue | \$ 138,469 | \$ 131,680 |
| Nonoperating gains, net | 11,915 | 10,147 |

Ascension Health

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Use of Estimates

Management has made estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Carrying values of financial instruments classified as current assets and current liabilities approximate fair value. The fair values of other financial instruments are disclosed in the Fair Value Measurements note.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and interest-bearing deposits with maturities of three months or less and certain highly liquid interest-bearing securities with maturities which may extend longer than three months but are convertible to cash within a one-month time period under the terms of the agreement with the investment manager.

Investments and Investment Return

Ascension Health holds investments through the Health System Depository (HSD), an investment pool of funds in which a limited number of nonprofit health care providers participate for purposes of establishing investment goals and monitoring performance under agreed-upon socially responsible investment guidelines. Investments are managed primarily by external investment managers within established investment guidelines. Ascension Health does not consolidate the entire investment pool of funds as a portion of the investment pool represents the interests of other entities. Accordingly, as related to the HSD, Ascension Health's investments recorded in the accompanying consolidated financial statements consist only of Ascension Health's pro rata share of the HSD's investments held for participants.

The HSD's assets required to be recorded at fair value are comprised of equity and various fixed income investments. The HSD also holds investments in hedge funds, private equity, and real estate funds, which are valued using the equity method of accounting. In addition, the HSD participates in securities lending transactions whereby a portion of its investments is loaned to selected established brokerage firms in return for cash and securities from the brokers as collateral for the investments loaned.

Ascension Health

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Investment returns are comprised of dividends, interest, and gains and losses. The cost of substantially all securities sold is based on the average cost method. Investment return on self-insurance trust funds is reported as a separate component of income from operations in the consolidated statements of operations and changes in net assets. Investment return from all other investments is reported as nonoperating gains (losses) in the consolidated statements of operations and changes in net assets unless the return is restricted by donor or law.

Inventories

Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost or market value utilizing first-in, first-out (FIFO), or a methodology that closely approximates FIFO.

Intangible Assets

Intangible assets primarily consist of goodwill and capitalized computer software costs, including software internally developed. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage. Intangible assets are included in other noncurrent assets in the consolidated balance sheets and are comprised of the following:

| | June 30, | |
|--|-------------------|-------------------|
| | 2011 | 2010 |
| Goodwill | \$ 118,871 | \$ 93,324 |
| Capitalized computer software costs, net | 486,916 | 388,701 |
| Other, net | 29,404 | 5,624 |
| Total intangible assets | <u>\$ 635,191</u> | <u>\$ 487,649</u> |

Intangible assets whose lives are indefinite, primarily goodwill, are not amortized and are evaluated for impairment at least annually, while intangible assets with definite lives, primarily capitalized computer software costs, are amortized over their expected useful lives. Amortization expense for these intangible assets in 2011 and 2010 was \$86,741 and \$87,440, respectively.

Ascension Health

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

During the year ended June 30, 2010, Ascension Health began a significant multi-year, System-wide enterprise resource planning initiative including information technology and process standardization project (Symphony), which is expected to continue through December 2014. The project is anticipated to result in a transition to a common software product for various finance, information technology, procurement, and human resources management processes, including standardization of those processes throughout Ascension Health. Capitalized costs of Symphony were approximately \$162,000 and \$49,000 at June 30, 2011 and 2010, respectively. Certain costs of this project were also expensed. See the Impairment, Restructuring, and Nonrecurring Expenses discussion for additional information about costs associated with Symphony.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value at the date of the gift. A summary of property and equipment at June 30, 2011 and 2010, is as follows:

| | June 30, | |
|-----------------------------------|---------------------|---------------------|
| | 2011 | 2010 |
| Land and improvements | \$ 621,874 | \$ 606,425 |
| Building and equipment | 12,405,114 | 11,904,661 |
| Construction in progress | 150,376 | 861,463 |
| | <u>13,177,364</u> | <u>13,372,549</u> |
| Less accumulated depreciation | 7,163,490 | 7,279,261 |
| Total property and equipment, net | <u>\$ 6,013,874</u> | <u>\$ 6,093,288</u> |

Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets. Depreciation expense in 2011 and 2010 was \$569,633 and \$574,609, respectively.

Several capital projects have remaining construction and related equipment purchase commitments of approximately \$114,000.

Ascension Health

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those assets whose use by Ascension Health has been limited by donors to a specific time period or purpose. Permanently restricted net assets consist of gifts with corpus values that have been restricted by donors to be maintained in perpetuity, which include endowment funds. Temporarily restricted net assets and earnings on permanently restricted net assets, including earnings on endowment funds, are used in accordance with the donors' wishes, primarily to purchase equipment and to provide charity care and other health and educational services. Contributions with donor-imposed restrictions that are met in the same reporting period are reported as unrestricted.

Performance Indicator

The performance indicator is excess of revenues and gains over expenses and losses. Changes in unrestricted net assets that are excluded from the performance indicator primarily include pension and other postretirement liability adjustments, transfers to or from sponsors and other affiliates, net assets released from restrictions for property acquisitions, change in unconsolidated entities' net assets, cumulative effect of change in accounting principle, discontinued operations, and contributions of property and equipment.

Operating and Nonoperating Activities

Ascension Health's primary mission is to meet the health care needs in its market areas through a broad range of general and specialized health care services, including inpatient acute care, outpatient services, long-term care, and other health care services. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that result in gains or losses peripheral to Ascension Health's primary mission are considered to be nonoperating. Several primary care clinics that are not associated with an acute care hospital and that rely significantly on contributions from foundations are also considered nonoperating.

Ascension Health

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Net Patient Service Revenue, Accounts Receivable, and Allowance for Uncollectible Accounts

Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors, and others for services provided excluding the provision for bad debt expense and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. Revenue under certain third-party payor agreements is subject to audit, retroactive adjustments, and significant regulatory actions. Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and as final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenue related to prior periods increased net patient service revenue by approximately \$83,416 and \$69,091 for the years ended June 30, 2011 and 2010, respectively.

During 2011, approximately 36% of net patient service revenue was earned under the Medicare program and 11% under various state Medicaid programs. During 2010, approximately 36% of net patient service revenue was earned under the Medicare program and 10% under various state Medicaid programs. Ascension Health grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor arrangements. Significant concentrations of accounts receivable at June 30, 2011, include Medicare (20%) and various states' Medicaid programs (10%). Significant concentrations of accounts receivable at June 30, 2010, include Medicare (21%) and various states' Medicaid programs (10%).

Ascension Health

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

The provision for bad debt expense is based upon management's assessment of expected net collections considering economic conditions, historical experience, trends in health care coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category, including those amounts not covered by insurance. The results of this review are then used to make any modifications to the provision for bad debt expense to establish an appropriate allowance for uncollectible accounts. After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, Ascension Health follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by Ascension Health. Accounts receivable are written off after collection efforts have been followed in accordance with Ascension Health's policies.

Impairment, Restructuring, and Nonrecurring Expenses

During the years ended June 30, 2011 and 2010, Ascension Health recorded total impairment, restructuring, and nonrecurring expenses of \$92,458 and \$31,111, respectively. For the year ended June 30, 2011, this amount was comprised of long-lived asset impairments of approximately \$21,834 and restructuring and nonrecurring expenses of approximately \$70,624. The restructuring and nonrecurring expenses for the year ended June 30, 2011, included approximately \$44,355 of nonrecurring expenses associated with Symphony. Symphony nonrecurring expenses include project management and process reengineering costs, as well as costs to establish a shared service center and develop a business intelligence data warehouse.

For the year ended June 30, 2010, total impairment, restructuring, and nonrecurring expenses of \$31,111 were comprised of approximately \$7,629 of restructuring and nonrecurring expenses related to changes in business operations, including reorganization and severance charges, as well as approximately \$14,670 of long-lived asset impairments. Restructuring and nonrecurring expenses for the year ended June 30, 2010, also include \$8,812 associated with Symphony.

Amortization

Bond issuance costs, discounts, and premiums are amortized over the term of the bonds using a method approximating the effective interest method.

Ascension Health

Notes to Consolidated Financial Statements (continued) *(Dollars in Thousands)*

2. Significant Accounting Policies (continued)

Income Taxes

The member health care entities of Ascension Health are primarily tax-exempt organizations under Internal Revenue Code Section 501(c)(3) or Section 501(c)(2), and their related income is exempt from federal income tax under Section 501(a).

Regulatory Compliance

Various federal and state agencies have initiated investigations regarding reimbursement claimed by certain members of Ascension Health. The investigations are in various stages of discovery, and the ultimate resolution of these matters, including the liabilities, if any, cannot be readily determined; however, in the opinion of management, the results of the investigations will not have a material adverse impact on the consolidated financial statements of Ascension Health.

Reclassifications

Certain reclassifications were made to the 2010 accompanying consolidated financial statements to conform to the 2011 presentation.

Subsequent Events

Ascension Health evaluates the impact of subsequent events, which are events that occur after the balance sheet date but before the financial statements are issued, for potential recognition in the financial statements as of the balance sheet date. For the year ended June 30, 2011, Ascension Health evaluated subsequent events through September 8, 2011, representing the date on which the accompanying audited consolidated financial statements were issued.

Ascension Health

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Adoption of New Accounting Standards

In January 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-07, *Not-for-Profit Entities: Mergers and Acquisitions*, which establishes accounting and disclosure requirements for how a not-for-profit entity determines whether a combination is a merger or an acquisition, how to account for each, and the required disclosures. In addition, ASU 2010-07 includes amendments to FASB's Accounting Standards Codification (the Codification, or ASC) Topic 350, *Intangibles – Goodwill and Other*, and ASC Topic 810, *Consolidation*, to make both applicable to not-for-profit entities. ASC Topic 350 clarifies the accounting for goodwill and indefinite-lived identifiable intangible assets recognized in a not-for-profit entity's acquisition of a business or nonprofit activity. Such assets are not amortized and are tested for impairment at least annually. ASC Topic 810 clarifies the accounting for noncontrolling interests and establishes accounting and reporting standards for the noncontrolling interest in a subsidiary, including classification as a component of net assets. Ascension Health adopted the guidance relative to ASU 2010-07 as of July 1, 2010. The adoption of this guidance resulted in goodwill impairment of \$45,993 recorded as a cumulative effect of change in accounting principle on the consolidated statements of operations and changes in net assets for the year ended June 30, 2011.

3. Organizational Changes

On April 20, 2011, Ascension Health signed a non-binding Letter of Intent with Alexian Brothers Health System (Alexian Brothers) to assess a potential transaction whereby Ascension Health would become the sole corporate member of Alexian Brothers. Alexian Brothers is a Catholic health care organization which oversees the operations of four hospitals, ambulatory care clinics, physician practices, and senior living facilities.

On April 29, 2011, the Federal Trade Commission completed its review of a proposed affiliation between Seton Health System, Inc. (Seton Health) in Troy, New York, Northeast Health, Inc. and St. Peter's Health Care Services. Under the terms of the related agreements, it is anticipated that Ascension Health will retain certain limited rights as an ongoing member of Seton Health in Troy, New York. With this clearance received, the organizations will move forward to create an affiliated health system which is anticipated to result in Seton Health no longer being under the control of Ascension Health.

Ascension Health

Notes to Consolidated Financial Statements (continued) *(Dollars in Thousands)*

3. Organizational Changes (continued)

Discontinued Operations

Effective July 1, 2009, Catholic Health Partners (CHP) and Saint Anthony Hospital (SAH) separated from Ascension Health and Missionary Sisters of the Sacred Heart of Jesus-Provincial Council of the Stella Maris Province (MS-SMP) as agreed upon in the Separation Agreement dated May 28, 2009, to allow SAH to operate as a freestanding, community-based, Catholic hospital serving its community in Chicago, Illinois. The operating results of CHP and SAH are classified in Ascension Health's accompanying consolidated financial statements as discontinued operations.

Ascension Health reported an increase in net assets from discontinued operations of \$6,616 for the year ended June 30, 2011, representing the excess of revenues over expenses for previously discontinued lines of business in Michigan and Tennessee, as well as the fair value of net assets relinquished under the Separation Agreement for the CHP and SAH operations. These entities had recorded operating revenues totaling \$29,066 during the period that they were operational during the year ended June 30, 2011.

Ascension Health reported a decrease in net assets from discontinued operations of \$48,911 for the year ended June 30, 2010, representing the deficit of revenues over expenses for previously discontinued lines of business in Michigan and Tennessee, as well as the fair value of net assets relinquished under the Separation Agreement for the CHP and SAH operations. These entities had recorded operating revenues totaling \$34,898 during the period that they were operational during the year ended June 30, 2010.

The accompanying consolidated balance sheets include assets held for sale and liabilities related to assets held for sale associated with the above transactions. At June 30, 2011 and 2010, assets held for sale consist primarily of accounts receivable and property and equipment while liabilities related to assets held for sale consist primarily of accounts payable, other liabilities, and self-insurance liabilities.

Ascension Health

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

4. Cash and Cash Equivalents, Investments, and Assets Limited as to Use

Ascension Health's investments are comprised of its pro rata share of the HSD's funds held for participants and certain other investments such as those investments held and managed by foundations. Board-designated investments represent investments designated by resolution of the Board of Trustees to put amounts aside primarily for future capital expansion and improvements. Assets limited as to use include investments placed in trust for payment of self-insured claims and investments restricted by donors. Ascension Health's investments are reported in the accompanying consolidated balance sheets as presented in the following table:

| | June 30, | |
|--|---------------------|--------------|
| | 2011 | 2010 |
| Cash and cash equivalents | \$ 1,117,574 | \$ 1,168,278 |
| Short-term investments | 91,146 | 81,650 |
| Assets limited as to use | 161,300 | 158,676 |
| Board-designated and other investments: | | |
| Board-designated investments | 623,129 | 3,804,898 |
| Other investments | 6,713,801 | 1,994,816 |
| Assets limited as to use: | | |
| Under bond indenture agreement | 439 | 906 |
| Self-insurance trust funds, less current portion | 495,232 | 517,302 |
| Temporarily or permanently restricted | 418,865 | 383,406 |
| Total assets limited as to use | 914,536 | 901,614 |
| Total Board-designated and other investments | 8,251,466 | 6,701,328 |
| Total | \$ 9,621,486 | \$ 8,109,932 |

Ascension Health

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

4. Cash and Cash Equivalents, Investments, and Assets Limited as to Use (continued)

The composition of cash and investments classified as cash and cash equivalents, short-term investments, Board-designated investments, assets limited as to use, and other investments is summarized as follows:

| | June 30, | |
|---|----------------------------|----------------------------|
| | 2011 | 2010 |
| Cash and cash equivalents | \$ 459,550 | \$ 459,198 |
| Short-term investments | 60,559 | 73,440 |
| U.S. government obligations | 49,958 | 59,058 |
| Corporate and foreign fixed income investments | 50,813 | 62,421 |
| Asset-backed securities | 60,280 | 52,194 |
| Equity securities | 316,338 | 260,569 |
| Private equity and other investments | 164,894 | 132,666 |
| Other assets limited as to use | 78,340 | 79,571 |
| Subtotal, included in cash and cash equivalents, short-term investments, and Board-designated and other investments | 1,240,732 | 1,179,117 |
| Ascension Health's pro rata share of HSD funds held for participants | 8,380,754 | 6,930,815 |
| Cash and cash equivalents, short-term investments, and Board-designated and other investments | <u>\$ 9,621,486</u> | <u>\$ 8,109,932</u> |

Ascension Health's pro rata share of the HSD's funds held for participants was \$8,380,754 and \$6,930,815 at June 30, 2011 and 2010, respectively, representing 77.2% and 76.1% of the funds held for participants in the HSD at those respective dates.

Ascension Health

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

4. Cash and Cash Equivalents, Investments, and Assets Limited as to Use (continued)

As disclosed in the Significant Accounting Policies note, Ascension Health holds investments through the HSD. The following is a condensed balance sheet of the entire HSD, including the interests of Ascension Health and all other participating entities, at June 30, 2011 and 2010:

| | June 30, | |
|--|----------------------|----------------------|
| | 2011 | 2010 |
| Assets | | |
| Cash | \$ 26,757 | \$ 24,023 |
| Loans, interest, and other receivables | 88,180 | 96,575 |
| Due from brokers | 799,869 | 1,411,218 |
| Securities lending collateral | 378,877 | 364,608 |
| Derivative asset | 33,208 | 21,281 |
| Investments, at fair value: | | |
| Short-term investments | 747,955 | 502,600 |
| U.S. government obligations | 3,056,988 | 2,375,313 |
| Corporate and foreign fixed income investments | 1,260,685 | 1,605,176 |
| Asset-backed securities | 1,764,404 | 1,037,000 |
| Equity, private equity, and other investments | 2,287,580 | 2,216,625 |
| Equity method investments | 2,026,142 | 1,390,415 |
| Total assets | \$ 12,470,645 | \$ 11,044,834 |
| Liabilities and funds held for participants | | |
| Due to brokers | \$ 1,032,350 | \$ 1,471,668 |
| Derivative liability | 34,768 | 49,711 |
| Investments sold, not yet settled | 166,663 | 36,963 |
| Other payables | 6,743 | 5,191 |
| Payable under securities lending program | 380,684 | 368,282 |
| Total liabilities | 1,621,208 | 1,931,815 |
| Funds held for participants | 10,849,437 | 9,113,019 |
| Total liabilities and funds held for participants | \$ 12,470,645 | \$ 11,044,834 |

Ascension Health

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

4. Cash and Cash Equivalents, Investments, and Assets Limited as to Use (continued)

Ascension Health's investment strategy includes investing in alternative investments, such as private equity and real estate funds, a portion of which are valued up to 90 days in arrears. Ascension Health's investment in alternative investment funds include contractual commitments to portfolio venture funds and other funds to provide capital contributions during the investment period which is typically five years and can extend to the end of the fund term. During these contractual periods, investment managers may require Ascension Health to invest in accordance with the terms of the agreement. Commitments not funded during the investment period will expire and remain unfunded. As of June 30, 2011, investment periods expire between August 2011 and December 2016. The remaining unfunded capital commitments for all HSD participants and a joint venture consolidated for financial reporting purposes total approximately \$659,000 for 40 individual contracts as of June 30, 2011.

Due to the uncertainty surrounding whether the contractual commitments will require funding during the contractual period, future minimum payments to meet these commitments cannot be reasonably estimated. These committed amounts have not been reduced by the anticipated cash inflows from liquidating previous investments in alternative investment funds.

Investment return recognized by Ascension Health is summarized as follows:

| | Year Ended June 30, | |
|---|----------------------------|-------------|
| | 2011 | 2010 |
| Investment return in HSD | \$ 1,152,338 | \$ 756,437 |
| Interest and dividends | 17,051 | 15,872 |
| Net gains on investments reported at fair value | 80,814 | 38,760 |
| Restricted investment income | 6,163 | 1,594 |
| Total investment return | \$ 1,256,366 | \$ 812,663 |

Ascension Health

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Fair Value Measurements

Ascension Health categorizes, for disclosure purposes, assets and liabilities measured at fair value in the financial statements based upon whether the inputs used to determine their fair values are observable or unobservable. Observable inputs are inputs which are based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about pricing the asset or liability, based on the best information available in the circumstances.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement of the asset or liability. Ascension Health's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Ascension Health follows the three-level fair value hierarchy to categorize these assets and liabilities recognized at fair value at each reporting period, which prioritizes the inputs used to measure such fair values. Level inputs are defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities on the reporting date. Investments classified in this level generally include exchange-traded equity securities, futures, real estate investment trusts, pooled short-term investment funds, options, and exchange-traded mutual funds.

Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Investments classified in this level generally include fixed income securities, including fixed income government obligations, asset-backed securities, certificates of deposit, and derivatives.

Level 3 – Inputs that are unobservable for the asset or liability. Investments classified in this level generally include alternative investments, private equity investments, limited partnerships, and certain fixed income securities, including fixed income government obligations, and derivatives.

Ascension Health

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

5. Fair Value Measurements (continued)

Assets and liabilities classified as Level 1 are valued using unadjusted quoted market prices for identical assets or liabilities in active markets. Ascension Health uses techniques consistent with the market approach and income approach for measuring fair value of its Level 2 and Level 3 assets and liabilities. The market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach generally converts future amounts (cash flows or earnings) to a single present value amount (discounted).

As of June 30, 2011 and 2010, the Level 2 and Level 3 assets and liabilities listed in the fair value hierarchy tables below utilize the following valuation techniques and inputs:

Cash and cash equivalents and short-term investments

Short-term investments designated as Level 2 investments are primarily comprised of commercial paper, whose fair value is based on amortized cost. Significant observable inputs include security cost, maturity, and credit rating. Cash and cash equivalents and additional short-term investments are primarily comprised of certificates of deposit, whose fair value is based on cost plus accrued interest. Significant observable inputs include security cost, maturity, and relevant short-term interest rates.

Derivative assets and liabilities

The fair value of derivative contracts is primarily determined using techniques consistent with the market approach. Derivative contracts include interest rate, credit default, and total return swaps. Significant observable inputs to valuation models include interest rates, Treasury yields, volatilities, credit spreads, maturity, and recovery rates.

U.S. government obligations

The fair value of investments in U.S. government, state, and municipal obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads.

Ascension Health

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Fair Value Measurements (continued)

Asset-backed securities

The fair value of U.S. agency and corporate asset-backed securities is primarily determined using techniques consistent with the income approach, such as a discounted cash flow model. Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and quotes.

Corporate and foreign fixed income investments

The fair value of investments in U.S. and international corporate bonds, including commingled funds that invest primarily in such bonds, and foreign government bonds is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker/dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options.

Equity securities

The fair value of investments in U.S. and international equity securities is primarily determined using the calculated net asset value. The values for underlying investments are fair value estimates determined by external fund managers based on operating results, balance sheet stability, growth, and other business and market sector fundamentals.

Investments sold, not yet settled

The fair value of investments sold, not yet settled is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark, constant maturity curves, and spreads.

Securities lending collateral

The fair value of collateral received under HSD's securities lending program is determined using the calculated net asset value for the commingled fund in which the collateral is invested. The underlying investments are valued using techniques consistent with the market approach, which utilizes significant observable market inputs such as available trades, quotes, benchmark curves, sector groupings, and matrix pricing.

Ascension Health

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

5. Fair Value Measurements (continued)

Guaranteed pooled fund

The fair value of guaranteed pooled fund investments is based on cost plus guaranteed, annuity contract-based interest rates. Significant unobservable inputs to the guaranteed rate include the fair value and average duration of the portfolio of investments underlying the annuity contract, the contract value, and the annualized weighted-average yield to maturity of the underlying investment portfolio.

Private equity investments

The fair value of private equity investments is primarily determined using techniques consistent with both the market and income approaches, based on Ascension Health's estimates and assumptions in absence of observable market data. The market approach considers comparable company, comparable transaction, and company-specific information, including but not limited to restrictions on disposition, subsequent purchases of the same or similar securities by other investors, pending mergers or acquisitions, and current financial position and operating results. The income approach considers the projected operating performance of the portfolio company.

As discussed in the Significant Accounting Policies and the Cash and Cash Equivalents, Investments, and Other Assets Limited as to Use notes, Ascension Health holds investments through the HSD representing 77.2% and 76.1% of the net asset value of the HSD as of June 30, 2011 and 2010, respectively. The HSD's investments include equities, various fixed income securities, and alternative investments.

Ascension Health

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Fair Value Measurements (continued)

The following table summarizes fair value measurements, by level, at June 30, 2011 and 2010, for all the HSD financial assets and liabilities measured at fair value on a recurring basis in the HSD's financial statements:

| | Level 1 | Level 2 | Level 3 | Total |
|--|-----------|------------|---------|------------|
| June 30, 2011 | | | | |
| Assets included in: | | | | |
| Securities lending collateral | \$ — | \$ 378,877 | \$ — | \$ 378,877 |
| Derivative asset | 19,649 | 2,303 | 11,256 | 33,208 |
| Short-term investments | 689,742 | 58,213 | — | 747,955 |
| U.S. government obligations | — | 3,046,822 | 10,166 | 3,056,988 |
| Corporate and foreign fixed income investments | — | 1,144,643 | 116,042 | 1,260,685 |
| Asset-backed securities | — | 1,719,704 | 44,700 | 1,764,404 |
| Equity, private equity, and other investments | 2,240,360 | — | 47,220 | 2,287,580 |
| Liabilities included in: | | | | |
| Derivative liability | 1,162 | 3,116 | 30,490 | 34,768 |
| Investments sold, not yet settled | — | 166,663 | — | 166,663 |
| June 30, 2010 | | | | |
| Assets included in: | | | | |
| Securities lending collateral | \$ — | \$ 364,608 | \$ — | \$ 364,608 |
| Derivative asset | 7,256 | 8,569 | 5,456 | 21,281 |
| Short-term investments | 353,700 | 148,900 | — | 502,600 |
| U.S. government obligations | — | 2,367,973 | 7,340 | 2,375,313 |
| Corporate and foreign fixed income investments | — | 1,437,703 | 167,473 | 1,605,176 |
| Asset-backed securities | — | 1,010,931 | 26,069 | 1,037,000 |
| Equity, private equity, and other investments | 1,716,904 | 76,146 | 423,575 | 2,216,625 |
| Liabilities included in: | | | | |
| Derivative liability | 2,029 | 1,777 | 45,905 | 49,711 |
| Investments sold, not yet settled | — | 36,963 | — | 36,963 |

Ascension Health

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Fair Value Measurements (continued)

For the years ended June 30, 2011 and 2010, the changes in the fair value of the HSD assets measured using significant unobservable inputs (Level 3) were comprised of the following:

| | U.S. Government Obligations | Corporate and Foreign Fixed Income Investments | Asset- Backed Securities | Equity, Private Equity, and Other Investments | Net Derivatives |
|--|-----------------------------------|--|--------------------------------|---|--------------------|
| June 30, 2011 | | | | | |
| Beginning balance | \$ 7,340 | \$ 167,473 | \$ 26,069 | \$ 423,575 | \$ (40,449) |
| Total realized and unrealized gains included in nonoperating gains | 202 | 8,209 | 1,514 | 99,730 | 180,214 |
| Purchases, issuances, and settlements | 1,199 | (42,171) | 19,814 | (476,085) | (158,999) |
| Transfers into (out of) Level 3 | 1,425 | (17,469) | (2,697) | - | - |
| Ending balance | <u>\$ 10,166</u> | <u>\$ 116,042</u> | <u>\$ 44,700</u> | <u>\$ 47,220</u> | <u>\$ (19,234)</u> |

The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the change in unrealized gains or losses relating to assets still held at June 30, 2011

| | | | | |
|---------------|-------------------|---------------|-----------------|---------------------|
| <u>\$ 107</u> | <u>\$ (1,948)</u> | <u>\$ 781</u> | <u>\$ 5,872</u> | <u>\$ (146,992)</u> |
|---------------|-------------------|---------------|-----------------|---------------------|

June 30, 2010

| | | | | | |
|--|-----------------|-------------------|------------------|-------------------|--------------------|
| Beginning balance | \$ 25,746 | \$ 244,131 | \$ 87,091 | \$ 80,437 | \$ (23,159) |
| Total realized and unrealized gains (losses) included in nonoperating gains (losses) | 449 | 16,515 | 11,091 | (38,308) | (20,928) |
| Purchases, issuances, and settlements | (13,179) | (43,078) | (12,967) | 393,715 | 2,242 |
| Transfers (out of) into Level 3 | (5,676) | (50,095) | (59,146) | (12,269) | 1,396 |
| Ending balance | <u>\$ 7,340</u> | <u>\$ 167,473</u> | <u>\$ 26,069</u> | <u>\$ 423,575</u> | <u>\$ (40,449)</u> |

The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the change in unrealized gains or losses relating to assets still held at June 30, 2010

| | | | | |
|-------------|-----------------|-----------------|------------------|-------------------|
| <u>\$ -</u> | <u>\$ 3,937</u> | <u>\$ (704)</u> | <u>\$ 31,635</u> | <u>\$ (9,236)</u> |
|-------------|-----------------|-----------------|------------------|-------------------|

Ascension Health

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Fair Value Measurements (continued)

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur.

The following table summarizes fair value measurements, by level, at June 30, 2011, for all other financial assets and liabilities, measured at fair value on a recurring basis in the Ascension Health consolidated financial statements:

| | Level 1 | Level 2 | Level 3 | Total |
|---|------------|----------|---------|---------------------|
| June 30, 2011 | | | | |
| Cash and cash equivalents | \$ 86,946 | \$ 6,954 | \$ — | \$ 93,900 |
| Short-term investments | 15,592 | 44,768 | — | 60,360 |
| U.S. government obligations | — | 49,516 | 442 | 49,958 |
| Corporate and foreign fixed income investments | — | 45,789 | 5,024 | 50,813 |
| Asset-backed securities | — | 58,356 | 1,924 | 60,280 |
| Equity, private equity, and other investments | 286,961 | 17,878 | 101,681 | 406,520 |
| Assets not at fair value | | | | 518,901 |
| Subtotal, included in cash and cash equivalents, short-term investments, assets limited as to use, and Board-designated and other investments | | | | <u>\$ 1,240,732</u> |
| Deferred compensation assets, included in other noncurrent assets, invested in: | | | | |
| Equity securities | \$ 140,238 | \$ — | \$ — | \$ 140,238 |
| Guaranteed pooled fund | — | — | 32,116 | 32,116 |
| Interest rate swaps, included in other noncurrent assets | — | 64,426 | — | 64,426 |
| Interest rate swaps, included in other noncurrent liabilities | — | 141,287 | — | 141,287 |

Ascension Health

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Fair Value Measurements (continued)

The following table summarizes fair value measurements, by level, at June 30, 2010, for all other financial assets and liabilities, measured at fair value on a recurring basis in the Ascension Health consolidated financial statements:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------|----------------|----------------|---------------------|
| June 30, 2010 | | | | |
| Cash and cash equivalents | \$ 77,740 | \$ 7,845 | \$ — | \$ 85,585 |
| Short-term investments | 30,016 | 42,212 | 201 | 72,429 |
| U.S. government obligations | — | 58,616 | 442 | 59,058 |
| Corporate and foreign fixed income investments | — | 57,576 | 4,845 | 62,421 |
| Asset-backed securities | — | 52,005 | 189 | 52,194 |
| Equity, private equity, and other investments | 241,052 | 10,337 | 74,335 | 325,724 |
| Assets not at fair value | | | | <u>521,706</u> |
| Subtotal, included in cash and cash equivalents, short-term investments, assets limited as to use, and Board-designated and other investments | | | | <u>\$ 1,179,117</u> |
| Deferred compensation assets, included in other noncurrent assets, invested in: | | | | |
| Equity securities | \$ 107,239 | \$ — | \$ — | \$ 107,239 |
| Guaranteed pooled fund | — | — | 28,694 | 28,694 |
| Interest rate swaps, included in other noncurrent assets | — | 66,929 | — | 66,929 |
| Interest rate swaps, included in other noncurrent liabilities | — | 169,047 | — | 169,047 |

Ascension Health

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Fair Value Measurements (continued)

During the years ended June 30, 2011 and 2010, the changes in the fair value of the foregoing assets measured using significant unobservable inputs (Level 3) were comprised of the following:

| | Short- Term Investments | U.S. Government Obligations | Corporate and Foreign Fixed Income Investments | Asset- Backed Securities | Equity, Private Equity, and Other Investments | Guaranteed Pooled Fund |
|---|-------------------------------|-----------------------------------|--|--------------------------------|---|---------------------------|
| June 30, 2011 | | | | | | |
| Beginning balance | \$ 201 | \$ 442 | \$ 4,845 | \$ 189 | \$ 74,335 | \$ 28,694 |
| Total realized and unrealized gains (losses): | | | | | | |
| Included in income from operations | - | - | 412 | (16) | 676 | - |
| Included in nonoperating gains (losses) | - | - | - | - | (73) | - |
| Included in changes in net assets | - | - | - | - | 315 | - |
| Purchases, issuances, and settlements | - | - | (233) | 1,463 | 27,493 | 2,609 |
| Transfers (out of) into Level 3 | (201) | - | - | 288 | (1,065) | 813 |
| Ending balance | <u>\$ -</u> | <u>\$ 442</u> | <u>\$ 5,024</u> | <u>\$ 1,924</u> | <u>\$ 101,681</u> | <u>\$ 32,116</u> |
| June 30, 2010 | | | | | | |
| Beginning balance | \$ - | \$ - | \$ 4,474 | \$ 201 | \$ 43,135 | \$ 25,961 |
| Total realized and unrealized gains (losses): | | | | | | |
| Included in income from operations | - | - | 938 | 2 | 531 | - |
| Included in nonoperating gains (losses) | - | - | - | - | (425) | (59) |
| Included in changes in net assets | - | - | - | - | 1,296 | - |
| Purchases, issuances, and settlements | - | 442 | (567) | 187 | (4,704) | 3,125 |
| Transfers into (out of) Level 3 | 201 | - | - | (201) | 34,502 | (333) |
| Ending balance | <u>\$ 201</u> | <u>\$ 442</u> | <u>\$ 4,845</u> | <u>\$ 189</u> | <u>\$ 74,335</u> | <u>\$ 28,694</u> |

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur.

Ascension Health

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

6. Significant Investments in Unconsolidated Entities

Ascension Health has a 50% membership interest in Via Christi Health, Inc. (VCH). Ascension Health accounts for this membership interest under the equity method of accounting. Ascension Health's investment in VCH is \$499,910 and \$452,781 at June 30, 2011 and 2010, respectively, and is reported in the consolidated balance sheets in investment in unconsolidated entities. Ascension Health's investment in VCH reflects the financial performance of VCH one month in arrears.

At June 30, 2011 and 2010, the difference between the amount at which Ascension Health's investment in VCH is carried in the accompanying consolidated balance sheets and its interest in the underlying net assets of VCH is \$30,568 and \$33,309, respectively. This difference relates primarily to the excess of the fair value of VCH property and equipment and long-term debt over their carrying values at the date Ascension Health received the interest in VCH. The difference is being amortized over the remaining life of the property and equipment and term of the long-term debt.

Condensed financial information of VCH as of and for the years ended June 30, 2011 and 2010, is summarized below:

| | June 30, | |
|----------------------------------|-----------------|--------------|
| | 2011 | 2010 |
| Current assets | \$ 748,221 | \$ 694,549 |
| Noncurrent assets | 932,313 | 859,460 |
| Total assets | \$ 1,680,534 | \$ 1,554,009 |
| Current liabilities | \$ 120,335 | \$ 99,460 |
| Noncurrent liabilities | 555,415 | 556,460 |
| Total liabilities | 675,750 | 655,920 |
| Net assets | 1,004,784 | 898,089 |
| Total liabilities and net assets | \$ 1,680,534 | \$ 1,554,009 |
| Total revenues | \$ 1,094,925 | \$ 996,949 |
| Total expenses | (1,072,680) | (942,838) |
| Total investment return | 97,573 | 60,134 |
| Excess of revenues over expenses | \$ 119,818 | \$ 114,245 |

Ascension Health

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

7. Long-Term Debt

Long-term debt consists of the following:

| | June 30, | |
|--|------------|------------|
| | 2011 | 2010 |
| Tax-exempt hospital revenue bonds – secured: | | |
| Variable rate demand bonds, subject to a put provision which provides for a cumulative 7-month notice and remarketing period, payable through November 2047; interest (0.18% at June 30, 2011) tied to a market index plus a spread | \$ 320,480 | \$ 320,480 |
| Variable rate demand bonds, subject to a 7-day put provision, payable through November 2047; interest set at prevailing market rates | – | 274,070 |
| Variable rate demand bonds, subject to a 7-day put provision, payable through November 2039; interest (0.06% at June 30, 2011) set at prevailing market rates | 246,730 | – |
| Variable rate demand bonds, subject to a 7-day put provision, payable through November 2033; interest (0.06% at June 30, 2011) set at prevailing market rates, swapped to fixed rates of 5.544% through maturity | 150,325 | 150,325 |
| Indexed put bonds subject to weekly rate resets based on a taxable index, payable through November 2046, interest (3.076% at June 30, 2011) swapped to a variable rate tied to a tax-exempt market index plus a spread through November 2016 | 153,800 | 153,800 |
| Fixed rate put bonds (converted from an indexed put bond mode based on a taxable index in May 2009) payable through November 2046, interest (4.10% at June 30, 2011) swapped to a variable rate tied to a market index plus a spread through November 2016 | 153,690 | 153,690 |
| Fixed rate serial and term bonds payable in installments through November 2040; interest at 4.125% to 5.75% | 984,635 | 1,004,530 |
| Fixed rate serial and term bonds payable in installments through November 2039; interest at 5.00% swapped to variable rates over the life of the bonds | 599,490 | 599,490 |
| Fixed rate serial mode bonds payable through 2047 with purchase dates ranging from August 2011 through June 2014; interest at 0.45% to 3.75% through the purchase dates | 823,560 | 549,490 |
| Fixed rate serial mode bonds payable through 2033 with purchase dates through May 2012; interest at 1.25%, swapped to fixed rates of 5.454% to 5.544% through maturity | 156,975 | 403,705 |

Ascension Health

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

7. Long-Term Debt (continued)

| | June 30, | |
|---|--------------|--------------|
| | 2011 | 2010 |
| Tax-exempt hospital revenue bonds – unsecured: | | |
| Variable rate demand bonds issued under the Subordinate Master Trust Indenture, subject to a 7-day put provision, payable through November 2027; interest (0.06% at June 30, 2011) set at prevailing market rates | \$ 57,815 | \$ 57,815 |
| Fixed rate serial mode bonds issued under the Subordinate Master Trust Indenture payable through 2027 with purchase dates through November 2012; interest at 5.00%, swapped to variable mode through the purchase dates | 149,470 | 246,570 |
| Fixed rate serial mode bonds issued under the Subordinate Master Trust Indenture payable through 2027 with purchase dates through June 2017; interest at 5.00% | 303,270 | 216,315 |
| Total hospital revenue bonds | 4,100,240 | 4,130,280 |
| Other debt: | | |
| Obligations under capital leases | 34,865 | 38,196 |
| Other | 36,960 | 30,747 |
| | 4,172,065 | 4,199,223 |
| Unamortized premium, net | 67,233 | 67,323 |
| Less current portion | (29,563) | (31,221) |
| Less long-term debt subject to short-term remarketing arrangements | (1,662,950) | (1,228,115) |
| Long-term debt, less current portion and long-term debt subject to short-term remarketing arrangements | \$ 2,546,785 | \$ 3,007,210 |
| Senior Master Trust Indenture long-term debt obligations, including unamortized premium, net | \$ 1,953,354 | \$ 2,414,076 |
| Subordinate Master Trust Indenture long-term debt obligations, including unamortized premium, net | 528,917 | 535,270 |
| Other | 64,514 | 57,864 |
| Long-term debt, less current portion, and long-term debt subject to short-term remarketing arrangements | \$ 2,546,785 | \$ 3,007,210 |

Ascension Health

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

7. Long-Term Debt (continued)

Scheduled principal repayments of long-term debt, considering obligations subject to short-term remarketing as due according to their long-term amortization schedule, as of June 30, 2011, are as follows:

| | |
|----------------------|---------------------|
| Year ending June 30: | |
| 2012 | \$ 29,563 |
| 2013 | 28,502 |
| 2014 | 71,733 |
| 2015 | 66,526 |
| 2016 | 57,836 |
| Thereafter | <u>3,917,905</u> |
| Total | <u>\$ 4,172,065</u> |

The carrying amounts of variable rate bonds and other notes payable approximate fair value. The fair values of the unsecured fixed rate serial and term bonds are estimated based on discounted cash flow analyses that consider current incremental borrowing rates for similar types of borrowing arrangements. The fair value of fixed rate serial and term bonds, including the component of variable rate demand bonds subject to long-term fixed interest rates, approximates carrying value at June 30, 2011 and 2010. During the years ended June 30, 2011 and 2010, interest paid was approximately \$147,800 and \$136,500, respectively. Capitalized interest was approximately \$7,100 and \$12,800 for the years ended June 30, 2011 and 2010, respectively.

Certain members of Ascension Health formed the Ascension Health Credit Group (Senior Credit Group). Each Senior Credit Group member is identified as either a senior obligated group member, senior designated affiliate or senior limited designated affiliate. Senior obligated group members are jointly and severally liable under a Senior Master Trust Indenture (Senior MTI) to make all payments required with respect to obligations under the Senior MTI and may be entities not controlled directly or indirectly by Ascension Health. Senior designated affiliates and senior limited designated affiliates are not obligated to make debt service payments on the obligations under the Senior MTI. Ascension Health may cause each senior designated affiliate to transfer such amounts as are necessary to enable the obligated group to comply with the terms of the Senior MTI, including payment of the outstanding obligations. Additionally, each senior limited designated affiliate has an independent limited designated affiliate agreement and promissory note with Ascension Health with stipulated repayment terms and conditions, each subject to the governing law of the senior limited designated affiliate's state of incorporation.

Ascension Health

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

7. Long-Term Debt (continued)

Pursuant to a Supplemental Master Indenture dated February 1, 2005, senior obligated group members, which are operating entities, have pledged and assigned to the Master Trustee a security interest in all of their rights, title, and interest in their pledged revenues and proceeds thereof.

A Subordinate Credit Group, which is comprised of subordinate obligated group members, subordinate designated affiliates, and subordinate limited designated affiliates, was created under the Subordinate Master Trust Indenture (Subordinate MTI). The subordinate obligated group members are jointly and severally liable under the Subordinate MTI to make all payments required with respect to obligations under the Subordinate MTI and may be entities not controlled directly or indirectly by Ascension Health. Subordinate designated affiliates and subordinate limited designated affiliates are not obligated to make debt service payments on the obligations under the Subordinate MTI. Ascension Health may cause each subordinate designated affiliate to transfer such amounts as are necessary to enable the obligated group members to comply with the terms of the Subordinate MTI, including payment of the outstanding obligations. Additionally, each subordinate limited designated affiliate has an independent subordinate limited designated affiliate agreement and promissory note with Ascension Health with stipulated repayment terms and conditions, each subject to the governing law of the subordinate limited designated affiliate's state of incorporation.

The unsecured variable rate demand bonds of both the Senior and Subordinate Credit Groups, while subject to long-term amortization periods, may be put to Ascension Health at the option of the bondholders in connection with certain remarketing dates. To the extent that bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2011, the principal amount of such bonds has been classified as a current obligation in the accompanying consolidated balance sheets. Management believes the likelihood of a material amount of bonds being put to Ascension Health to be remote. However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including entering into certain bond repurchase agreements, assessing alternate sources of financing, including the line of credit and commercial paper program, and maintaining unrestricted assets as a source of self-liquidity.

Ascension Health

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

7. Long-Term Debt (continued)

In January 2010, Ascension Health issued \$157,000 of commercial paper for previous capital expenditures. In February and March 2010, Ascension Health used existing cash and investments to defease or redeem \$558,737 of bonds and commercial paper originally issued from 1999 through 2010. In March 2010, Ascension Health issued a total of \$1,326,870 of bonds (Series 2010A through 2010F) through five different issuing authorities in five states. The proceeds of the bonds, including original issue premium, were used to reimburse Ascension Health for previous capital expenditures, to refinance the outstanding commercial paper issued January 2010, and to refund \$742,550 of current bonds which were originally issued in 1999 and 2008. The Series 2010A through 2010E bonds bear interest at fixed interest rates with principal maturities through November 2040, while the Series 2010F bonds are variable rate bonds with weekly-resetting interest rates and principal maturities through 2047. Due to aggregate financing activity during the fiscal years ended June 30, 2011 and 2010, including the aforementioned activities as well as the scheduled remarketing of certain serial mode bonds with unamortized issuance costs, losses on extinguishment of debt of \$1,007 and \$7,515 were recorded, which are included as nonoperating gains (losses) in the accompanying consolidated statements of operations and changes in net assets.

Ascension Health is a party to multiple interest rate swap agreements that convert the variable or fixed rates of certain debt issues to fixed or variable rates, respectively. See the Derivative Instruments note for a discussion of these derivatives.

As of June 30, 2011, the Senior Credit Group has a line of credit of \$250,000 related to its commercial paper program toward which bank commitments totaling \$250,000 extend to November 18, 2013. As of June 30, 2011 and 2010, there were no borrowings under the line of credit.

As of June 30, 2011, the Senior Credit Group has a line of credit of \$500,000 for general corporate purposes toward which bank commitments totaling \$500,000 extend to April 2, 2012. As of June 30, 2011 and 2010, there were no borrowings under the line of credit.

As of June 30, 2011, the Subordinate Credit Group has a \$50,000 revolving line of credit related to its letters of credit program toward which a bank commitment of \$50,000 extends to December 28, 2011. The revolving line of credit may be accessed solely in the form of Letters of Credit issued by the bank for the benefit of the members of the Credit Groups. Of this \$50,000 revolving line of credit, letters of credit totaling \$37,162 have been issued as of June 30, 2011. No borrowings were outstanding under the letters of credit as of June 30, 2011 and 2010.

Ascension Health

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

8. Derivative Instruments

Ascension Health uses interest rate swap agreements to manage interest rate risk associated with its outstanding debt. These swaps effectively convert interest rates on variable rate bonds to fixed rates and rates on fixed rate bonds to variable rates. At June 30, 2011 and 2010, the notional values of outstanding interest rate swaps were \$2,310,187 and \$2,431,137, respectively.

Ascension Health recognizes the fair value of its interest rate swaps in the consolidated balance sheet as assets, recorded in other noncurrent assets, or liabilities, recorded in other noncurrent liabilities, as appropriate. At June 30, 2011 and 2010, the fair value of interest rate swaps in an asset position were \$64,426 and \$66,929, respectively, while the fair value of interest rate swaps in a liability position were \$141,287 and \$169,047, respectively.

Prior to July 1, 2006, Ascension Health designated certain of its interest rate swaps as cash flow hedges, for accounting purposes, and accordingly deferred gains or losses associated with those swaps in net assets. Net gains of \$303 and \$14,123 were recognized in other nonoperating gains (losses) for the years ended June 30, 2011 and 2010, respectively, representing the recognition of interest rate swap gains deferred prior to July 1, 2006, when these swaps were designated and accounted for as cash flow hedges. For the year ended June 30, 2010, \$13,033 of the gain represented the recognition of deferred gains that were previously designated to long-term debt that was redeemed or defeased during the year ended June 30, 2010. The remaining amount of deferred gain at June 30, 2011, that will be reclassified into nonoperating gains (losses) over the next 12 months is immaterial.

Beginning July 1, 2006, previously designated cash flow hedging relationships were de-designated for accounting purposes. Accordingly, all changes in the fair value of interest rate swaps since that date have been recognized in nonoperating gains (losses) in the accompanying consolidated statements of operations and changes in net assets. A net nonoperating gain of \$25,257 was recognized for the year ended June 30, 2011, while a net nonoperating loss of \$18,641 was recognized for the year ended June 30, 2010.

Ascension Health

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

8. Derivative Instruments (continued)

Ascension Health's interest rate swap agreements include collateral requirements for each counterparty under such agreements, based upon specific contractual criteria. Ascension Health's collateral requirements are based upon Ascension Health's Senior Credit Group long-term debt credit ratings (Senior Debt Credit Ratings), as obtained from each of two major credit rating agencies, as well as the net liability position of total interest rate swap agreements outstanding with each counterparty. At June 30, 2011 and 2010, based upon Ascension Health's net liability positions and Senior Debt Credit Ratings, no collateral on interest rate swap agreements was required to be posted. The aggregate net fair value of interest rate swap agreements with credit-risk-related contingent features on June 30, 2011 and 2010, was a liability of \$76,861 and \$102,118, respectively.

9. Retirement Plans

Defined-Benefit Plans

Certain Ascension Health entities participate in the Ascension Health Pension Plan (the Ascension Plan), which is a noncontributory, defined-benefit pension plan covering all eligible employees of certain Ascension Health entities. Benefits are based on each participant's years of service and compensation. Ascension Plan assets are invested in a master trust (the Trust) consisting of cash and cash equivalents, equity, fixed income funds, and alternative investments. Contributions to the Ascension Plan are based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants.

The assets of the Ascension Plan are available to pay the benefits of eligible employees and retirees of all participating entities. In the event entities participating in the Ascension Plan are unable to fulfill their financial obligations under the Ascension Plan, the other participating entities are obligated to do so.

Certain other Ascension Health entities participate in separate noncontributory, defined-benefit plans (the Other Ascension Health Plans) in which substantially all employees are eligible to participate. The Other Ascension Health Plans' benefits are based on each participant's years of service and compensation. Substantially all of the Other Ascension Health Plans' assets are invested in the Trust.

Ascension Health

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Retirement Plans (continued)

The following table sets forth the combined benefit obligations, the assets of the Ascension Plan, and the Other Ascension Health Plans (collectively, the Ascension Health Pension Plans) at June 30, 2011 and 2010, components of net periodic benefit costs for the years then ended, and a reconciliation of the amounts recognized in the accompanying consolidated financial statements:

| | Year Ended June 30, | |
|--|----------------------------|--------------|
| | 2011 | 2010 |
| Change in projected benefit obligation: | | |
| Projected benefit obligation at beginning of year | \$ 5,618,553 | \$ 4,755,922 |
| Service cost | 208,253 | 176,920 |
| Interest cost | 304,365 | 303,764 |
| Amendments | (476) | (636) |
| Assumption change | (154,944) | 558,866 |
| Actuarial (gain) loss | (29,136) | 14,521 |
| Benefits paid | (212,166) | (190,804) |
| Projected benefit obligation at end of year | 5,734,449 | 5,618,553 |
| Accumulated benefit obligation at end of year | 5,140,261 | 4,920,528 |
| Change in plan assets: | | |
| Fair value of plan assets at beginning of year | 4,624,393 | 3,808,540 |
| Actual return on plan assets | 848,439 | 835,613 |
| Employer contributions | 136,927 | 171,044 |
| Benefits paid | (212,166) | (190,804) |
| Fair value of plan assets at end of year | 5,397,593 | 4,624,393 |
| Net amount recognized at end of year and funded status | \$ (336,856) | \$ (994,160) |

The Ascension Health Pension Plans' funded status as a percentage of the projected benefit obligation at June 30, 2011 and 2010, was 94.1% and 82.3%, respectively. The Ascension Health Pension Plans' funded status as a percentage of the accumulated benefit obligation at June 30, 2011 and 2010, was 105.0% and 94.0%, respectively.

Ascension Health

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

9. Retirement Plans (continued)

Included in unrestricted net assets at June 30, 2011 and 2010, respectively, are the following amounts that have not yet been recognized in net periodic pension cost:

| | Year Ended June 30, | |
|-----------------------------------|----------------------------|-------------------|
| | 2011 | 2010 |
| Unrecognized prior service credit | \$ (69,548) | \$ (80,927) |
| Unrecognized actuarial loss | 33,874 | 835,418 |
| | <u>\$ (35,674)</u> | <u>\$ 754,491</u> |

Changes in plan assets and benefit obligations recognized in unrestricted net assets during 2011 and 2010, respectively, include:

| | Year Ended June 30, | |
|--------------------------------------|----------------------------|-----------------|
| | 2011 | 2010 |
| Current year actuarial (gain) loss | \$ (671,223) | \$ 66,144 |
| Amortization of actuarial loss | (130,321) | (72,948) |
| Current year prior service credit | (476) | (636) |
| Amortization of prior service credit | 11,855 | 11,199 |
| | <u>\$ (790,165)</u> | <u>\$ 3,759</u> |

| | Year Ended June 30, | |
|--|----------------------------|-------------------|
| | 2011 | 2010 |
| Components of net periodic benefit cost | | |
| Service cost | \$ 208,253 | \$ 176,920 |
| Interest cost | 304,365 | 303,764 |
| Expected return on plan assets | (361,295) | (328,370) |
| Amortization of prior service credit | (11,855) | (11,199) |
| Amortization of actuarial loss | 130,321 | 72,948 |
| Net periodic benefit cost | <u>\$ 269,789</u> | <u>\$ 214,063</u> |

Ascension Health

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Retirement Plans (continued)

The prior service credit and actuarial loss included in unrestricted net assets and expected to be recognized in net periodic pension cost during the year ending June 30, 2012, are \$10,600 and \$27,700, respectively.

The assumptions used to determine the benefit obligation and net periodic benefit cost for the Ascension Health Pension Plans are set forth below:

| | June 30, | |
|---|-----------------|-------------|
| | 2011 | 2010 |
| Weighted-average discount rate | 5.63% | 5.49% |
| Weighted-average rate of compensation increase | 4.00% | 4.00% |
| Weighted-average expected long-term rate of return on plan assets | 8.50% | 8.50% |

The Ascension Health Pension Plans' assets are invested in a portfolio designated to protect principal and obtain competitive investment returns and long-term investment growth, consistent with actuarial assumptions, with a reasonable and prudent level of risk. Diversification is achieved by allocating to funds that correlate to three different economic regimes defined as growth, recession and inflation investment strategies. Growth strategies include long-only equity, long/short equity, private equity, and credit related instruments. Recession strategies include government bonds, investment grade bonds, hedge funds and cash. Inflation strategies include inflation-linked bonds, commodities, and real assets. The Plan retains multiple investment managers with complementary styles, philosophies, and approaches. In accordance with the Ascension Health Pension Plans' objectives, derivatives may also be used to gain market exposure in an efficient and timely manner.

Ascension Health

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Retirement Plans (continued)

In accordance with the Ascension Health Pension Plans' asset diversification targets, as presented in the table that follows, the Ascension Health Pension Plans invest in certain portfolio investment funds, or alternative investments. These Ascension Health Pension Plans' investments, comprised of various hedge funds, real estate funds, private equity funds, commodity funds, and certain other unregistered mutual funds, do not have observable market values. As such, these investments are valued at the funds' net asset values as determined by each fund's investment manager, which approximates fair value. The fair value of the Ascension Health Pension Plans' alternative investments as of June 30, 2011, is reported in the fair value measurement table that follows. Collectively, these funds have liquidity terms ranging from weekly to annual with notice periods ranging from 1 to 93 days. Due to redemption restrictions, investments in real estate and private equity funds, whose fair value was approximately \$346,401 at June 30, 2011, cannot be redeemed. However, the potential for the Ascension Health Pension Plans to sell their interest in real estate and private equity funds in a secondary market prior to the end of the fund term does exist.

The investments in these alternative investment funds also include contractual commitments to portfolio funds and other funds to provide capital contributions during the investment period, which is typically five years, and may extend to the end of the fund term. During these contractual periods, investment managers may require the Ascension Health Pension Plans to invest in accordance with the terms of the agreement. Commitments not funded during the investment period will expire and remain unfunded. As of June 30, 2011, investment periods expire between July 2011 and December 2016. The remaining unfunded capital commitments of the Ascension Plan total approximately \$437,000 for 35 individual contracts as of June 30, 2011.

The weighted-average asset allocation for the Ascension Health Pension Plans at the end of fiscal 2011 and 2010 and the target allocation for fiscal 2012, by asset category, are as follows:

| Asset Category | Target Allocation | Percentage of Plan Assets at Year-End | |
|-----------------------|------------------------------|--|-------------|
| | 2012 | 2011 | 2010 |
| Growth | 50% | 52% | 47% |
| Recession/deflation | 30 | 32 | 44 |
| Inflation | 20 | 16 | 9 |
| Total | 100% | 100% | 100% |

Ascension Health

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Retirement Plans (continued)

Ascension Health adopted the FASB's authoritative disclosure guidance on reporting for assets of postretirement benefit plans for the fiscal year ended June 30, 2010. The following tables summarize fair value measurements at June 30, 2011 and 2010, by asset class and by level, for the Ascension Health Pension Plans' assets and liabilities in accordance with that guidance. As also discussed in the Fair Value Measurements note, Ascension Health follows the three-level fair value hierarchy to categorize plan assets and liabilities recognized at fair value, which prioritizes the inputs used to measure such fair values.

The inputs and valuation techniques discussed in the Fair Value Measurements note also apply to Plan assets and liabilities as presented in the following tables.

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------|------------|-----------|-----------|---------------------|
| June 30, 2011 | | | | |
| Short-term investments | \$ 433,526 | \$ 12,682 | \$ – | \$ 446,208 |
| Derivative assets – | | | | |
| interest rate | 717 | 3 | 65,727 | 66,447 |
| Derivative assets – other | 74 | 2,939 | 1,159 | 4,172 |
| U.S. government obligations | – | 1,734,828 | 2,129 | 1,736,957 |
| Corporate and foreign fixed | | | | |
| income investments | – | 406,793 | 19,462 | 426,255 |
| Asset-backed securities | – | 265,277 | 4,427 | 269,704 |
| Equity securities | 1,186,520 | – | 1,701 | 1,188,221 |
| Alternative investments | – | – | 1,591,483 | 1,591,483 |
| Assets not at fair value | | | | 221,405 |
| Total | | | | <u>5,950,852</u> |
| Derivative liabilities – | | | | |
| interest rate | 17 | 283 | 258,882 | 259,182 |
| Derivative liabilities – other | 307 | 1,067 | 16,371 | 17,745 |
| Investments sold, | | | | |
| not yet settled | – | 56,451 | – | 56,451 |
| Liabilities not at fair value | | | | 219,881 |
| Total | | | | <u>553,259</u> |
| Fair value of plan assets | | | | <u>\$ 5,397,593</u> |

Ascension Health

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

9. Retirement Plans (continued)

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------|------------|-----------|-----------|---------------------|
| June 30, 2010 | | | | |
| Short-term investments | \$ 196,039 | \$ 92,170 | \$ – | \$ 288,209 |
| Derivative assets – | | | | |
| interest rate | 171 | 285 | 90,505 | 90,961 |
| Derivative assets – other | 1,260 | 5,058 | 197 | 6,515 |
| U.S. government obligations | – | 1,344,660 | 2,241 | 1,346,901 |
| Corporate and foreign fixed | | | | |
| income investments | – | 447,515 | 52,193 | 499,708 |
| Asset-backed securities | – | 221,140 | 4,790 | 225,930 |
| Equity securities | 1,266,949 | – | 122,447 | 1,389,396 |
| Alternative investments | – | – | 1,163,027 | 1,163,027 |
| Assets not at fair value | | | | 238,607 |
| Total | | | | <u>5,249,254</u> |
| Derivative liabilities – | | | | |
| interest rate | 159 | 128 | 323,977 | 324,264 |
| Derivative liabilities – other | 584 | 376 | 24,774 | 25,734 |
| Investments sold, | | | | |
| not yet settled | – | 52,018 | – | 52,018 |
| Liabilities not at fair value | | | | 222,845 |
| Total | | | | <u>624,861</u> |
| Fair value of plan assets | | | | <u>\$ 4,624,393</u> |

Ascension Health

Notes to Consolidated Financial Statements (continued)
(Dollars in Thousands)

9. Retirement Plans (continued)

For the years ended June 30, 2011 and 2010, the changes in the fair value of the Ascension Health Pension Plans' assets measured using significant unobservable inputs (Level 3) were comprised of the following:

| | Net Derivatives | U.S. Government Obligations | Corporate and Foreign Fixed Income Investments | Asset- Backed Securities | Equity Securities | Alternative Investments |
|--|--------------------|-----------------------------------|--|--------------------------------|----------------------|----------------------------|
| June 30, 2011 | | | | | | |
| Beginning balance | \$ (258,049) | \$ 2,241 | \$ 52,193 | \$ 4,790 | \$ 122,447 | \$1,163,027 |
| Total actual return on plan assets | 57,843 | 99 | 1,976 | (8) | 33,096 | 171,459 |
| Purchases, issuances, and settlements | (8,161) | (211) | (29,882) | 376 | (153,343) | 256,997 |
| Transfers (out of) into Level 3 | – | – | (4,825) | (731) | (499) | – |
| Ending balance | \$ (208,367) | \$ 2,129 | \$ 19,462 | \$ 4,427 | \$ 1,701 | \$1,591,483 |

| | | | | | | |
|--|-------------|-------|----------|--------|------|------------|
| Actual return on plan assets relating to plan assets still held at June 30, 2011 | \$ (25,056) | \$ 65 | \$ (195) | \$ 195 | \$ – | \$ 154,299 |
|--|-------------|-------|----------|--------|------|------------|

| | Net Derivatives | U.S. Government Obligations | Corporate and Foreign Fixed Income Investments | Asset- Backed Securities | Equity Securities | Alternative Investments |
|--|--------------------|-----------------------------------|--|--------------------------------|----------------------|----------------------------|
| June 30, 2010 | | | | | | |
| Beginning balance | \$ (515,560) | \$ – | \$ 93,599 | \$ 6,626 | \$ 407 | \$ 585,210 |
| Total actual return on plan assets | 126,983 | (2) | 11,353 | 3,585 | (8,642) | 86,161 |
| Purchases, issuances, and settlements | 130,373 | 2,243 | (36,314) | (5,421) | 129,134 | 491,656 |
| Transfers into (out of) Level 3 | 155 | – | (16,445) | – | 1,548 | – |
| Ending balance | \$ (258,049) | \$ 2,241 | \$ 52,193 | \$ 4,790 | \$ 122,447 | \$1,163,027 |

| | | | | | | |
|--|-----------|--------|----------|--------|------------|----------|
| Actual return on plan assets relating to plan assets still held at June 30, 2010 | \$ 75,541 | \$ (2) | \$ 3,965 | \$ 187 | \$ (8,508) | \$ (778) |
|--|-----------|--------|----------|--------|------------|----------|

Ascension Health

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

9. Retirement Plans (continued)

The Trust has entered into a series of interest rate swap agreements with a net notional amount of approximately \$2,539,000. The combined targeted duration of these swaps and the Trust's fixed income investments approximates the duration of the liabilities of the Trust. Currently, 75% of the dollar duration of the liability is subject to this economic hedge. The purpose of this strategy is to economically hedge the change in the net funded status for a significant portion of the liability that can occur due to changes in interest rates.

The expected long-term rate of return on plan assets is based on historical and projected rates of return for current and planned asset categories in the Ascension Health Pension Plans' investment portfolio. Assumed projected rates of return for each asset category were selected after analyzing historical experience and future expectations of the returns and volatility for assets of that category using benchmark rates. Based on the target asset allocation among the asset categories, the overall expected rate of return for the portfolio was developed and adjusted for historical and expected experience of active portfolio management results compared to benchmark returns and for the effect of expenses paid from plan assets.

Information about the expected cash flows for the Ascension Health Pension Plans follows:

| | |
|--------------------------------------|------------|
| Expected employer contributions 2012 | \$ 179,000 |
| Expected benefit payments: | |
| 2012 | 309,000 |
| 2013 | 329,000 |
| 2014 | 353,000 |
| 2015 | 374,000 |
| 2016 | 394,000 |
| 2017 – 2021 | 2,301,000 |

The contribution amount above includes amounts paid to the Trust. The benefit payment amounts above reflect the total benefits expected to be paid from the Trust.

Ascension Health

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

9. Retirement Plans (continued)

Other Postretirement Benefit Plans

In addition to the retirement plan described above, several Health Ministries sponsor postretirement benefit plans that provide health care benefits to qualified retirees who meet certain eligibility requirements. The total benefit obligation of these plans at June 30, 2011 and 2010, is \$44,446 and \$50,557, respectively. The net obligation included in pension and other postretirement liabilities in the accompanying consolidated balance sheets at June 30, 2011 and 2010, is \$10,086 and \$21,702, respectively. The change in the plans' assets and benefit obligations recognized in unrestricted net assets during the year ended June 30, 2011, was \$6,778.

Defined-Contribution Plans

Ascension Health entities participate in contributory and noncontributory, defined-contribution plans covering all eligible associates. There are three primary types of contributions to these plans: employer automatic contributions, employee contributions, and employer matching contributions. Benefits for employer automatic contributions are determined as a percentage of a participant's salary and, for certain entities, increases over specified periods of employee service. These benefits are funded annually and participants become fully vested over a period of time. Benefits for employer matching contributions are determined as a percentage of an eligible participant's contributions each payroll period. These benefits are funded each payroll period and participants become fully vested in these employer contributions immediately. Expenses for the defined-contribution plans were \$113,337 and \$107,198 during 2011 and 2010, respectively.

10. Self-Insurance Programs

Certain Ascension Health hospitals and other entities participate in pooled risk programs to insure professional and general liability risks and workers' compensation risks to the extent of certain self-insured limits. In addition, various umbrella insurance policies have been purchased to provide coverage in excess of the self-insured limits. Trust funds and a captive insurance company have been established for the self-insurance programs, and actuarially determined amounts, discounted at 6%, are contributed to the trusts and the captive insurance company to provide for the estimated cost of claims. The loss reserves recorded for estimated self-insured professional, general liability, and workers' compensation claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported and are discounted at

Ascension Health

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

10. Self-Insurance Programs (continued)

6% in 2011 and 2010. Those entities not participating in the self-insured programs are insured under separate policies.

Professional and General Liability Programs

Professional and general liability coverage is provided on a claims-made basis through a wholly owned onshore trust and offshore captive insurance company, Ascension Health Insurance, Ltd. (AHIL), with a self-insured retention of \$10,000 per occurrence with no aggregate. Excess coverage is provided through AHIL with limits up to \$185,000. AHIL retains \$5,000 per occurrence and \$5,000 annual aggregate for professional liability. AHIL also retains a 20% quota share of the first \$25,000 of umbrella excess. The remaining excess coverage is reinsured by commercial carriers. Self-insured entities in the states of Indiana and Wisconsin are provided professional liability coverage on an occurrence basis with limits in compliance with participation in the Patient Compensation Funds. The Patient Compensation Funds apply to claims in excess of the primary self-insured limit.

Included in operating expenses in the accompanying consolidated statements of operations and changes in net assets is professional and general liability expense of \$69,073 and \$106,274 for the years ended June 30, 2011 and 2010, respectively. Included in current and long-term self-insurance liabilities on the accompanying consolidated balance sheets are professional and general liability loss reserves of approximately \$522,489 and \$536,506 at June 30, 2011 and 2010, respectively.

AHIL also offers physician professional liability coverage through insurance or reinsurance arrangements to nonemployed physicians practicing at Ascension Health's various facilities, primarily in Michigan. Coverage is offered to physicians with limits ranging from \$100 per claim to \$1,000 per claim with various aggregate limits.

Workers' Compensation

Workers' compensation coverage is provided on an occurrence basis through a grantor trust. The self-insured trust provides coverage up to \$1,000 per occurrence with no aggregate. The trust provides a mechanism for funding the workers' compensation obligations of its members. Excess insurance against catastrophic loss is obtained through commercial insurers. Premium payments made to the trust are expensed and represent claims reported and claims incurred but not reported.

Ascension Health

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

10. Self-Insurance Programs (continued)

Included in operating expenses in the accompanying consolidated statements of operations and changes in net assets is workers' compensation expense of \$41,973 and \$40,538 for the years ended June 30, 2011 and 2010, respectively. Included in current and long-term self-insurance liabilities on the accompanying consolidated balance sheets are workers' compensation loss reserves of \$98,867 and \$94,922 at June 30, 2011 and 2010, respectively.

11. Lease Commitments

Future minimum payments under noncancelable operating leases with terms of one year or more are as follows:

| | |
|----------------------|-------------------|
| Year ending June 30: | |
| 2012 | \$ 180,960 |
| 2013 | 169,374 |
| 2014 | 137,302 |
| 2015 | 109,610 |
| 2016 | 90,862 |
| Thereafter | <u>278,052</u> |
| Total | <u>\$ 966,160</u> |

Ascension Health and several of its Health Ministries are lessees under operating lease agreements for the use of space in buildings owned by third parties, including medical office buildings (MOBs) and medical and information technology equipment. In addition, certain Health Ministries have subleased space within buildings where the Health Ministry has a current operating lease commitment. Certain Health Ministries also are lessors under operating lease agreements, primarily ground leases related to third-party-owned MOBs on land owned by the Health Ministries.

Ascension Health's future minimum noncancelable payments associated with operating leases where Ascension Health is the lessee, as well as future minimum noncancelable receipts associated with operating leases where Ascension Health is the sublessor or lessor, are presented in the table that follows. Future minimum payments and receipts relate to noncancelable leases with terms of one year or more.

Ascension Health

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

11. Lease Commitments (continued)

| | Future Payments Where Ascension Health is Lessee | Future Receipts Where Ascension Health is Sublessor/Lessor | Net Future Payments (Receipts) |
|----------------------|---|---|---|
| Year ending June 30: | | | |
| 2012 | \$ 180,960 | \$ 29,839 | \$ 151,121 |
| 2013 | 169,374 | 25,688 | 143,686 |
| 2014 | 137,302 | 20,743 | 116,559 |
| 2015 | 109,610 | 16,620 | 92,990 |
| 2016 | 90,862 | 13,041 | 77,821 |
| Thereafter | 278,052 | 291,477 | (13,425) |
| Total | \$ 966,160 | \$ 397,408 | \$ 568,752 |

Rental expense under operating leases amounted to \$295,190 and \$275,149 in 2011 and 2010, respectively.

In previous fiscal years, certain Health Ministries sold MOB's to third parties and contemporaneously leased back certain space in those buildings to support ongoing ministry operations. These space leases are being accounted for as operating leases based on their terms, and future minimum lease payments under these leases are included in the future minimum payment amounts reported above. As of June 30, 2011 and 2010, net deferred gains of \$7,226 and \$10,206, respectively, were included in other noncurrent liabilities in the accompanying consolidated balance sheets. These gains are being recognized as operating income over the related leaseback terms.

Also in previous fiscal years, certain Health Ministries entered into agreements to lease space in MOB's under construction by external development companies. Based on relevant authoritative accounting guidance, the Health Ministries were considered the owner of the MOB's during construction. In addition, because these transactions and the sales of other existing MOB's did not qualify for sale-leaseback accounting, they were treated as financing transactions. Accordingly, the associated financing obligations, along with their related construction in progress or building assets, of \$116,314 and \$116,449 at June 30, 2011 and 2010, respectively, are included in other noncurrent liabilities and construction in progress or building and equipment in the

Ascension Health

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

11. Lease Commitments (continued)

accompanying consolidated balance sheets. The financing obligations associated with these transactions will not result in cash payments in excess of amounts paid under the related operating lease payments. All future cash obligations related to leased space within these MOB's are included in the future minimum payment amounts reported above.

12. Contingencies and Commitments

Ascension Health is involved in litigation and regulatory investigations arising in the ordinary course of business. Ascension Health is also involved in ongoing arbitration relative to a dispute regarding the termination of, and performance under, an information technology services contract. Regulatory investigations also occur from time to time. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect on Ascension Health's consolidated balance sheets.

In September 2010, Ascension Health received a letter from the U.S. Department of Justice (the DOJ) in connection with its nationwide review to determine whether, in certain cases, implantable cardioverter defibrillators (ICDs) were provided to certain Medicare beneficiaries in accordance with national coverage criteria. In connection with this nationwide review, identified Ascension Health hospitals will be reviewing applicable medical records and responding to the DOJ. The DOJ's investigation spans a time frame beginning in 2003 and extending through the present time. At June 30, 2011, and through September 8, 2011, the review remains in its early stages. As such, no estimates of liability have been or can be reached relative to the impact this investigation could have on Ascension Health. Through September 8, 2011, the DOJ has not asserted any claims against any Ascension Health hospitals. Ascension Health continues to fully cooperate with the DOJ in its investigation.

Ascension Health enters into agreements with nonemployed physicians that include minimum revenue guarantees. The terms of the guarantees vary. The carrying amounts of the liability for Ascension Health's obligation under these guarantees were \$15,395 and \$9,779 at June 30, 2011 and 2010, respectively, and are included in other current and noncurrent liabilities in the accompanying consolidated balance sheets. The maximum amount of future payments that Ascension Health could be required to make under these guarantees is approximately \$41,000 and is included in the table that follows.

Ascension Health

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

12. Contingencies and Commitments (continued)

Ascension Health entered into agreements with one of its sponsors for support through March 2016, which support is included in transfers to sponsor and other affiliates, net in the accompanying consolidated statements of changes in net assets for the year ended June 30, 2010. Ascension Health's obligation under these agreements totals \$53,259 at June 30, 2011, and is included in other current and noncurrent liabilities in the accompanying consolidated balance sheets.

Guarantees and other commitments represent contingent commitments issued by Ascension Health Senior and Subordinate Credit Groups, generally to guarantee the performance of an affiliate to a third party in borrowing arrangements such as commercial paper issuances, bond financing, and other transactions. The terms of guarantees are equal to the terms of the related debt, which can be as short as 30 days or as long as 29 years.

The following summary represents the maximum potential amount of future payments the Senior and Subordinate Credit Groups could be required to make under its guarantees and other commitments at June 30, 2011:

| | |
|--|-------------------|
| Hospital de la Concepción 2000 Series A debt guarantee | \$ 31,910 |
| St. Vincent de Paul Series 2000A debt guarantee | 28,300 |
| Rehab Hospital of Indiana, Inc. guarantee | 6,400 |
| Mercy Care Plan guarantee | 5,000 |
| Physician revenue guarantees | 41,000 |
| Other | 37,642 |
| Total guarantees and other commitments | <u>\$ 150,252</u> |

Other Financial Information

Report of Independent Auditors on Other Financial Information

The Board of Trustees
Ascension Health

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Net Cost of Providing Care of Persons Living in Poverty and Community Benefit Programs, the details of consolidated balance sheets, and the details of consolidated statements of operations and changes in net assets are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as whole.

Ernst & Young LLP

September 8, 2011

Ascension Health

Schedule of Net Cost of Providing Care of Persons
Living in Poverty and Community Benefit Programs
(Dollars in Thousands)

Years Ended June 30, 2011 and 2010

The net cost, excluding the provision for bad debt expense, of providing care to persons living in poverty and community benefit programs is as follows:

| | <u>2011</u> | <u>2010</u> |
|--|---------------------|---------------------|
| Traditional charity care provided | \$ 408,894 | \$ 375,039 |
| Unpaid cost of public programs for persons living in poverty | 374,083 | 383,160 |
| Other programs for persons living in poverty and other vulnerable persons | 71,267 | 55,633 |
| Community benefit programs | <u>372,644</u> | <u>261,318</u> |
| Care of persons living in poverty and community benefit programs | <u>\$ 1,226,888</u> | <u>\$ 1,075,150</u> |

Ascension Health

Details of Consolidated Balance Sheet

(Dollars in Thousands)

June 30, 2011

| | Consolidated Ascension Health | Consolidated Ascension Health Less Health Ministries Presented | Consolidated Baltimore | Consolidated Birmingham |
|--|--|---|-----------------------------------|------------------------------------|
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 1,117,574 | \$ 843,719 | \$ 15,076 | \$ 44,289 |
| Short-term investments | 91,146 | 63,469 | - | - |
| Accounts receivable, less allowances for uncollectible accounts (\$1,091,291 in 2011) | 1,700,917 | 1,240,968 | 47,922 | 51,681 |
| Assets limited as to use | 161,300 | 147,202 | 1,145 | 2,281 |
| Inventories | 192,057 | 139,214 | 4,775 | 7,773 |
| Estimated third-party payor settlements | 90,365 | 69,586 | - | 3,304 |
| Other | 297,549 | 230,659 | 3,701 | 4,740 |
| Total current assets | 3,650,908 | 2,734,817 | 72,619 | 114,068 |
| Board-designated investments | 8,251,466 | 6,826,981 | 196,219 | 129,703 |
| Property and equipment, net | 6,013,874 | 3,859,801 | 212,917 | 369,331 |
| Other assets: | | | | |
| Investment in unconsolidated entities | 889,077 | 790,683 | 16,525 | 5,598 |
| Capitalized software costs, net | 486,916 | 415,173 | 1,068 | 368 |
| Other | 660,818 | 565,480 | 8,101 | 5,861 |
| Total other assets | 2,036,811 | 1,771,336 | 25,694 | 11,827 |
| Total assets | \$19,953,059 | \$ 15,192,935 | \$ 507,449 | \$ 624,929 |

| | Consolidated Kansas City | Consolidated Milwaukee | Consolidated Nashville | Consolidated Saginaw | Consolidated Tawas City | Consolidated Waco | Consolidated Washington D.C. |
|-----------|-------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|------------------------------------|------------------------------|---|
| \$ | 19,936 | \$ 52,383 | \$ 90,214 | \$ 21,884 | \$ 1,981 | \$ 19,476 | \$ 8,616 |
| | 6,048 | – | 332 | 13,706 | – | – | 7,591 |
| | 38,974 | 90,391 | 125,712 | 31,398 | 3,835 | 37,686 | 32,350 |
| | – | – | 10,575 | – | – | – | 97 |
| | 5,136 | 10,029 | 11,146 | 5,650 | 1,443 | 4,046 | 2,845 |
| | 462 | 2,993 | 1,602 | 5,074 | 583 | 5,560 | 1,201 |
| | 5,279 | 22,914 | 18,401 | 4,733 | 1,845 | 2,103 | 3,174 |
| | 75,835 | 178,710 | 257,982 | 82,445 | 9,687 | 68,871 | 55,874 |
| | 97,076 | 62,789 | 460,029 | 279,443 | 23,093 | 112,345 | 63,788 |
| | 127,837 | 687,080 | 487,098 | 90,506 | 19,652 | 108,014 | 51,638 |
| | 2,080 | 20,160 | 32,477 | 10,588 | 19 | 7,448 | 3,499 |
| | 1,452 | 34,499 | 27,946 | 1,571 | 717 | 1,271 | 2,851 |
| | 12,123 | 15,188 | 24,240 | 4,323 | 3,980 | 12,421 | 9,101 |
| | 15,655 | 69,847 | 84,663 | 16,482 | 4,716 | 21,140 | 15,451 |
| \$ | 316,403 | \$ 998,426 | \$ 1,289,772 | \$ 468,876 | \$ 57,148 | \$ 310,370 | \$ 186,751 |

Ascension Health

Details of Consolidated Balance Sheet (continued)

(Dollars in Thousands)

June 30, 2011

| | Consolidated Ascension Health | Consolidated Ascension Health Less Health Ministries Presented | Consolidated Baltimore | Consolidated Birmingham |
|---|--|---|-----------------------------------|------------------------------------|
| Liabilities and net assets | | | | |
| Current liabilities: | | | | |
| Current portion of long-term debt | \$ 29,563 | \$ 16,789 | \$ 580 | \$ 1,080 |
| Long-term debt subject to short-term remarketing arrangements | 1,662,950 | 1,662,950 | – | – |
| Accounts payable and accrued liabilities | 1,831,710 | 1,415,306 | 49,799 | 55,306 |
| Estimated third-party payor settlements | 281,007 | 240,637 | – | 10,343 |
| Current portion of self-insurance liabilities | 191,551 | 171,369 | 2,190 | 1,353 |
| Other | 75,963 | 47,279 | 15,055 | 2,841 |
| Total current liabilities | 4,072,744 | 3,554,330 | 67,624 | 70,923 |
| Noncurrent liabilities: | | | | |
| Long-term debt (senior and subordinated) | 2,546,785 | 1,246,322 | 80,007 | 120,909 |
| Self-insurance liabilities | 448,624 | 431,876 | 1,961 | 3,479 |
| Pension and other postretirement liabilities | 396,903 | 338,549 | 410 | 5,508 |
| Other | 681,626 | 563,527 | 6,444 | 65,622 |
| Total noncurrent liabilities | 4,073,938 | 2,580,274 | 88,822 | 195,518 |
| Total liabilities | 8,146,682 | 6,134,604 | 156,446 | 266,441 |
| Net assets: | | | | |
| Unrestricted | 11,332,631 | 8,695,161 | 336,406 | 338,102 |
| Temporarily restricted | 331,563 | 240,743 | 14,168 | 17,800 |
| Permanently restricted | 99,444 | 88,163 | 429 | 1,367 |
| Total net assets excluding noncontrolling interests | 11,763,638 | 9,024,067 | 351,003 | 357,269 |
| Noncontrolling interests | 42,739 | 34,264 | – | 1,219 |
| Total net assets | 11,806,377 | 9,058,331 | 351,003 | 358,488 |
| Total liabilities and net assets | \$19,953,059 | \$ 15,192,935 | \$ 507,449 | \$ 624,929 |

| Consolidated Kansas City | Consolidated Milwaukee | Consolidated Nashville | Consolidated Saginaw | Consolidated Tawas City | Consolidated Waco | Consolidated Washington D.C. |
|-------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|------------------------------------|------------------------------|---|
| \$ 2,982 | \$ 2,346 | \$ 3,601 | \$ 995 | \$ 337 | \$ 384 | \$ 469 |
| – | – | – | – | – | – | – |
| 26,858 | 76,015 | 118,205 | 33,359 | 5,075 | 20,743 | 31,044 |
| 427 | 2,025 | 11,392 | 9,339 | 1,700 | 961 | 4,183 |
| 808 | 3,184 | 9,244 | 1,468 | – | 673 | 1,262 |
| 738 | 1,320 | 2,386 | 298 | 67 | 5,030 | 949 |
| 31,813 | 84,890 | 144,828 | 45,459 | 7,179 | 27,791 | 37,907 |
| 110,350 | 323,721 | 417,083 | 111,692 | 18,966 | 52,985 | 64,750 |
| 2,058 | 1 | 2,809 | 1,469 | 213 | 2,196 | 2,562 |
| 1,163 | 24,316 | 16,565 | 615 | 172 | 9,605 | – |
| 3,288 | 16,904 | 11,016 | 2,827 | 1,435 | 4,817 | 5,746 |
| 116,859 | 364,942 | 447,473 | 116,603 | 20,786 | 69,603 | 73,058 |
| 148,672 | 449,832 | 592,301 | 162,062 | 27,965 | 97,394 | 110,965 |
| 160,759 | 526,516 | 662,093 | 302,085 | 27,729 | 210,808 | 72,972 |
| 2,168 | 15,654 | 30,789 | 4,729 | 1,224 | 1,474 | 2,814 |
| – | 6,424 | 2,137 | – | 230 | 694 | – |
| 162,927 | 548,594 | 695,019 | 306,814 | 29,183 | 212,976 | 75,786 |
| 4,804 | – | 2,452 | – | – | – | – |
| 167,731 | 548,594 | 697,471 | 306,814 | 29,183 | 212,976 | 75,786 |
| \$ 316,403 | \$ 998,426 | \$ 1,289,772 | \$ 468,876 | \$ 57,148 | \$ 310,370 | \$ 186,751 |

Ascension Health

Details of Consolidated Balance Sheet

(Dollars in Thousands)

June 30, 2010

| | Consolidated Ascension Health | Consolidated Ascension Health Less Health Ministries Presented | Consolidated Baltimore | Consolidated Birmingham |
|--|--|---|-----------------------------------|------------------------------------|
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 1,168,278 | \$ 904,570 | \$ 13,344 | \$ 46,437 |
| Short-term investments | 81,650 | 62,343 | - | - |
| Accounts receivable, less allowances for uncollectible accounts (\$1,018,364 in 2010) | 1,590,084 | 1,141,598 | 44,164 | 51,199 |
| Assets limited as to use | 158,676 | 153,757 | 1,171 | 2,359 |
| Inventories | 201,353 | 147,771 | 4,148 | 8,273 |
| Estimated third-party payor settlements | 115,798 | 77,603 | - | 20,861 |
| Other | 313,698 | 247,881 | 2,595 | 5,508 |
| Total current assets | 3,629,537 | 2,735,523 | 65,422 | 134,637 |
| Board-designated and other investments | 6,701,328 | 5,447,833 | 182,849 | 88,106 |
| Property and equipment, net | 6,093,288 | 3,995,550 | 169,901 | 382,227 |
| Other assets: | | | | |
| Investment in unconsolidated entities | 809,488 | 734,702 | 13,812 | 5,741 |
| Capitalized software costs, net | 388,701 | 313,635 | 1,965 | 570 |
| Other | 487,782 | 397,005 | 5,176 | 6,914 |
| Total other assets | 1,685,971 | 1,445,342 | 20,953 | 13,225 |
| Total assets | \$18,110,124 | \$ 13,624,248 | \$ 439,125 | \$ 618,195 |

| | Consolidated Kansas City | Consolidated Milwaukee | Consolidated Nashville | Consolidated Saginaw | Consolidated Tawas City | Consolidated Waco | Consolidated Washington D.C. |
|-----------|-------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|------------------------------------|------------------------------|---|
| \$ | 24,243 | \$ 39,822 | \$ 95,120 | \$ 18,809 | \$ 1,083 | \$ 17,590 | \$ 7,260 |
| | 5,312 | – | 1,309 | 10,883 | – | – | 1,803 |
| | 38,505 | 90,270 | 121,881 | 28,177 | 3,908 | 34,730 | 35,652 |
| | – | – | 1,300 | – | 41 | – | 48 |
| | 4,827 | 9,143 | 11,671 | 5,975 | 1,473 | 4,882 | 3,190 |
| | 368 | 2,861 | 2,666 | 6,529 | 1,323 | 2,900 | 687 |
| | 3,530 | 26,688 | 16,817 | 3,283 | 1,837 | 2,269 | 3,290 |
| | 76,785 | 168,784 | 250,764 | 73,656 | 9,665 | 62,371 | 51,930 |
| | 92,585 | 79,555 | 416,441 | 227,346 | 20,196 | 91,261 | 55,156 |
| | 126,244 | 662,615 | 474,797 | 98,420 | 21,087 | 108,265 | 54,182 |
| | 1,322 | 17,813 | 15,218 | 11,607 | 19 | 6,352 | 2,902 |
| | 1,219 | 35,950 | 30,701 | 3,171 | 54 | 873 | 563 |
| | 16,815 | 24,961 | 20,056 | 3,457 | 813 | 7,877 | 4,708 |
| | 19,356 | 78,724 | 65,975 | 18,235 | 886 | 15,102 | 8,173 |
| \$ | 314,970 | \$ 989,678 | \$ 1,207,977 | \$ 417,657 | \$ 51,834 | \$ 276,999 | \$ 169,441 |

Ascension Health

Details of Consolidated Balance Sheet (continued)

(Dollars in Thousands)

June 30, 2010

| | Consolidated Ascension Health | Consolidated Ascension Health Less Health Ministries Presented | Consolidated Baltimore | Consolidated Birmingham |
|---|--|---|-----------------------------------|------------------------------------|
| Liabilities and net assets | | | | |
| Current liabilities: | | | | |
| Current portion of long-term debt | \$ 31,221 | \$ 17,508 | \$ 656 | \$ 1,190 |
| Long-term debt subject to short-term remarketing arrangements | 1,228,115 | 1,228,115 | – | – |
| Accounts payable and accrued liabilities | 1,734,533 | 1,317,336 | 35,818 | 75,483 |
| Estimated third-party payor settlements | 254,232 | 233,810 | – | 2,533 |
| Current portion of self-insurance liabilities | 188,114 | 170,133 | 2,243 | 1,504 |
| Other | 67,955 | 44,252 | 14,408 | 2,621 |
| Total current liabilities | 3,504,170 | 3,011,154 | 53,125 | 83,331 |
| Noncurrent liabilities: | | | | |
| Long-term debt (senior and subordinated) | 3,007,210 | 1,714,180 | 80,587 | 121,988 |
| Self-insurance liabilities | 461,907 | 444,803 | 2,218 | 3,322 |
| Pension and other postretirement liabilities | 1,022,488 | 795,287 | 33,198 | 18,505 |
| Other | 659,390 | 545,743 | 4,522 | 66,332 |
| Total noncurrent liabilities | 5,150,995 | 3,500,013 | 120,525 | 210,147 |
| Total liabilities | 8,655,165 | 6,511,167 | 173,650 | 293,478 |
| Net assets: | | | | |
| Unrestricted | 9,013,920 | 6,777,937 | 251,080 | 311,588 |
| Temporarily restricted | 310,032 | 223,138 | 13,977 | 10,659 |
| Permanently restricted | 89,871 | 78,764 | 418 | 1,328 |
| Total net assets excluding noncontrolling interests | 9,413,823 | 7,079,839 | 265,475 | 323,575 |
| Noncontrolling interests | 41,136 | 33,242 | – | 1,142 |
| Total net assets | 9,454,959 | 7,113,081 | 265,475 | 324,717 |
| Total liabilities and net assets | \$18,110,124 | \$ 13,624,248 | \$ 439,125 | \$ 618,195 |

| Consolidated Kansas City | Consolidated Milwaukee | Consolidated Nashville | Consolidated Saginaw | Consolidated Tawas City | Consolidated Waco | Consolidated Washington D.C. |
|-------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|------------------------------------|------------------------------|---|
| \$ 2,914 | \$ 2,490 | \$ 3,947 | \$ 1,099 | \$ 452 | \$ 434 | \$ 531 |
| – | – | – | – | – | – | – |
| 25,040 | 76,574 | 122,019 | 32,135 | 4,768 | 19,544 | 25,816 |
| 435 | 1,470 | 8,490 | 2,516 | 2,062 | 2,090 | 826 |
| 827 | 2,599 | 8,300 | 1,025 | – | 488 | 995 |
| 540 | 1,337 | 3,499 | 267 | 67 | 108 | 856 |
| 29,756 | 84,470 | 146,255 | 37,042 | 7,349 | 22,664 | 29,024 |
| 113,098 | 306,066 | 420,712 | 112,687 | 19,304 | 53,369 | 65,219 |
| 1,948 | 1 | 2,831 | 1,507 | 211 | 2,246 | 2,820 |
| 14,143 | 65,806 | 37,829 | 22,208 | 423 | 16,117 | 18,972 |
| 2,989 | 15,290 | 11,799 | 3,318 | 1,411 | 3,440 | 4,546 |
| 132,178 | 387,163 | 473,171 | 139,720 | 21,349 | 75,172 | 91,557 |
| 161,934 | 471,633 | 619,426 | 176,762 | 28,698 | 97,836 | 120,581 |
| 147,187 | 496,041 | 549,942 | 236,626 | 21,682 | 175,326 | 46,511 |
| 2,050 | 15,582 | 33,519 | 4,269 | 1,316 | 3,173 | 2,349 |
| – | 6,422 | 2,137 | – | 138 | 664 | – |
| 149,237 | 518,045 | 585,598 | 240,895 | 23,136 | 179,163 | 48,860 |
| 3,799 | – | 2,953 | – | – | – | – |
| 153,036 | 518,045 | 588,551 | 240,895 | 23,136 | 179,163 | 48,860 |
| \$ 314,970 | \$ 989,678 | \$ 1,207,977 | \$ 417,657 | \$ 51,834 | \$ 276,999 | \$ 169,441 |

Ascension Health

Details of Consolidated Statement of Operations and Changes in Net Assets (Dollars in Thousands)

Year Ended June 30, 2011

| | Consolidated Ascension Health | Consolidated Ascension Health Less Health Ministries Presented | Consolidated Baltimore | Consolidated Birmingham |
|---|--|---|-----------------------------------|------------------------------------|
| Operating revenue: | | | | |
| Net patient service revenue | \$ 14,719,615 | \$ 10,578,161 | \$ 393,245 | \$ 605,768 |
| Other revenue | 844,747 | 657,609 | 7,101 | 23,600 |
| Total operating revenue | <u>15,564,362</u> | <u>11,235,770</u> | <u>400,346</u> | <u>629,368</u> |
| Operating expenses: | | | | |
| Salaries and wages | 6,264,651 | 4,664,142 | 180,514 | 198,508 |
| Employee benefits | 1,462,380 | 1,092,685 | 34,220 | 46,540 |
| Purchased services | 781,392 | 408,412 | 17,242 | 73,935 |
| Professional fees | 895,074 | 674,859 | 17,218 | 8,355 |
| Supplies | 2,279,657 | 1,580,105 | 68,143 | 124,895 |
| Insurance | 92,610 | 69,357 | 2,464 | 4,253 |
| Bad debts | 1,001,893 | 744,058 | 18,500 | 47,164 |
| Interest | 130,725 | 81,715 | 373 | 8,542 |
| Depreciation and amortization | 659,673 | 468,418 | 15,006 | 33,384 |
| Other | 1,570,018 | 1,103,615 | 26,615 | 80,505 |
| Total operating expenses before self-insurance trust fund investment return and impairment, restructuring, and nonrecurring expenses | <u>15,138,073</u> | <u>10,887,366</u> | <u>380,295</u> | <u>626,081</u> |
| Income (loss) from operations before self-insurance trust fund investment return and impairment, restructuring, and nonrecurring expenses | 426,289 | 348,404 | 20,051 | 3,287 |
| Self-insurance trust fund investment return | 90,402 | 90,402 | - | - |
| Income (loss) from operations before impairment, restructuring, and nonrecurring expenses | <u>516,691</u> | <u>438,806</u> | <u>20,051</u> | <u>3,287</u> |
| Impairment, restructuring, and nonrecurring expenses | 92,458 | 60,090 | 365 | 1,704 |
| Income (loss) from operations | <u>424,233</u> | <u>378,716</u> | <u>19,686</u> | <u>1,583</u> |
| Nonoperating gains (losses): | | | | |
| Investment return | 1,140,325 | 926,937 | 30,740 | 16,623 |
| Loss on extinguishment of debt | (1,007) | (1,007) | - | - |
| Gain (loss) on interest rate swaps | 30,941 | 29,293 | 116 | 171 |
| Income from unconsolidated entities | 11,915 | 5,905 | 4,714 | - |
| Donations | (25,968) | (24,903) | (156) | (302) |
| Other | (43,077) | (40,843) | (1,012) | (1) |
| Total nonoperating gains, net | <u>1,113,129</u> | <u>895,382</u> | <u>34,402</u> | <u>16,491</u> |
| Excess (deficit) of revenues and gains over expenses and losses | <u>1,537,362</u> | <u>1,274,098</u> | <u>54,088</u> | <u>18,074</u> |
| Less excess of revenues and gains over expenses and losses attributable to noncontrolling interests | 27,484 | 15,154 | - | 487 |
| Excess (deficit) of revenues and gains over expenses and losses attributable to controlling interest | <u>1,509,878</u> | <u>1,258,944</u> | <u>54,088</u> | <u>17,587</u> |

| | Consolidated Kansas City | Consolidated Milwaukee | Consolidated Nashville | Consolidated Saginaw | Consolidated Tawas City | Consolidated Waco | Consolidated Washington D.C. |
|----|-------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|------------------------------------|------------------------------|---|
| \$ | 358,727 | \$ 702,872 | \$ 1,220,810 | \$ 271,534 | \$ 56,958 | \$ 290,637 | \$ 240,903 |
| | 12,447 | 41,492 | 71,337 | 5,975 | 1,260 | 10,286 | 13,640 |
| | 371,174 | 744,364 | 1,292,147 | 277,509 | 58,218 | 300,923 | 254,543 |
| | 145,205 | 288,741 | 429,485 | 103,843 | 25,905 | 106,521 | 121,787 |
| | 28,788 | 72,668 | 111,289 | 24,601 | 5,106 | 22,719 | 23,764 |
| | 36,032 | 62,033 | 118,737 | 34,401 | 4,617 | 8,099 | 17,884 |
| | 17,874 | 68,755 | 58,685 | 12,475 | 3,329 | 14,526 | 18,998 |
| | 57,485 | 78,756 | 224,977 | 49,627 | 7,942 | 55,071 | 32,656 |
| | 2,264 | 3,660 | 4,087 | 1,611 | 6 | 838 | 4,070 |
| | 27,827 | 36,594 | 78,234 | 9,180 | 3,432 | 29,151 | 7,753 |
| | 4,699 | 9,363 | 16,127 | 4,581 | 785 | 2,123 | 2,417 |
| | 11,595 | 39,125 | 58,862 | 12,441 | 2,829 | 11,425 | 6,588 |
| | 42,669 | 87,019 | 145,362 | 21,618 | 3,801 | 36,619 | 22,195 |
| | 374,438 | 746,714 | 1,245,845 | 274,378 | 57,752 | 287,092 | 258,112 |
| | (3,264) | (2,350) | 46,302 | 3,131 | 466 | 13,831 | (3,569) |
| | - | - | - | - | - | - | - |
| | (3,264) | (2,350) | 46,302 | 3,131 | 466 | 13,831 | (3,569) |
| | 362 | 5,499 | 22,178 | 373 | 778 | 126 | 983 |
| | (3,626) | (7,849) | 24,124 | 2,758 | (312) | 13,705 | (4,552) |
| | 17,472 | 6,662 | 64,812 | 46,212 | 3,528 | 17,661 | 9,678 |
| | - | - | - | - | - | - | - |
| | 152 | 447 | 601 | 153 | 27 | 77 | (96) |
| | - | - | - | 99 | - | - | 1,197 |
| | (208) | - | (503) | 104 | - | - | - |
| | (313) | (239) | 57 | (233) | (24) | (566) | 97 |
| | 17,103 | 6,870 | 64,967 | 46,335 | 3,531 | 17,172 | 10,876 |
| | 13,477 | (979) | 89,091 | 49,093 | 3,219 | 30,877 | 6,324 |
| | 1,848 | - | 9,995 | - | - | - | - |
| | 11,629 | (979) | 79,096 | 49,093 | 3,219 | 30,877 | 6,324 |

Ascension Health

Details of Consolidated Statement of Operations and Changes in Net Assets (continued) (Dollars in Thousands)

Year Ended June 30, 2011

| | Consolidated Ascension Health | | | |
|---|-------------------------------------|--|---------------------------|----------------------------|
| | Consolidated Ascension Health | Less Health Ministries Presented | Consolidated Baltimore | Consolidated Birmingham |
| Unrestricted net assets, controlling interest: | | | | |
| Excess (deficit) of revenues and gains over expenses and losses | \$ 1,509,878 | \$ 1,258,944 | \$ 54,088 | \$ 17,587 |
| Contributed net assets | (374) | (374) | - | - |
| Transfer (to) from sponsors and other affiliates, net | (16,959) | 55,008 | (7,433) | (9,862) |
| Net assets released from restrictions for property acquisitions | 70,829 | 46,020 | 1,517 | 2,251 |
| Pension and other postretirement liability adjustments | 793,938 | 579,661 | 36,593 | 16,354 |
| Change in unconsolidated entities' net assets | 1,175 | 1,175 | - | - |
| Deferred gain on interest rate swaps | (303) | (303) | - | - |
| Other | (96) | (1,019) | 561 | 184 |
| Increase in unrestricted net assets, before gain from discontinued operations and cumulative effect of change in accounting principle | 2,358,088 | 1,939,112 | 85,326 | 26,514 |
| Gain from discontinued operations | 6,616 | 6,493 | - | - |
| Cumulative effect of change in accounting principle | (45,993) | (28,381) | - | - |
| Increase in unrestricted net assets, controlling interest | 2,318,711 | 1,917,224 | 85,326 | 26,514 |
| Unrestricted net assets, noncontrolling interest: | | | | |
| Excess of revenues and gains over expenses and losses | 27,484 | 15,154 | - | 487 |
| Distributions and other | (25,881) | (14,132) | - | (410) |
| Increase (decrease) in unrestricted net assets, noncontrolling interest | 1,603 | 1,022 | - | 77 |
| Temporarily restricted net assets: | | | | |
| Contributions and grants | 100,884 | 71,858 | 2,235 | 10,139 |
| Net change in unrealized gains/losses on investments | 15,714 | 12,442 | 662 | 281 |
| Investment return | 8,295 | 7,480 | 20 | 64 |
| Net assets released from restrictions | (103,972) | (71,371) | (2,726) | (3,314) |
| Other | 610 | (2,804) | - | (29) |
| Increase (decrease) in temporarily restricted net assets | 21,531 | 17,605 | 191 | 7,141 |
| Permanently restricted net assets: | | | | |
| Contributions | 8,030 | 7,935 | 5 | - |
| Net change in unrealized gains/losses on investments | 1,692 | 1,639 | 6 | 26 |
| Investment return | (62) | (80) | - | 13 |
| Other | (87) | (95) | - | - |
| Increase in permanently restricted net assets | 9,573 | 9,399 | 11 | 39 |
| Increase in net assets | 2,351,418 | 1,945,250 | 85,528 | 33,771 |
| Net assets, beginning of year | 9,454,959 | 7,113,081 | 265,475 | 324,717 |
| Net assets, end of year | <u>\$ 11,806,377</u> | <u>\$ 9,058,331</u> | <u>\$ 351,003</u> | <u>\$ 358,488</u> |

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

| | Consolidated Kansas City | Consolidated Milwaukee | Consolidated Nashville | Consolidated Saginaw | Consolidated Tawas City | Consolidated Waco | Consolidated Washington D.C. |
|----|-----------------------------|---------------------------|---------------------------|-------------------------|----------------------------|----------------------|---------------------------------|
| \$ | 11,629 | \$ (979) | \$ 79,096 | \$ 49,093 | \$ 3,219 | \$ 30,877 | \$ 6,324 |
| | - | - | - | - | - | - | - |
| | (3,763) | (12,666) | (18,046) | (8,851) | (827) | (6,517) | (4,002) |
| | 742 | 3,287 | 13,662 | 519 | 717 | 1,776 | 338 |
| | 13,520 | 49,607 | 37,435 | 24,698 | 2,943 | 9,347 | 23,780 |
| | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - |
| | 27 | 255 | (119) | - | (5) | (1) | 21 |
| | 22,155 | 39,504 | 112,028 | 65,459 | 6,047 | 35,482 | 26,461 |
| | - | - | 123 | - | - | - | - |
| | (8,583) | (9,029) | - | - | - | - | - |
| | 13,572 | 30,475 | 112,151 | 65,459 | 6,047 | 35,482 | 26,461 |
| | 1,848 | - | 9,995 | - | - | - | - |
| | (843) | - | (10,496) | - | - | - | - |
| | 1,005 | - | (501) | - | - | - | - |
| | 1,235 | (10) | 8,590 | 938 | 1,174 | 460 | 4,265 |
| | - | - | 2,083 | 110 | 80 | 56 | - |
| | - | - | 540 | 125 | - | 66 | - |
| | (816) | (3,287) | (14,351) | (713) | (1,343) | (2,251) | (3,800) |
| | (301) | 3,369 | 408 | - | (3) | (30) | - |
| | 118 | 72 | (2,730) | 460 | (92) | (1,699) | 465 |
| | - | - | - | - | 57 | 33 | - |
| | - | - | - | - | 21 | - | - |
| | - | - | - | - | 5 | - | - |
| | - | 2 | - | - | 9 | (3) | - |
| | - | 2 | - | - | 92 | 30 | - |
| | 14,695 | 30,549 | 108,920 | 65,919 | 6,047 | 33,813 | 26,926 |
| | 153,036 | 518,045 | 588,551 | 240,895 | 23,136 | 179,163 | 48,860 |
| \$ | 167,731 | \$ 548,594 | \$ 697,471 | \$ 306,814 | \$ 29,183 | \$ 212,976 | \$ 75,786 |

Ascension Health

Details of Consolidated Statement of Operations and Changes in Net Assets (Dollars in Thousands)

Year Ended June 30, 2010

| | Consolidated Ascension Health | Consolidated Ascension Health Less Health Ministries Presented | Consolidated Baltimore | Consolidated Birmingham |
|---|--|---|-----------------------------------|------------------------------------|
| Operating revenue: | | | | |
| Net patient service revenue | \$ 13,967,469 | \$ 9,948,444 | \$ 373,623 | \$ 607,714 |
| Other revenue | 788,842 | 627,729 | 5,763 | 25,473 |
| Total operating revenue | <u>14,756,311</u> | <u>10,576,173</u> | <u>379,386</u> | <u>633,187</u> |
| Operating expenses: | | | | |
| Salaries and wages | 5,762,470 | 4,244,397 | 168,744 | 199,379 |
| Employee benefits | 1,358,256 | 1,002,906 | 35,396 | 45,415 |
| Purchased services | 837,171 | 467,753 | 16,263 | 75,678 |
| Professional fees | 747,007 | 556,478 | 17,573 | 7,382 |
| Supplies | 2,253,201 | 1,558,601 | 64,124 | 127,120 |
| Insurance | 120,350 | 83,271 | 6,582 | 5,833 |
| Bad debts | 973,767 | 711,356 | 14,762 | 40,800 |
| Interest | 114,323 | 78,815 | 838 | 9,945 |
| Depreciation and amortization | 666,933 | 475,331 | 14,646 | 36,946 |
| Other | 1,397,185 | 1,001,308 | 23,968 | 71,532 |
| Total operating expenses before self-insurance trust fund investment return and impairment, restructuring, and nonrecurring expenses | <u>14,230,663</u> | <u>10,180,216</u> | <u>362,896</u> | <u>620,030</u> |
| Income (loss) from operations before self-insurance trust fund investment return and impairment, restructuring, and nonrecurring expenses | 525,648 | 395,957 | 16,490 | 13,157 |
| Self-insurance trust fund investment return | 73,976 | 73,976 | - | - |
| Income (loss) from operations before impairment, restructuring, and nonrecurring expenses | <u>599,624</u> | <u>469,933</u> | <u>16,490</u> | <u>13,157</u> |
| Impairment, restructuring, and nonrecurring expenses | 31,111 | 21,116 | - | 7,064 |
| Income (loss) from operations | <u>568,513</u> | <u>448,817</u> | <u>16,490</u> | <u>6,093</u> |
| Nonoperating gains (losses): | | | | |
| Investment return | 722,870 | 571,161 | 23,865 | 12,373 |
| Loss on extinguishment of debt | (7,515) | (7,515) | - | - |
| Gain (loss) on interest rate swaps | 3,119 | 801 | 163 | 241 |
| Income from unconsolidated entities | 10,147 | 5,734 | 3,693 | - |
| Donations | (9,864) | (9,155) | (184) | (264) |
| Other | (33,762) | (33,445) | (162) | (1) |
| Total nonoperating gains, net | <u>684,995</u> | <u>527,581</u> | <u>27,375</u> | <u>12,349</u> |
| Excess of revenues and gains over expenses and losses | <u>1,253,508</u> | <u>976,398</u> | <u>43,865</u> | <u>18,442</u> |
| Less excess (deficit) of revenues and gains over expenses and losses attributable to noncontrolling interests | 23,423 | 13,237 | - | (479) |
| Excess of revenues and gains over expenses and losses attributable to controlling interest | <u>1,230,085</u> | <u>963,161</u> | <u>43,865</u> | <u>18,921</u> |

| | Consolidated Kansas City | Consolidated Milwaukee | Consolidated Nashville | Consolidated Saginaw | Consolidated Tawas City | Consolidated Waco | Consolidated Washington D.C. |
|----|-----------------------------|---------------------------|---------------------------|-------------------------|----------------------------|----------------------|---------------------------------|
| \$ | 342,610 | \$ 719,629 | \$ 1,132,648 | \$ 272,881 | \$ 57,239 | \$ 264,713 | \$ 247,968 |
| | 10,400 | 38,979 | 52,240 | 7,503 | 661 | 10,327 | 9,767 |
| | 353,010 | 758,608 | 1,184,888 | 280,384 | 57,900 | 275,040 | 257,735 |
| | 127,338 | 285,571 | 392,529 | 101,501 | 25,754 | 96,969 | 120,288 |
| | 28,720 | 72,362 | 97,836 | 25,224 | 4,987 | 20,127 | 25,283 |
| | 34,505 | 63,191 | 116,057 | 33,523 | 4,738 | 7,451 | 18,012 |
| | 15,280 | 48,227 | 53,883 | 14,246 | 3,332 | 13,908 | 16,698 |
| | 53,944 | 85,851 | 215,043 | 48,893 | 7,324 | 57,954 | 34,347 |
| | 3,019 | 5,110 | 6,115 | 2,587 | 343 | 1,925 | 5,565 |
| | 30,046 | 41,905 | 77,710 | 16,701 | 3,981 | 28,257 | 8,249 |
| | 3,866 | 2,238 | 11,034 | 3,591 | 625 | 1,646 | 1,725 |
| | 11,382 | 36,290 | 55,509 | 15,033 | 3,098 | 11,383 | 7,315 |
| | 41,032 | 83,483 | 105,449 | 20,554 | 3,708 | 30,494 | 15,657 |
| | 349,132 | 724,228 | 1,131,165 | 281,853 | 57,890 | 270,114 | 253,139 |
| | 3,878 | 34,380 | 53,723 | (1,469) | 10 | 4,926 | 4,596 |
| | - | - | - | - | - | - | - |
| | 3,878 | 34,380 | 53,723 | (1,469) | 10 | 4,926 | 4,596 |
| | - | 1 | 627 | - | - | - | 2,303 |
| | 3,878 | 34,379 | 53,096 | (1,469) | 10 | 4,926 | 2,293 |
| | 11,921 | 2,206 | 53,251 | 29,348 | 2,013 | 10,945 | 5,787 |
| | - | - | - | - | - | - | - |
| | 214 | 623 | 845 | 215 | 39 | 108 | (130) |
| | - | - | - | 80 | - | - | 640 |
| | (111) | - | (285) | 97 | 37 | - | 1 |
| | (299) | (479) | 599 | (213) | (37) | (390) | 665 |
| | 11,725 | 2,350 | 54,410 | 29,527 | 2,052 | 10,663 | 6,963 |
| | 15,603 | 36,729 | 107,506 | 28,058 | 2,062 | 15,589 | 9,256 |
| | 1,689 | - | 8,976 | - | - | - | - |
| | 13,914 | 36,729 | 98,530 | 28,058 | 2,062 | 15,589 | 9,256 |

Ascension Health

Details of Consolidated Statement of Operations and Changes in Net Assets (continued) (Dollars in Thousands)

Year Ended June 30, 2010

| | Consolidated Ascension Health | | | |
|---|-------------------------------------|--|---------------------------|----------------------------|
| | Consolidated Ascension Health | Less Health Ministries Presented | Consolidated Baltimore | Consolidated Birmingham |
| Unrestricted net assets, controlling interest: | | | | |
| Excess of revenues and gains over expenses and losses | \$ 1,230,085 | \$ 963,161 | \$ 43,865 | \$ 18,921 |
| Contributed net assets | 64 | 64 | - | - |
| Transfer to sponsors and other affiliates, net | (86,940) | (31,887) | (7,367) | (7,149) |
| Net assets released from restrictions for property acquisitions | 92,351 | 78,029 | 1,339 | 2,245 |
| Pension and other postretirement liability adjustments | (4,361) | (9,870) | 1,082 | 821 |
| Change in unconsolidated entities' net assets | (20,113) | (20,113) | - | - |
| Deferred gain on interest rate swaps | (14,123) | (14,123) | - | - |
| Other | (224) | 1,423 | 236 | (1,075) |
| Increase in unrestricted net assets, controlling interest before loss from discontinued operations | 1,196,739 | 966,684 | 39,155 | 13,763 |
| Loss from discontinued operations | (48,911) | (48,909) | - | - |
| Increase in unrestricted net assets, controlling interest | 1,147,828 | 917,775 | 39,155 | 13,763 |
| Unrestricted net assets, noncontrolling interest: | | | | |
| Excess (deficit) of revenues and gains over expenses and losses | 23,423 | 13,237 | - | (479) |
| Distributions and other | (38,046) | (28,562) | - | (306) |
| (Decrease) increase in unrestricted net assets, noncontrolling interest | (14,623) | (15,325) | - | (785) |
| Temporarily restricted net assets: | | | | |
| Contributions and grants | 109,068 | 88,768 | 4,752 | 3,340 |
| Net change in unrealized gains/losses on investments | 13,618 | 11,180 | 406 | 144 |
| Investment return | 2,602 | 2,021 | 173 | 50 |
| Net assets released from restrictions | (128,604) | (108,130) | (2,374) | (3,502) |
| Other | (5,410) | (3,521) | (237) | (25) |
| (Decrease) increase in temporarily restricted net assets | (8,726) | (9,682) | 2,720 | 7 |
| Permanently restricted net assets: | | | | |
| Contributions | 2,607 | 3,023 | 5 | 96 |
| Net change in unrealized gains/losses on investments | (151) | (175) | 4 | 22 |
| Investment return | (252) | (255) | - | 2 |
| Other | (2,225) | (2,307) | - | - |
| (Decrease) increase in permanently restricted net assets | (21) | 286 | 9 | 120 |
| Increase in net assets | 1,124,458 | 893,054 | 41,884 | 13,105 |
| Net assets, beginning of year | 8,330,501 | 6,220,027 | 223,591 | 311,612 |
| Net assets, end of year | <u>\$ 9,454,959</u> | <u>\$ 7,113,081</u> | <u>\$ 265,475</u> | <u>\$ 324,717</u> |

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

| | Consolidated Kansas City | Consolidated Milwaukee | Consolidated Nashville | Consolidated Saginaw | Consolidated Tawas City | Consolidated Waco | Consolidated Washington D.C. |
|----|-----------------------------|---------------------------|---------------------------|-------------------------|----------------------------|----------------------|---------------------------------|
| \$ | 13,914 | \$ 36,729 | \$ 98,530 | \$ 28,058 | \$ 2,062 | \$ 15,589 | \$ 9,256 |
| | - | - | - | - | - | - | - |
| | (4,295) | (7,802) | (15,562) | (5,821) | (487) | (3,928) | (2,642) |
| | 304 | 4,649 | 2,474 | - | 358 | 2,739 | 214 |
| | (2,049) | 1,043 | 3,488 | (1,135) | 593 | (231) | 1,897 |
| | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - |
| | (1) | - | - | (165) | (24) | - | (618) |
| | 7,873 | 34,619 | 88,930 | 20,937 | 2,502 | 14,169 | 8,107 |
| | - | - | (2) | - | - | - | - |
| | 7,873 | 34,619 | 88,928 | 20,937 | 2,502 | 14,169 | 8,107 |
| | 1,689 | - | 8,976 | - | - | - | - |
| | (649) | - | (8,529) | - | - | - | - |
| | 1,040 | - | 447 | - | - | - | - |
| | 966 | 10 | 6,872 | 1,470 | 321 | 344 | 2,225 |
| | - | - | 1,708 | 38 | 90 | 52 | - |
| | - | - | 190 | 49 | 76 | 43 | - |
| | (338) | (4,649) | (3,470) | (175) | (411) | (3,225) | (2,330) |
| | (212) | 2,153 | (1,948) | (1,555) | (89) | 24 | - |
| | 416 | (2,486) | 3,352 | (173) | (13) | (2,762) | (105) |
| | - | 323 | (899) | - | 28 | 31 | - |
| | - | - | - | - | (2) | - | - |
| | - | - | - | - | 1 | - | - |
| | - | - | - | - | 111 | (29) | - |
| | - | 323 | (899) | - | 138 | 2 | - |
| | 9,329 | 32,456 | 91,828 | 20,764 | 2,627 | 11,409 | 8,002 |
| | 143,707 | 485,589 | 496,723 | 220,131 | 20,509 | 167,754 | 40,858 |
| \$ | 153,036 | \$ 518,045 | \$ 588,551 | \$ 240,895 | \$ 23,136 | \$ 179,163 | \$ 48,860 |