CONSOLIDATED FINANCIAL STATEMENTS

Ascension Health
Years Ended June 30, 2010 and 2009
With Report of Independent Auditors

Ascension Health

Consolidated Financial Statements

Years Ended June 30, 2010 and 2009

Contents

Ernst & Young LLP
The Plaza in Clayton Suite 1300
190 Carondelet Plaza
St. Louis, MO 63105-3434

Tel: +1 314 290 1000
Fax: +1 314 290 1882
www.ey.com

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, 2010 and 2009, 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, 2010 and 2009, 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.

Ernst & Young LLP

September 17, 2010

Ascension Health

Consolidated Balance Sheets
(Dollars in Thousands)

	June 30, 2010	June 30, 2009
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,168,278**	$ 970,418
Short-term investments	**81,650**	73,364
Accounts receivable, less allowances for uncollectible accounts ($1,019,589 and $940,669 in 2010 and 2009, respectively)	**1,592,459**	1,661,732
Current portion of assets limited as to use	**158,676**	136,686
Inventories	**201,363**	222,674
Assets held for sale	**8,201**	3,338
Other	**305,844**	325,708
Total current assets	**3,516,471**	3,393,920
Board-designated investments	**3,804,898**	2,994,884
Other investments	**1,994,816**	1,633,285
Assets limited as to use	**901,614**	827,570
Property and equipment, net	**6,484,477**	6,534,394
Other assets:		
Investment in unconsolidated entities	**809,488**	699,117
Other	**482,563**	427,354
Total other assets	**1,292,051**	1,126,471
Total assets	**$ 17,994,327**	$ 16,510,524

	June 30, 2010	June 30, 2009
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	**$ 31,221**	$ 59,622
Long-term debt subject to short-term remarketing arrangements*	**1,228,115**	1,791,330
Accounts payable and accrued liabilities	**1,735,526**	1,516,034
Estimated third-party payor settlements, net	**138,566**	160,778
Current portion of self-insurance liabilities	**188,372**	188,123
Liabilities related to assets held for sale	**7,308**	15,757
Other	**60,648**	72,474
Total current liabilities	**3,389,756**	3,804,118
Noncurrent liabilities:		
Long-term debt (senior and subordinated)	**3,007,210**	2,399,850
Self-insurance liabilities	**462,027**	449,119
Pension and other postretirement liabilities	**1,022,488**	980,253
Other	**699,023**	602,442
Total noncurrent liabilities	**5,190,748**	4,431,664
Total liabilities	**8,580,504**	8,235,782
Net assets:		
Unrestricted	**9,013,920**	7,866,092
Temporarily restricted	**310,032**	318,758
Permanently restricted	**89,871**	89,892
Total net assets	**9,413,823**	8,274,742
Total liabilities and net assets	**$ 17,994,327**	$ 16,510,524

*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, 2011. 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, 2010	2009
Operating revenue:		
Net patient service revenue	**$ 13,984,438**	$ 13,508,400
Other revenue	**788,898**	643,457
Total operating revenue	**14,773,336**	14,151,857
Operating expenses:		
Salaries and wages	**5,771,296**	5,579,481
Employee benefits	**1,360,599**	1,214,963
Purchased services	**838,909**	817,649
Professional fees	**747,038**	675,603
Supplies	**2,254,272**	2,211,564
Insurance	**120,502**	98,779
Bad debts	**975,047**	1,014,509
Interest	**114,323**	108,795
Depreciation and amortization	**667,256**	650,848
Other	**1,397,666**	1,316,113
Total operating expenses before impairment, restructuring, self-insurance trust fund investment return, and nonrecurring expenses	**14,246,908**	13,688,304
Income from operations before impairment, restructuring, self-insurance trust fund investment return, and nonrecurring expenses	**526,428**	463,553
Self-insurance trust fund investment return	**73,976**	(63,960)
Income from operations before impairment, restructuring, and nonrecurring expenses	**600,404**	399,593
Impairment, restructuring, and nonrecurring expenses	**31,111**	36,214
Income from operations	**569,293**	363,379
Nonoperating gains (losses):		
Investment return	**722,870**	(979,466)
Loss on extinguishment of debt	**(7,515)**	(3,916)
Gain (loss) on interest rate swaps	**3,119**	(29,548)
Income from unconsolidated entities	**10,147**	5,037
Donations and fundraising activities	**(29,706)**	(29,190)
Minority interest in consolidated entities	**(23,423)**	(25,315)
Other	**(13,920)**	(18,354)
Total nonoperating gains (losses), net	**661,572**	(1,080,752)
Excess (deficit) of revenues and gains over expenses and losses	**1,230,865**	(717,373)

Ascension Health

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

(Dollars in Thousands)

	Year Ended June 30, 2010	2009
Unrestricted net assets:		
Excess (deficit) of revenues and gains over expenses and losses	**$ 1,230,865**	$ (717,373)
Contributed net assets	**64**	436
Transfers to sponsors and other affiliates, net	**(86,940)**	(12,941)
Net assets released from restrictions for property acquisitions	**92,351**	104,309
Pension and other postretirement liability adjustments	**(4,361)**	(665,072)
Adjustment to adopt measurement date provision for pension plans	**–**	(38,453)
Change in unconsolidated entities' net assets	**(20,113)**	(23,905)
Deferred gain on interest rate swaps	**(14,123)**	(1,662)
Other	**(224)**	(17,554)
Increase (decrease) in unrestricted net assets, before loss from discontinued operations	**1,197,519**	(1,372,215)
Loss from discontinued operations	**(49,691)**	(45,044)
Increase (decrease) in unrestricted net assets	**1,147,828**	(1,417,259)
Temporarily restricted net assets:		
Contributions and grants	**109,068**	133,282
Net change in unrealized gains/losses on investments	**13,618**	(10,264)
Investment return	**2,602**	(8,046)
Net assets released from restrictions	**(128,604)**	(139,149)
Other	**(5,410)**	22,285
Decrease in temporarily restricted net assets	**(8,726)**	(1,892)
Permanently restricted net assets:		
Contributions	**2,607**	6,900
Net change in unrealized gains/losses on investments	**(151)**	419
Investment return	**(252)**	(1,489)
Other	**(2,225)**	(17,878)
Decrease in permanently restricted net assets	**(21)**	(12,048)
Increase (decrease) in net assets	**1,139,081**	(1,431,199)
Net assets, beginning of year	**8,274,742**	9,705,941
Net assets, end of year	**$ 9,413,823**	$ 8,274,742

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, 2010	Year Ended June 30, 2009
Operating activities		
Increase (decrease) in net assets	**$ 1,139,081**	$ (1,431,199)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation and amortization	**667,256**	650,848
Amortization of bond premiums	**(9,390)**	(9,377)
Loss on extinguishment of debt	**7,515**	3,916
Provision for bad debts	**975,047**	1,014,509
Pension and other postretirement liability adjustments	**4,361**	665,072
Contributed net assets	**(64)**	(436)
Interest, dividends, and net (gains) losses on investments	**(812,663)**	1,062,806
Change in market value of interest rate swaps	**18,641**	30,154
Deferred gain on interest rate swaps	**(14,123)**	(1,662)
Gain on sale of assets, net	**(9,555)**	(12,422)
Impairment expenses	**14,670**	7,298
Adjustment to adopt measurement date provision for pension plans	**–**	38,453
Transfer to sponsor and other affiliates, net	**86,940**	12,941
Restricted contributions, investment return, and other	**(106,390)**	(135,054)
Other restricted activity	**20,524**	(6,770)
Nonoperating depreciation expense	**303**	–
(Increase) decrease in:		
Short-term investments	**(8,286)**	4,921
Accounts receivable	**(904,587)**	(963,149)
Inventories and other current assets	**11,692**	(3,666)
Investments classified as trading	**(478,803)**	(227,821)
Other assets	**(163,878)**	93,130
Increase (decrease) in:		
Accounts payable and accrued liabilities	**198,725**	58,420
Estimated third-party payor settlements payable, net	**(22,212)**	45,994
Other current liabilities	**(15,522)**	25,224
Self-insurance liabilities	**13,157**	(49,245)
Other noncurrent liabilities	**123,831**	(34,964)
Net cash provided by continuing operating activities	**736,270**	837,921
Net cash (used in) provided by discontinued operations	**(27,294)**	37,489
Net cash provided by operating activities	**708,976**	875,410

Consolidated Statements of Cash Flows (continued)

(Dollars in Thousands)

	Year Ended June 30, 2010	2009
Investing activities		
Property and equipment additions, net	**$ (622,486)**	$ (765,146)
Proceeds from sale of property and equipment	**3,001**	20,701
Net cash used in investing activities	**(619,485)**	(744,445)
Financing activities		
Issuance of long-term debt	**2,854,053**	1,205,693
Repayment of long-term debt	**(2,839,341)**	(1,261,773)
Decrease (increase) in assets under bond indenture agreements	**1,197**	(37)
Transfer to sponsors and other affiliates, net	**(13,930)**	(12,941)
Restricted contributions, investment return, and other	**106,390**	117,079
Net cash provided by financing activities	**108,369**	48,021
Net increase in cash and cash equivalents	**197,860**	178,986
Cash and cash equivalents at beginning of year	**970,418**	791,432
Cash and cash equivalents at end of year	**$ 1,168,278**	$ 970,418

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

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 who are poor and vulnerable, 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 who are poor 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 represents the unpaid cost of services provided to persons covered by public programs for the poor.

- Cost of other programs for the poor includes unreimbursed costs of programs intentionally designed to serve the poor and vulnerable of the community, including substance abusers, the homeless, victims of child abuse, and persons with acquired immune deficiency syndrome.

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

(Dollars in Thousands)

1. Organization and Mission (continued)

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 who are poor and community benefit programs. The cost of providing care to persons who are poor 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 (IRS). The amount of traditional charity care provided, determined on the basis of cost, was $375,039 and $325,734 for the years ended June 30, 2010 and 2009, respectively. The amount of unpaid cost of public programs, cost of other programs for the poor, 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 (deficit) 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, 2010	Year Ended June 30, 2009
Other revenue	**$ 131,680**	$ 11,457
Nonoperating gains, net	**10,147**	5,037

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.

2. Significant Accounting Policies (continued)

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 minority 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.

(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.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value at the date the gift is received. A summary of property and equipment at June 30, 2010 and 2009, is as follows:

	June 30, 2010	June 30, 2009
Land and improvements	**$ 606,942**	$ 600,361
Building and equipment	**12,381,169**	12,112,806
Construction in progress	**861,464**	781,885
	13,849,575	13,495,052
Less accumulated depreciation	**7,365,098**	6,960,658
Total property and equipment, net	**$ 6,484,477**	$ 6,534,394

Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets. Depreciation expense in 2010 and 2009 was $652,954 and $636,751, respectively.

2. Significant Accounting Policies (continued)

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. Amounts capitalized are amortized over the useful life of the developed asset following project completion. During the year ended June 30, 2010, approximately $49,000 related to a significant system-wide information technology and process standardization project, expected to continue through December 2014, was capitalized as construction in progress. These costs are primarily comprised of the purchase of software licenses related to the project. 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 the standardization of processes in those areas throughout Ascension Health. Certain costs of this project were also expensed in the current year, as discussed in the Impairment, Restructuring, and Nonrecurring Expenses section of this note.

Several capital projects have remaining construction and related equipment purchase commitments of approximately $263,000.

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 the excess (deficit) of revenues and gains over expenses and losses, which includes all changes in unrestricted net assets other than pension and other postretirement liability adjustments, transfers to or from sponsors and other affiliates, net assets released from restrictions for property acquisitions, discontinued operations, and contributions of property and equipment.

2. Significant Accounting Policies (continued)

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.

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 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 $69,338 and $80,920 for the years ended June 30, 2010 and 2009, respectively.

During 2010, approximately 36% of net patient service revenue was received under the Medicare program and 10% under various state Medicaid programs. During 2009, approximately 37% of net patient service revenue was received 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, 2010, include Medicare (21%) and various states' Medicaid programs (10%). Significant concentrations of accounts receivable at June 30, 2009, include Medicare (21%) and various states' Medicaid programs (11%).

2. Significant Accounting Policies (continued)

The provision for bad debts 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 debts 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, 2010 and 2009, Ascension Health recorded nonrecurring expenses of $7,629 and $28,916, respectively, relating to changes in business operations, including reorganization and severance costs, as well as long-lived asset impairment charges of $14,670 and $7,298, respectively. Nonrecurring expenses for the year ended June 30, 2010, also include $8,812 related to the information technology and process standardization project, as discussed in the Property and Equipment section of this note.

Amortization

Bond issuance costs, bond discounts, and bond premiums are amortized over the term of the bonds using a method approximating the effective interest method. Other intangible assets are amortized using the straight-line method over their estimated useful lives.

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).

2. Significant Accounting Policies (continued)

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 2009 accompanying financial statements to conform to the 2010 presentation. These reclassifications had no impact on total assets, total liabilities, or the change in net assets previously reported.

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, 2010, Ascension Health evaluated subsequent events through September 17, 2010, representing the date on which the accompanying audited consolidated financial statements were issued.

Adoption of New Accounting Standards

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (SFAS 168). SFAS 168 establishes the FASB's Accounting Standards Codification™ (the Codification, or ASC) as the single authoritative source of generally accepted accounting principles (GAAP) for interim and annual periods ending after September 15, 2009. SFAS 168 was subsequently included in the Codification as ASC Topic 105 (ASC 105), *Generally Accepted Accounting Principles*. ASC 105 also replaces SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS 162). In conjunction with its effective date, the Codification superseded all then-existing non-SEC accounting and reporting standards. Ascension Health adopted ASC 105 and the Codification on July 1, 2009. The adoption of the Codification did not impact Ascension Health's consolidated financial statements for the year ended June 30, 2010.

2. Significant Accounting Policies (continued)

In January 2010, the FASB issued ASC Accounting Standards Update (ASU) No. 2010-06 (ASU 2010-06), which clarifies certain existing fair value measurement disclosure requirements and requires additional fair value measurement disclosures. Specifically, assets and liabilities must be leveled by major class of asset or liability. Additional disclosures are required about valuation techniques used and the inputs to those techniques, for those assets or liabilities designated as Level 2 or Level 3 instruments. Disclosures regarding transfers between Level 1 and Level 2 assets and liabilities are also required, as well as certain disaggregation of activity in the reconciliations of fair value measurements using significant unobservable inputs (Level 3 assets and liabilities). See the Fair Value Measurements note for fair value measurement disclosures for the year ended June 30, 2010, excluding the additional requirements related to the reconciliations of fair value measurements using significant unobservable inputs (Level 3 assets and liabilities), which are not required to be adopted until Ascension Health's fiscal year ended June 30, 2012. The adoption of this guidance did not have a significant impact on Ascension Health's consolidated financial statements for the year ended June 30, 2010.

In December 2008, the FASB issued additional authoritative guidance regarding an employer's disclosures about postretirement benefit plan assets. This guidance requires disclosure about the major categories of postretirement benefit plan assets, including a description of the inputs and valuation techniques used to measure those assets and the designation of such assets by level; how investment allocation decisions are made; the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period; and significant concentrations of risk within plan assets. See the Retirement Plans note for these additional disclosures for the year ended June 30, 2010. The adoption of this guidance did not have a significant impact on Ascension Health's consolidated financial statements for the year ended June 30, 2010.

2. Significant Accounting Policies (continued)

In September 2006, the FASB issued authoritative guidance on fair value measurements which was adopted by Ascension Health for the year ended June 30, 2009. This guidance provides a definition of fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements impacting certain assets and liabilities. In February 2009, the FASB issued related guidance which delayed the effective date of certain fair value measurement guidance for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value on a recurring basis. Ascension Health adopted the guidance relative to nonfinancial assets and nonfinancial liabilities during the fiscal year ended June 30, 2010. The adoption of this guidance did not have a significant impact on Ascension Health's consolidated financial statements for the year ended June 30, 2010. See the Fair Value Measurements note for fair value measurement disclosures for the years ended June 30, 2010 and 2009.

3. Organizational Changes

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.

Effective August 1, 2008, an agreement was entered into whereby Ascension Health relinquished its membership in Good Samaritan Regional Medical Center (GSRMC), and a new nonprofit organization was formed which became the sole member of GSRMC and another local health care provider which also operated in Pottsville, Pennsylvania. The operating results of GSRMC are classified in Ascension Health's accompanying consolidated financial statements as discontinued operations.

3. Organizational Changes (continued)

Ascension Health reported a decrease in net assets from discontinued operations of $49,691 for the year ended June 30, 2010, representing the deficit of revenues over expenses for previously discontinued lines of business in Michigan, 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 $17,874 during the period that they were operational during the year ended June 30, 2010.

Ascension Health reported a decrease in net assets from discontinued operations of $45,044 for the year ended June 30, 2009, representing the deficit of revenues over expenses for the CHP and SAH operations and previously discontinued lines of business in Florida, Tennessee, Michigan, and Pennsylvania, as well as the fair value of net assets associated with the agreement to relinquish Ascension Health's membership in GSRMC. These entities had recorded operating revenues totaling $131,587 during the period that they were operational during the year ended June 30, 2009.

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, 2010 and 2009, 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.

(Dollars in Thousands)

4. Cash and Cash Equivalents, Investments, and Other 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, 2010	June 30, 2009
Cash and cash equivalents	**$ 1,168,278**	$ 970,418
Short-term investments	**81,650**	73,364
Current portion of assets limited as to use	**158,676**	136,686
Board-designated investments	**3,804,898**	2,994,884
Other investments	**1,994,816**	1,633,285
Assets limited as to use:		
Under bond indenture agreement	**906**	2,103
Self-insurance trust funds, less current portion	**517,302**	416,817
Temporarily or permanently restricted	**383,406**	408,650
Total assets limited as to use	**901,614**	827,570
Total	**$ 8,109,932**	$ 6,636,207

(Dollars in Thousands)

4. Cash and Cash Equivalents, Investments, and Other 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, 2010	June 30, 2009
Cash and cash equivalents	**$ 459,198**	$ 449,925
Short-term investments	**73,440**	64,696
U.S. government obligations	**59,058**	49,255
Corporate and foreign fixed income investments	**62,421**	68,954
Asset-backed securities	**52,194**	71,012
Equity securities	**260,569**	228,509
Private equity and other investments	**132,666**	119,457
Other assets limited as to use	**79,571**	87,159
Subtotal, included in cash and cash equivalents, short-term investments, Board-designated investments, assets limited as to use, and other investments	**1,179,117**	1,138,967
Ascension Health's pro rata share of HSD funds held for participants	**6,930,815**	5,497,240
Cash and cash equivalents, short-term investments, Board-designated investments, assets limited as to use, and other investments	**$ 8,109,932**	$ 6,636,207

Ascension Health's pro rata share of the HSD's funds held for participants was $6,930,815 and $5,497,240 at June 30, 2010 and 2009, respectively, representing 76.1% and 74.6% of the funds held for participants in the HSD at those respective dates.

(Dollars in Thousands)

4. Cash and Cash Equivalents, Investments, and Other 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, 2010 and 2009:

	June 30,	
	2010	**2009**
Assets		
Cash	**$ 24,023**	$ 42,592
Loans, interest, and other receivables	**96,575**	94,060
Due from brokers	**1,411,218**	614,500
Securities lending collateral	**364,608**	1,398,314
Derivative asset	**21,281**	19,014
Investments, at fair value:		
Short-term investments	**502,600**	786,180
U.S. government obligations	**2,375,313**	1,292,892
Corporate and foreign fixed income investments	**1,605,176**	1,407,569
Asset-backed securities	**1,037,000**	1,628,730
Equity, private equity, and other investments	**2,216,625**	1,579,013
Equity method investments	**1,390,415**	1,095,014
Total assets	**$ 11,044,834**	$ 9,957,878
Liabilities and funds held for participants		
Due to brokers	**$ 1,471,668**	$ 1,092,586
Derivative liability	**49,711**	31,826
Investments sold, not yet settled	**36,963**	23,627
Other payables	**5,191**	6,717
Payable under securities lending program	**368,282**	1,429,602
Total liabilities	**1,931,815**	2,584,358
Funds held for participants	**9,113,019**	7,373,520
Total liabilities and funds held for participants	**$ 11,044,834**	$ 9,957,878

(Dollars in Thousands)

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

Ascension Health's investment strategy includes investing in alternative investments, such as private equity and real estate funds. Decisions regarding the selection of investment managers and investment activity within the portfolios are made by the Ascension Health Investment Sub-Committee, with the recommendation of Ascension Health staff and an outside investment consulting company. Ascension Health's investment in these 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, 2010, investment periods expire between December 2010 and August 2014. The remaining unfunded capital commitments for all HSD participants and a joint venture consolidated for financial reporting purposes total approximately $483,000 for 28 individual contracts as of June 30, 2010.

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,	
	2010	**2009**
Investment return in HSD	**$ 756,437**	$ (992,453)
Interest and dividends	**15,872**	14,610
Net gains (losses) on investments reported at fair value	**38,760**	(84,963)
Restricted investment income	**1,594**	–
Total investment return	**$ 812,663**	$(1,062,806)

5. Fair Value Measurements

Ascension Health adopted the FASB's authoritative accounting guidance on fair value measurements for the fiscal year ended June 30, 2009, as well as updated fair value measurement guidance for the fiscal year ended June 30, 2010. In accordance with this guidance, assets and liabilities recorded at fair value in the financial statements are categorized, for disclosure purposes, 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.

5. Fair Value Measurements (continued)

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.

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, 2010 and June 30, 2009, 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.

5. Fair Value Measurements (continued)

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.

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.

5. Fair Value Measurements (continued)

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.

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 76.1% and 74.6% of the net asset value of the HSD as of June 30, 2010 and 2009, respectively. The HSD's investments include equities, various fixed income securities, and alternative investments.

(Dollars in Thousands)

5. Fair Value Measurements (continued)

The following table summarizes fair value measurements, by level, at June 30, 2010 and 2009, 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, 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**
Asset-backed securities	**–**	**1,010,931**	**26,069**	**1,037,000**
Corporate and foreign fixed income investments	**–**	**1,437,703**	**167,473**	**1,605,176**
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**
June 30, 2009				
Assets included in:				
Securities lending collateral	$ –	$ 1,398,314	$ –	$ 1,398,314
Derivative asset	120	15,057	3,837	19,014
Short-term investments	676,113	110,067	–	786,180
U.S. government obligations	–	1,267,146	25,746	1,292,892
Asset-backed securities	–	1,541,639	87,091	1,628,730
Corporate and foreign fixed income investments	–	1,163,438	244,131	1,407,569
Equity, private equity, and other investments	1,498,385	191	80,437	1,579,013
Liabilities included in:				
Derivative liability	3,518	1,312	26,996	31,826
Investments sold, not yet settled	17	23,610	–	23,627

(Dollars in Thousands)

5. Fair Value Measurements (continued)

For the years ended June 30, 2010 and 2009, 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, 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	**$ 7,340**	**$ 167,473**	**$ 26,069**	**$ 423,575**	**$ (40,449)**
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	**$ –**	**$ 3,937**	**$ (704)**	**$ 31,635**	**$ (9,236)**
June 30, 2009					
Beginning balance	$ 22,944	$ 975,516	$ 143,824	$ 77,481	$ (6,906)
Total realized and unrealized gains (losses) included in nonoperating gains (losses)	1,056	(62,614)	(28,403)	(1,504)	(19,742)
Purchases, issuances and settlements	1,746	(581,812)	(48,270)	4,305	3,387
Transfers (out of) into Level 3	–	(86,959)	19,940	155	102
Ending balance	$ 25,746	$ 244,131	$ 87,091	$ 80,437	$ (23,159)
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, 2009	$ 1,045	$ (21,540)	$ (23,906)	$ 2,051	$ (13,675)

(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, 2010, 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, 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				521,706
Subtotal, included in cash and cash equivalents, short-term investments, Board-designated investments, assets limited as to use, and other investments				$ 1,179,117
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	–	68,169	–	68,169
Interest rate swaps, included in other noncurrent liabilities	–	169,047	–	169,047

(Dollars in Thousands)

5. Fair Value Measurements (continued)

The following table summarizes fair value measurements, by level, at June 30, 2009, 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, 2009				
Cash and cash equivalents	$ 99,370	$ 17,899	$ –	$ 117,269
Short-term investments	17,123	46,245	–	63,368
U.S. government obligations	–	49,255	–	49,255
Corporate and foreign fixed income investments	–	64,480	4,474	68,954
Asset-backed securities	–	70,345	201	70,546
Equity, private equity, and other investments	212,676	11,633	43,135	267,444
Assets not at fair value				502,131
Subtotal, included in cash and cash equivalents, short-term investments, Board-designated investments, assets limited as to use, and other investments				$ 1,138,967
Deferred compensation assets, included in other noncurrent assets, invested in:				
Equity securities	$ 87,143	$ –	$ –	$ 87,143
Guaranteed pooled fund	–	–	25,961	25,961
Interest rate swaps, included in other noncurrent assets	–	39,256	–	39,256
Interest rate swaps, included in other noncurrent liabilities	–	122,300	–	122,300

(Dollars in Thousands)

5. Fair Value Measurements (continued)

During the years ended June 30, 2010 and 2009, 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, 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 (out of) into Level 3	**201**	**–**	**–**	**(201)**	**34,502**	**(333)**
Ending balance	**$ 201**	**$ 442**	**$ 4,845**	**$ 189**	**$ 74,335**	**$ 28,694**
June 30, 2009						
Beginning balance	$ –	$ –	$ 50,870	$ 1,686	$ 44,584	$ 23,648
Total realized and unrealized gains (losses):						
Included in income from operations	–	–	(3,653)	(40)	(5,303)	–
Included in nonoperating gains (losses)	–	–	–	–	(1,101)	–
Included in changes in net assets	–	–	–	–	(975)	–
Purchases, issuances, and settlements	–	–	(43,588)	(1,120)	(3,667)	(1,379)
Transfers (out of) into Level 3	–	–	845	(325)	9,597	3,692
Ending balance	$ –	$ –	$ 4,474	$ 201	$ 43,135	$ 25,961

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.

(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 $452,781 and $423,332 at June 30, 2010 and 2009, 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, 2010 and 2009, 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 $33,309 and $33,709, 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, 2010 and 2009, is summarized below:

	June 30,	
	2010	**2009**
Current assets	**$ 694,549**	$ 599,805
Noncurrent assets	**859,460**	795,106
Total assets	**$ 1,554,009**	$ 1,394,911
Current liabilities	**$ 99,460**	$ 149,476
Noncurrent liabilities	**615,605**	466,189
Total liabilities	**715,065**	615,665
Net assets	**838,944**	779,246
Total liabilities and net assets	**$ 1,554,009**	$ 1,394,911
Total revenues	**$ 996,949**	$ 978,776
Total expenses	**(952,048)**	(945,783)
Total investment return	**60,134**	(80,435)
Excess (deficit) of revenues over expenses	**$ 105,035**	$ (47,442)

(Dollars in Thousands)

7. Long-Term Debt

Long-term debt consists of the following:

	June 30, 2010	June 30, 2009
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 (0.40% at June 30, 2010) tied to a market index plus a spread	**$ 320,480**	$ 81,500
Variable rate demand bonds, subject to a 7-day put provision, payable through November 2047; interest (0.18% to 0.20% at June 30, 2010) set at prevailing market rates	**274,070**	–
Variable rate demand bonds, subject to a 7-day put provision, payable through November 2036; interest (0.20% at June 30, 2010) set at prevailing market rates, swapped to fixed rates of 5.544% through 2036	**150,325**	–
Variable rate demand bonds, subject to a 7-day put provision, payable through November 2036; interest set at prevailing market rates, swapped to fixed rates of 3.903% to 3.998% over the life of the bonds	**–**	727,250
Indexed put bonds subject to weekly rate resets based on a taxable index, payable through November 2046, interest (3.244% at June 30, 2010) 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, 2010) 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%	**1,004,530**	475,240
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**	601,175
Fixed rate serial mode bonds payable through 2047 with purchase dates ranging from August 2010 through June 2014; interest at 1.50% to 3.75% through the purchase dates	**549,490**	656,830

(Dollars in Thousands)

7. Long-Term Debt (continued)

	June 30, 2010	June 30, 2009
Taxable hospital revenue bonds – secured:		
Fixed rate serial mode bonds payable through 2039 with purchase dates ranging from March 2011 through May 2012; interest at 0.37% to 1.25%, swapped to fixed rates of 3.05% to 5.544% through the purchase dates	**$ 403,705**	$ 583,830
Variable uninsured taxable auction rate bonds, subject to 35-day auction periods, payable through January 2023, interest set at prevailing market rates	**–**	48,685
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 (0.20% at June 30, 2010) set at prevailing market rates	**57,815**	65,025
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	**246,570**	364,005
Fixed rate serial mode bonds issued under the Subordinate Master Trust Indenture payable through 2027 with purchase dates through June 2015; interest at 5.00%	**216,315**	168,280
Total hospital revenue bonds	**4,130,280**	4,079,310
Other debt:		
Obligations under capital leases	**38,196**	43,061
Commercial paper	**–**	55,458
Other	**30,747**	21,582
	4,199,223	4,199,411
Unamortized premium, net	**67,323**	51,391
Less current portion	**(31,221)**	(59,622)
Less long-term debt subject to short-term remarketing arrangements	**(1,228,115)**	(1,791,330)
Long-term debt, less current portion and long-term debt subject to short-term remarketing arrangements	**$ 3,007,210**	$ 2,399,850
Senior Master Trust Indenture long-term debt obligations, including unamortized premium, net	**$ 2,414,076**	$ 1,729,384
Subordinate Master Trust Indenture long-term debt obligations, including unamortized premium, net	**535,270**	616,212
Other	**57,864**	54,254
Long-term debt, less current portion, and long-term debt subject to short-term remarketing arrangements	**$ 3,007,210**	$ 2,399,850

(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, 2010, are as follows:

Year ending June 30:	
2011	$ 31,221
2012	28,568
2013	28,289
2014	62,560
2015	66,584
Thereafter	3,982,001
Total	$ 4,199,223

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, 2010 and 2009. During the years ended June 30, 2010 and 2009, interest paid was approximately $136,500 and $131,800, respectively. Capitalized interest was approximately $12,800 and $13,600 for the years ended June 30, 2010 and 2009, 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 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. Though senior limited designated affiliates are not obligated to make debt service payments on the obligations under the Senior MTI, 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 limited designated affiliate's state of incorporation.

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 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. Though subordinate limited designated affiliates are not obligated to make debt service payments on the obligations under the Subordinate MTI, 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, 2010, 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.

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 year, including the aforementioned activities as well as the scheduled remarketing of certain serial mode bonds with unamortized issuance costs during the course of the year, losses on extinguishment of debt of $7,515 were recorded, which is included as nonoperating gains (losses) in the accompanying consolidated statement of operations and changes in net assets.

In November 2008, Ascension Health issued $16,655 taxable commercial paper to redeem or defease certain tax-exempt bonds in conjunction with discontinuing GSRMC operations. In February 2009, Ascension Health converted $570,230 of its Variable Rate Demand Obligations (VRDOs) to annual and multi-annual modes with fixed interest periods ranging from one to three years in duration. In March 2009, $28,000 of VRDOs guaranteed by Ascension Health were converted to an annual mode and $81,500 of VRDOs were converted to a variable rate “Remarketing Windows” mode. In May 2009, $153,690 of bonds issued in an indexed put mode through 2016 were converted to a fixed rate of interest. The aforementioned activities, as well as the scheduled remarketing of certain serial mode bonds with unamortized issuance costs, resulted in a loss on extinguishment of debt of $3,916 which is included in nonoperating gains (losses) in the accompanying consolidated statement of operations and changes in net assets for the year ended June 30, 2009.

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.

7. Long-Term Debt (continued)

As of June 30, 2010, 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, 2010. As of June 30, 2010 and 2009, there were no borrowings under the line of credit.

As of June 30, 2010, 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, 2010 and 2009, there were no borrowings under the line of credit.

As of June 30, 2010, 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 29, 2010. 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 $37,033 have been issued as of June 30, 2010. No borrowings were outstanding under the letters of credit as of June 30, 2010 and 2009.

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, 2010 and 2009, the notional values of outstanding interest rate swaps were $2,431,137 and $2,812,342, 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, 2010 and 2009, the fair value of interest rate swaps in an asset position were $66,929 and $38,823, respectively, while the fair value of interest rate swaps in a liability position were $169,047 and $122,300, respectively.

8. Derivative Instruments (continued)

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 $14,123 and $1,662 were recognized in other nonoperating gains (losses) for the years ended June 30, 2010 and 2009, 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, 2010, 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. Net nonoperating losses of $18,641 and $30,154 were recognized for the years ended June 30, 2010 and 2009, respectively.

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, 2010 and 2009, 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, 2010 and 2009, was a liability of $102,117 and $83,477, 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. The Other Ascension Health Plans' assets are invested in the Trust.

Ascension Health adopted the measurement date provision of existing authoritative guidance on employers' accounting for defined-benefit pension and other postretirement plans as of June 30, 2009. As a result, the increase to the benefit obligation and deferred pension cost for the effect of moving the measurement date from March 31 to June 30 was $38,453 for the defined benefit pension and other postretirement benefit plans. The effect on Ascension Health's consolidated balance sheet has been recognized as an adjustment to unrestricted net assets in the accompanying consolidated statements of operations and changes in net assets, representing the net periodic benefit cost attributable to the period April 1 through June 30, 2008.

(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, 2010 and 2009, 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,	
	2010	**2009**
Change in benefit obligation:		
Benefit obligation at beginning of year	**$ 4,755,922**	$ 4,272,642
Effect of eliminating early measurement date	**–**	63,548
Service cost	**176,920**	170,061
Interest cost	**303,764**	280,964
Amendments	**(636)**	(442)
Assumption change	**558,866**	94,367
Actuarial loss	**14,521**	68,772
Benefits paid	**(190,804)**	(193,990)
Benefit obligation at end of year	**5,618,553**	4,755,922
Accumulated benefit obligation at end of year	**4,920,528**	4,181,272
Change in plan assets:		
Fair value of plan assets at beginning of year	**3,808,540**	4,062,584
Effect of eliminating early measurement date	**–**	34,871
Actual return on plan assets	**835,613**	(224,851)
Employer contributions	**171,044**	129,926
Benefits paid	**(190,804)**	(193,990)
Fair value of plan assets at end of year	**4,624,393**	3,808,540
Funded status	**(994,160)**	(947,382)
Long-term pension liability	**$ (994,160)**	$ (947,382)

The Ascension Health Pension Plans' funded status as a percentage of the projected benefit obligation at June 30, 2010 and 2009, was 82.3% and 80.1%, respectively. The Ascension Health Pension Plans' funded status as a percentage of the accumulated benefit obligation at June 30, 2010 and 2009, was 94.0% and 91.1%, respectively.

(Dollars in Thousands)

9. Retirement Plans (continued)

Included in unrestricted net assets at June 30, 2010 and 2009, respectively, are the following amounts that have not yet been recognized in net periodic pension cost:

	Year Ended June 30, 2010	2009
Unrecognized prior service credit	**$ 80,927**	$ 91,490
Unrecognized actuarial loss	**(835,418)**	(842,222)
	$ (754,491)	$ (750,732)

Changes in plan assets and benefit obligations recognized in unrestricted net assets during 2010 and 2009, respectively, include:

	Year Ended June 30, 2010	2009
Current year actuarial loss	**$ (66,144)**	$ (706,011)
Amortization of actuarial loss	**72,948**	34,885
Current year prior service credit	**636**	442
Amortization of prior service credit	**(11,199)**	(10,496)
Eliminating early measurement date – actuarial loss	**–**	8,713
Eliminating early measurement date – prior service credit	**–**	(2,570)
	$ (3,759)	$ (675,037)

	Year Ended June 30, 2010	2009
Components of net periodic benefit cost		
Service cost	**$ 176,920**	$ 170,061
Interest cost	**303,764**	280,964
Expected return on plan assets	**(328,370)**	(317,425)
Amortization of prior service credit	**(11,199)**	(10,496)
Amortization of actuarial loss	**72,948**	34,885
Net periodic benefit cost	**$ 214,063**	$ 157,989

(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, 2011, are $10,456 and $136,981, 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,	
	2010	**2009**
Weighted-average discount rate	**5.49%**	6.45%
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 funds to various asset classes and investment styles and by retaining 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.

In accordance with the Ascension Health Pension Plans' asset diversification targets, as presented in the following table, 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, 2010, is reported in the fair value measurement table below. Collectively, these funds have weekly to annual liquidity 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 $244,760 at June 30, 2010, cannot be

(Dollars in Thousands)

9. Retirement Plans (continued)

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 Plan 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, 2010, investment periods expire between December 2010 and August 2014. The remaining unfunded capital commitments of the Ascension Plan total approximately $332,000 for 24 individual contracts as of June 30, 2010.

The weighted-average asset allocation for the Ascension Health Pension Plans at the end of fiscal 2010 and 2009 and the target allocation for fiscal 2011, by asset category, are as follows:

	Target Allocation	Percentage of Plan Assets at Year-End	
Asset Category	**2011**	**2010**	**2009**
Equity securities	40%	**35%**	37%
Fixed income	30	**38**	44
Alternative investments	30	**27**	19
Total	100%	**100%**	100%

As discussed in the Significant Accounting Policies note, 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 table summarizes fair value measurements at June 30, 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 Measurement 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.

(Dollars in Thousands)

9. Retirement Plans (continued)

The inputs and valuations techniques discussed in the Fair Value Measurement note also apply to Plan assets and liabilities as presented in the following table.

	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				5,249,254
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				624,861
Fair value of plan assets				$ 4,624,393

(Dollars in Thousands)

9. Retirement Plans (continued)

For the year ended June 30, 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
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)

The Trust has entered into a series of interest rate swap agreements with a net notional amount of approximately $2,593,000. 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.

(Dollars in Thousands)

9. Retirement Plans (continued)

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

Expected employer contributions 2011	$ 184,000
Expected benefit payments:	
2011	286,000
2012	320,000
2013	339,000
2014	360,000
2015	388,000
2016 – 2020	2,338,000

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.

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, 2010 and 2009, is $50,557 and $57,226, respectively. The net obligation included in pension and other postretirement liabilities in the accompanying consolidated balance sheets at June 30, 2010 and 2009, is $21,702 and $31,357, respectively. The change in the plans' assets and benefit obligations recognized in unrestricted net assets during the year ended June 30, 2010, was $2,031.

Defined-Contribution Plan

Ascension Health entities participate in a noncontributory, defined-contribution plan covering all eligible associates. There are two primary types of contributions to this plan: employer automatic 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. 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. Participants become fully vested in all employer contributions immediately. Expense for the defined-contribution plan was $107,385 and $84,439 during 2010 and 2009, 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 6% in 2010 and 2009. Those entities not participating in the self-insured programs are insured under separate policies.

General/Professional 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 hospitals 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 $106,274 and $79,045 for the years ended June 30, 2010 and 2009, respectively. Included in current and long-term self-insurance liabilities on the accompanying consolidated balance sheets are general and professional liability loss reserves of approximately $536,506 and $531,362 at June 30, 2010 and 2009, respectively.

(Dollars in Thousands)

10. Self-Insurance Programs (continued)

AHIL also offers physician professional liability coverage 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. The coverage is offered on both a straight claims-made basis as well as on a modified claims-made basis.

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 through self-insurance and excess insurance against catastrophic loss. Premium payments made to the trust are expensed and represent claims reported and claims incurred but not reported.

Included in operating expenses in the accompanying consolidated statements of operations and changes in net assets is workers' compensation expense of $40,538 and $38,069 for the years ended June 30, 2010 and 2009, respectively. Included in current and long-term self-insurance liabilities on the accompanying consolidated balance sheets are workers' compensation loss reserves of $94,922 and $90,722 at June 30, 2010 and 2009, 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:	
2011	$ 164,682
2012	147,861
2013	120,301
2014	95,836
2015	76,514
Thereafter	250,349
Total	$ 855,543

(Dollars in Thousands)

11. Lease Commitments (continued)

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 below. Future minimum payments and receipts relate to noncancelable leases with terms of one year or more.

	Future Payments Where Ascension Health is Lessee	Future Receipts Where Ascension Health is Sublessor/Lessor	Net Future Payments (Receipts)
Year ending June 30:			
2011	$ 164,682	$ 33,786	$ 130,896
2012	147,861	28,188	119,673
2013	120,301	22,597	97,704
2014	95,836	19,079	76,757
2015	76,514	14,989	61,525
Thereafter	250,349	345,747	(95,398)
Total	$ 855,543	$ 464,386	$ 391,157

Rental expense under operating leases amounted to $275,254 and $267,989 in 2010 and 2009, respectively.

11. Lease Commitments (continued)

In previous years as well as the current fiscal year, certain Health Ministries sold MOBs to third parties and contemporaneously leased back certain space in those buildings to support ongoing ministry operations for periods of 3 to 11 years. 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, 2010 and 2009, net deferred gains of $10,206 and $13,604, 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 MOBs under construction by external development companies. Based on relevant authoritative accounting guidance, the Health Ministries were considered the owner of the MOBs during construction. In addition, because these transactions and the sales of other existing MOBs 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 $116,449 and $155,594 at June 30, 2010 and 2009, respectively, are included in other noncurrent liabilities and construction in progress or building and equipment in the 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 MOBs are included as future minimum lease payments in the 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.

(Dollars in Thousands)

12. Contingencies and Commitments (continued)

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 $9,779 and $11,172 at June 30, 2010 and 2009, 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 $19,000, included in the following table.

Ascension Health has entered into agreements with one of its sponsors for support over the next six years. Ascension Health's obligation under these agreements totals $73,009 at June 30, 2010, and is included in other current and noncurrent liabilities and transfers to sponsors and other affiliates, net in the accompanying consolidated balance sheets and consolidated statements of operations and changes in net assets, respectively.

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, 2010:

Hospital de la Concepción 2000 Series A debt guarantee	$ 32,700
St. Vincent de Paul Series 2000A debt guarantee	28,300
Rehab Hospital of Indiana, Inc. guarantee	6,800
Mercy Care Plan guarantee	5,000
Physician revenue guarantees	19,000
Other	33,785
Total guarantees, letters of credit and other commitments	$ 125,585

Other Financial Information

Ernst & Young LLP
The Plaza in Clayton Suite 1300
190 Carondelet Plaza
St. Louis, MO 63105-3434

Tel: +1 314 290 1000
Fax: +1 314 290 1882
www.ey.com

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 Who are Poor and Community Benefit Programs, the Details of Consolidated Balance Sheets, and 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 17, 2010

Ascension Health

Schedule of Net Cost of Providing Care of Persons
Who are Poor and Community Benefit Programs
(Dollars in Thousands)

Years Ended June 30, 2010 and 2009

The net cost excluding the provision for bad debt expense of providing care to persons who are poor and community benefit programs is as follows:

	2010	2009
Traditional charity care provided	**$ 375,039**	$ 325,734
Unpaid cost of public programs for the poor	**383,160**	271,194
Other programs for the poor	**55,633**	52,774
Community benefit programs	**261,318**	218,375
Care of persons who are poor and community benefit programs	**$ 1,075,150**	$ 868,077

Ascension Health

Details of Consolidated Balance Sheet

(Dollars in Thousands)

June 30, 2010

	Consolidated Ascension Health	Consolidated Ascension Less Health Ministries Presented	Consolidated Baltimore	Consolidated Birmingham
Assets				
Current assets:				
Cash and cash equivalents	$ 1,168,278	$ 871,071	$ 13,344	$ 46,437
Short-term investments	81,650	66,594	–	–
Accounts receivable, less allowances for uncollectible accounts ($1,019,589 in 2010)	1,592,459	1,035,716	44,164	51,199
Current portion of assets limited as to use	158,676	151,050	1,171	2,359
Inventories	201,363	130,519	4,148	8,273
Assets held for sale	8,201	3,000	–	–
Other	305,844	185,992	2,595	26,369
Total current assets	3,516,471	2,443,942	65,422	134,637
Board-designated investments	3,804,898	3,175,127	156,095	50,129
Other investments	1,994,816	1,593,838	13,530	28,349
Assets limited as to use	901,614	794,657	13,224	9,628
Property and equipment, net	6,484,477	3,929,380	171,866	382,797
Other assets:				
Investment in unconsolidated entities	809,488	641,710	13,812	5,741
Other	482,563	360,405	5,176	6,914
Total other assets	1,292,051	1,002,115	18,988	12,655
Total assets	$17,994,327	$ 12,939,059	$ 439,125	$ 618,195

Consolidated Kalamazoo	Consolidated Kansas City	Consolidated Milwaukee	Consolidated Nashville	Consolidated Tawas City	Consolidated Tucson	Consolidated Waco	Consolidated Washington D.C.
$ 26,355	$ 24,243	$ 39,822	$ 95,120	$ 1,083	$ 25,953	$ 17,590	$ 7,260
4,716	5,312	–	1,309	–	1,916	–	1,803
65,517	38,505	90,270	121,881	3,908	70,917	34,730	35,652
482	–	–	1,300	41	2,225	–	48
10,639	4,827	9,143	11,671	1,473	12,598	4,882	3,190
–	–	5,201	–	–	–	–	–
19,666	3,898	24,348	19,483	3,160	11,187	5,169	3,977
127,375	76,785	168,784	250,764	9,665	124,796	62,371	51,930
47,639	9,667	57,551	225,574	17,900	20,180	45,036	–
26,034	80,428	–	156,511	882	–	42,389	52,855
7,113	2,490	22,004	34,356	1,414	10,591	3,836	2,301
172,983	127,463	698,565	505,498	21,141	310,901	109,138	54,745
13,701	1,322	17,813	15,218	19	90,898	6,352	2,902
21,735	16,815	24,961	20,056	813	13,103	7,877	4,708
35,436	18,137	42,774	35,274	832	104,001	14,229	7,610
$ 416,580	$ 314,970	$ 989,678	$ 1,207,977	$ 51,834	$ 570,469	$ 276,999	$ 169,441

Ascension Health

Details of Consolidated Balance Sheet (continued)

(Dollars in Thousands)

June 30, 2010

	Consolidated Ascension Health	Consolidated Ascension Less Health Ministries Presented	Consolidated Baltimore	Consolidated Birmingham
Liabilities and net assets				
Current liabilities:				
Current portion of long-term debt	$ 31,221	$ 10,113	$ 656	$ 1,190
Long-term debt subject to short-term remarketing arrangements	1,228,115	1,228,115	–	–
Accounts payable and accrued liabilities	1,735,526	1,249,856	35,818	75,483
Estimated third-party payor settlements, net	138,566	102,323	–	2,533
Current portion of self-insurance liabilities	188,372	167,737	2,243	1,504
Liabilities related to assets held for sale	7,308	7,308	–	–
Other	60,648	28,417	14,408	2,621
Total current liabilities	3,389,756	2,793,869	53,125	83,331
Noncurrent liabilities:				
Long-term debt (senior and subordinated)	3,007,210	1,537,444	80,587	121,988
Self-insurance liabilities	462,027	438,723	2,218	3,322
Pension and other postretirement liabilities	1,022,488	765,055	33,198	18,505
Other	699,023	524,297	4,522	67,474
Total noncurrent liabilities	5,190,748	3,265,519	120,525	211,289
Total liabilities	8,580,504	6,059,388	173,650	294,620
Net assets:				
Unrestricted	9,013,920	6,592,713	251,080	311,588
Temporarily restricted	310,032	211,842	13,977	10,659
Permanently restricted	89,871	75,116	418	1,328
Total net assets	9,413,823	6,879,671	265,475	323,575
Total liabilities and net assets	$17,994,327	$ 12,939,059	$ 439,125	$ 618,195

Consolidated Kalamazoo	Consolidated Kansas City	Consolidated Milwaukee	Consolidated Nashville	Consolidated Tawas City	Consolidated Tucson	Consolidated Waco	Consolidated Washington D.C.
$ 1,371	$ 2,914	$ 2,490	$ 3,947	$ 452	$ 7,123	$ 434	$ 531
–	–	–	–	–	–	–	–
40,038	25,040	76,574	122,019	4,768	60,570	19,544	25,816
9,805	435	1,470	8,490	2,062	8,532	2,090	826
1,057	827	2,599	8,300	–	2,622	488	995
–	–	–	–	–	–	–	–
4,565	540	1,337	3,499	67	4,230	108	856
56,836	29,756	84,470	146,255	7,349	83,077	22,664	29,024
168,527	113,098	306,066	420,712	19,304	120,896	53,369	65,219
3,150	1,948	1	2,831	211	4,557	2,246	2,820
52,440	14,143	65,806	37,829	423	–	16,117	18,972
22,558	6,788	15,290	14,752	1,411	33,945	3,440	4,546
246,675	135,977	387,163	476,124	21,349	159,398	75,172	91,557
303,511	165,733	471,633	622,379	28,698	242,475	97,836	120,581
105,474	147,187	496,041	549,942	21,682	316,376	175,326	46,511
7,309	2,050	15,582	33,519	1,316	8,256	3,173	2,349
286	–	6,422	2,137	138	3,362	664	–
113,069	149,237	518,045	585,598	23,136	327,994	179,163	48,860
$ 416,580	$ 314,970	$ 989,678	$ 1,207,977	$ 51,834	$ 570,469	$ 276,999	$ 169,441

Ascension Health

Details of Consolidated Balance Sheet

(Dollars in Thousands)

June 30, 2009

	Consolidated Ascension Health	Consolidated Ascension Less Health Ministries Presented	Consolidated Baltimore	Consolidated Birmingham
Assets				
Current assets:				
Cash and cash equivalents	$ 970,418	$ 721,284	$ 10,596	$ 27,261
Short-term investments	73,364	58,804	–	–
Accounts receivable, less allowances for uncollectible accounts ($940,669 in 2009)	1,661,732	1,058,943	43,522	53,655
Current portion of assets limited as to use	136,686	136,686	–	–
Inventories	222,674	143,108	4,085	10,794
Assets held for sale	3,338	–	–	–
Other	325,708	228,125	2,645	10,003
Total current assets	3,393,920	2,346,950	60,848	101,713
Board-designated investments	2,994,884	2,461,769	157,242	43,161
Other investments	1,633,285	1,282,844	9,507	29,882
Assets limited as to use	827,570	714,125	11,665	11,860
Property and equipment, net	6,534,394	4,019,221	133,975	441,819
Other assets:				
Investment in unconsolidated entities	699,117	566,054	10,171	5,777
Other	427,354	311,252	5,693	4,244
Total other assets	1,126,471	877,306	15,864	10,021
Total assets	$16,510,524	$ 11,702,215	$ 389,101	$ 638,456

Consolidated Kalamazoo	Consolidated Kansas City	Consolidated Milwaukee	Consolidated Nashville	Consolidated Tawas City	Consolidated Tucson	Consolidated Waco	Consolidated Washington D.C.
$ 15,173	$ 22,073	$ 43,547	$ 77,548	$ 4,151	$ 23,334	$ 16,320	$ 9,131
6,335	4,577	–	188	–	826	–	2,634
78,933	33,489	103,686	130,599	3,796	84,117	33,542	37,450
–	–	–	–	–	–	–	–
11,648	5,141	10,043	15,797	1,515	11,475	5,650	3,418
–	–	3,338	–	–	–	–	–
18,780	4,427	10,036	30,161	2,926	10,493	3,764	4,348
130,869	69,707	170,650	254,293	12,388	130,245	59,276	56,981
57,001	9,396	13,498	187,491	11,293	20,469	33,564	–
11,338	69,918	–	161,125	620	148	29,931	37,972
11,546	2,074	24,166	33,203	1,329	8,551	6,597	2,454
178,272	139,879	662,033	425,621	23,174	334,681	115,422	60,297
15,677	1,428	14,659	14,170	21	62,993	5,455	2,712
19,776	12,295	27,855	21,400	1,031	11,797	7,625	4,386
35,453	13,723	42,514	35,570	1,052	74,790	13,080	7,098
$ 424,479	$ 304,697	$ 912,861	$ 1,097,303	$ 49,856	$ 568,884	$ 257,870	$ 164,802

Ascension Health

Details of Consolidated Balance Sheet (continued)

(Dollars in Thousands)

June 30, 2009

	Consolidated Ascension Health	Consolidated Ascension Less Health Ministries Presented	Consolidated Baltimore	Consolidated Birmingham
Liabilities and net assets				
Current liabilities:				
Current portion of long-term debt	$ 59,622	$ 1,219	$ 1,054	$ 32,780
Long-term debt subject to short-term remarketing arrangements	1,791,330	1,791,330	–	–
Accounts payable and accrued liabilities	1,516,034	1,084,859	31,018	44,793
Estimated third-party payor settlements, net	160,778	121,708	–	2,494
Current portion of self-insurance liabilities	188,123	169,097	1,673	1,725
Liabilities related to assets held for sale	15,757	15,757	–	–
Other	72,474	43,724	12,913	4,357
Total current liabilities	3,804,118	3,227,694	46,658	86,149
Noncurrent liabilities:				
Long-term debt (senior and subordinated)	2,399,850	965,813	81,013	123,004
Self-insurance liabilities	449,119	425,333	2,007	3,248
Pension and other postretirement liabilities	980,253	728,179	32,514	18,426
Other	602,442	407,662	3,318	97,944
Total noncurrent liabilities	4,431,664	2,526,987	118,852	242,622
Total liabilities	8,235,782	5,754,681	165,510	328,771
Net assets:				
Unrestricted	7,866,092	5,651,891	211,925	297,825
Temporarily restricted	318,758	220,688	11,257	10,652
Permanently restricted	89,892	74,955	409	1,208
Total net assets	8,274,742	5,947,534	223,591	309,685
Total liabilities and net assets	$16,510,524	$ 11,702,215	$ 389,101	$ 638,456

Consolidated Kalamazoo	Consolidated Kansas City	Consolidated Milwaukee	Consolidated Nashville	Consolidated Tawas City	Consolidated Tucson	Consolidated Waco	Consolidated Washington D.C.
$ 2,203	$ 3,326	$ 3,358	$ 8,285	$ 562	$ 5,284	$ 698	$ 853
–	–	–	–	–	–	–	–
46,240	22,335	76,900	99,873	5,048	62,898	14,095	27,975
9,836	723	11,257	5,144	722	7,272	1,165	457
992	889	2,242	7,807	–	2,465	318	915
–	–	–	–	–	–	–	–
306	162	1,178	1,825	50	6,888	391	680
59,577	27,435	94,935	122,934	6,382	84,807	16,667	30,880
169,418	115,716	258,211	421,530	19,699	126,230	53,651	65,565
3,403	2,383	10	2,891	232	4,350	2,245	3,017
49,528	12,504	62,418	40,355	1,191	–	14,934	20,204
18,078	5,711	11,698	15,376	1,843	33,915	2,619	4,278
240,427	136,314	332,337	480,152	22,965	164,495	73,449	93,064
300,004	163,749	427,272	603,086	29,347	249,302	90,116	123,944
112,929	139,314	461,422	461,014	19,180	311,031	161,157	38,404
11,310	1,634	18,068	30,167	1,329	5,264	5,935	2,454
236	–	6,099	3,036	–	3,287	662	–
124,475	140,948	485,589	494,217	20,509	319,582	167,754	40,858
$ 424,479	$ 304,697	$ 912,861	$ 1,097,303	$ 49,856	$ 568,884	$ 257,870	$ 164,802

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 Less Health Ministries Presented	Consolidated Baltimore	Consolidated Birmingham
Operating revenue:				
Net patient service revenue	$13,984,438	$ 9,139,550	$ 373,623	$ 607,714
Other revenue	788,898	568,406	5,763	25,473
Total operating revenue	14,773,336	9,707,956	379,386	633,187
Operating expenses:				
Salaries and wages	5,771,296	3,886,232	168,744	199,379
Employee benefits	1,360,599	921,745	35,396	45,415
Purchased services	838,909	358,688	16,263	75,678
Professional fees	747,038	501,119	17,573	7,382
Supplies	2,254,272	1,426,209	64,124	127,120
Insurance	120,502	76,866	6,582	5,833
Bad debts	975,047	690,685	14,762	40,800
Interest	114,323	72,783	838	9,945
Depreciation and amortization	667,256	440,994	14,646	36,946
Other	1,397,666	936,650	23,968	71,532
Total operating expenses before impairment, restructuring, self-insurance trust fund investment return, and nonrecurring expenses	14,246,908	9,311,971	362,896	620,030
Income (loss) from operations before impairment, self-insurance trust fund investment return, and nonrecurring expenses	526,428	395,985	16,490	13,157
Self-insurance trust fund investment return	73,976	73,976	–	–
Income (loss) from operations before impairment, and nonrecurring expenses	600,404	469,961	16,490	13,157
Impairment, restructuring, and nonrecurring expenses	31,111	20,584	–	7,064
Income (loss) from operations	569,293	449,377	16,490	6,093
Nonoperating gains (losses):				
Investment return	722,870	588,769	23,865	12,373
Loss on extinguishment of debt	(7,515)	(7,515)	–	–
Gain (loss) on interest rate swaps	3,119	484	163	241
Income from unconsolidated entities	10,147	5,814	3,693	–
Donations and fundraising activities	(29,706)	(26,363)	(184)	(264)
Minority interest in consolidated entities	(23,423)	(13,237)	–	479
Other	(13,920)	(12,596)	(162)	(1)
Total nonoperating gains, net	661,572	535,356	27,375	12,828
Excess (deficit) of revenues and gains over expenses and losses	1,230,865	984,733	43,865	18,921

Consolidated Kalamazoo	Consolidated Kansas City	Consolidated Milwaukee	Consolidated Nashville	Consolidated Tawas City	Consolidated Tucson	Consolidated Waco	Consolidated Washington D.C.
$ 497,428	$ 342,610	$ 719,629	$ 1,132,648	$ 57,239	$ 601,316	$ 264,713	$ 247,968
31,058	10,400	38,979	52,240	661	35,824	10,327	9,767
528,486	353,010	758,608	1,184,888	57,900	637,140	275,040	257,735
203,265	127,338	285,571	392,529	25,754	265,227	96,969	120,288
56,533	28,720	72,362	97,836	4,987	52,195	20,127	25,283
64,925	34,505	63,191	116,057	4,738	79,401	7,451	18,012
44,426	15,280	48,227	53,883	3,332	25,210	13,908	16,698
75,415	53,944	85,851	215,043	7,324	106,941	57,954	34,347
2,457	3,019	5,110	6,115	343	6,687	1,925	5,565
15,853	30,046	41,905	77,710	3,981	22,799	28,257	8,249
5,198	3,866	2,238	11,034	625	4,425	1,646	1,725
20,917	11,382	36,290	55,509	3,098	28,776	11,383	7,315
49,166	41,032	83,483	105,449	3,708	36,527	30,494	15,657
538,155	349,132	724,228	1,131,165	57,890	628,188	270,114	253,139
(9,669)	3,878	34,380	53,723	10	8,952	4,926	4,596
–	–	–	–	–	–	–	–
(9,669)	3,878	34,380	53,723	10	8,952	4,926	4,596
–	–	1	627	–	532	–	2,303
(9,669)	3,878	34,379	53,096	10	8,420	4,926	2,293
8,912	11,921	2,206	53,251	2,013	2,828	10,945	5,787
–	–	–	–	–	–	–	–
340	214	623	845	39	192	108	(130)
–	–	–	–	–	–	–	640
(345)	(410)	–	(285)	37	(1,552)	(341)	1
–	(1,689)	–	(8,976)	–	–	–	–
(1,870)	–	(479)	599	(37)	10	(49)	665
7,037	10,036	2,350	45,434	2,052	1,478	10,663	6,963
(2,632)	13,914	36,729	98,530	2,062	9,898	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 Less Health Ministries Presented	Consolidated Baltimore	Consolidated Birmingham
Unrestricted net assets:				
Excess (deficit) of revenues and gains over expenses and losses	$ 1,230,865	$ 984,733	$ 43,865	$ 18,921
Contributed net assets	64	64	–	–
Transfer to sponsors and other affiliates, net	(86,940)	(24,981)	(7,367)	(7,149)
Net assets released from restrictions for property acquisitions	92,351	71,133	1,339	2,245
Pension and other postretirement liability adjustments	(4,361)	(9,752)	1,082	821
Change in unconsolidated entities' net assets	(20,113)	(22,669)	–	–
Deferred gain on interest rate swaps	(14,123)	(14,123)	–	–
Other	(224)	6,106	236	(1,075)
Increase (decrease) in unrestricted net assets, before loss from discontinued operations	1,197,519	990,511	39,155	13,763
Loss from discontinued operations	(49,691)	(49,689)	–	–
Increase (decrease) in unrestricted net assets	1,147,828	940,822	39,155	13,763
Temporarily restricted net assets:				
Contributions and grants	109,068	81,408	4,752	3,340
Net change in unrealized gains/losses on investments	13,618	10,503	406	144
Investment return	2,602	1,803	173	50
Net assets released from restrictions	(128,604)	(97,704)	(2,374)	(3,502)
Other	(5,410)	(4,856)	(237)	(25)
(Decrease) increase in temporarily restricted net assets	(8,726)	(8,846)	2,720	7
Permanently restricted net assets:				
Contributions	2,607	2,879	5	96
Net change in unrealized gains/losses on investments	(151)	(175)	4	22
Investment return	(252)	(255)	–	2
Other	(2,225)	(2,288)	–	–
(Decrease) increase in permanently restricted net assets	(21)	161	9	120
Increase (decrease) in net assets	1,139,081	932,137	41,884	13,890
Net assets, beginning of year	8,274,742	5,947,534	223,591	309,685
Net assets, end of year	$ 9,413,823	$ 6,879,671	$ 265,475	$ 323,575

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

Consolidated Kalamazoo	Consolidated Kansas City	Consolidated Milwaukee	Consolidated Nashville	Consolidated Tawas City	Consolidated Tucson	Consolidated Waco	Consolidated Washington D.C.
$ (2,632)	$ 13,914	$ 36,729	$ 98,530	$ 2,062	$ 9,898	$ 15,589	$ 9,256
–	–	–	–	–	–	–	–
(4,919)	(4,295)	(7,802)	(15,562)	(487)	(7,808)	(3,928)	(2,642)
6,367	304	4,649	2,474	358	529	2,739	214
(1,253)	(2,049)	1,043	3,488	593	–	(231)	1,897
–	–	–	–	–	2,556	–	–
–	–	–	–	–	–	–	–
(5,018)	(1)	–	–	(24)	170	–	(618)
(7,455)	7,873	34,619	88,930	2,502	5,345	14,169	8,107
–	–	–	(2)	–	–	–	–
(7,455)	7,873	34,619	88,928	2,502	5,345	14,169	8,107
4,420	966	10	6,872	321	4,410	344	2,225
715	–	–	1,708	90	–	52	–
1	–	–	190	76	266	43	–
(9,087)	(338)	(4,649)	(3,470)	(411)	(1,514)	(3,225)	(2,330)
(50)	(212)	2,153	(1,948)	(89)	(170)	24	–
(4,001)	416	(2,486)	3,352	(13)	2,992	(2,762)	(105)
70	–	323	(899)	28	74	31	–
–	–	–	–	(2)	–	–	–
–	–	–	–	1	–	–	–
(20)	–	–	–	111	1	(29)	–
50	–	323	(899)	138	75	2	–
(11,406)	8,289	32,456	91,381	2,627	8,412	11,409	8,002
124,475	140,948	485,589	494,217	20,509	319,582	167,754	40,858
$ 113,069	$ 149,237	$ 518,045	$ 585,598	$ 23,136	$ 327,994	$ 179,163	$ 48,860

Ascension Health

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

Year Ended June 30, 2009

	Consolidated Ascension Health	Consolidated Ascension Less Health Ministries Presented	Consolidated Baltimore	Consolidated Birmingham
Operating revenue:				
Net patient service revenue	$13,508,400	$ 8,795,095	$ 369,977	$ 551,429
Other revenue	643,457	429,729	6,852	24,844
Total operating revenue	14,151,857	9,224,824	376,829	576,273
Operating expenses:				
Salaries and wages	5,579,481	3,710,363	166,344	197,595
Employee benefits	1,214,963	813,810	31,094	41,852
Purchased services	817,649	337,119	15,916	78,451
Professional fees	675,603	460,352	16,966	8,674
Supplies	2,211,564	1,392,876	63,303	119,523
Insurance	98,779	60,246	5,985	5,458
Bad debts	1,014,509	719,645	16,270	30,978
Interest	108,795	67,733	1,740	4,786
Depreciation and amortization	650,848	419,446	14,106	39,811
Other	1,316,113	861,873	25,771	52,305
Total operating expenses before impairment, restructuring, self-insurance trust fund investment return, and nonrecurring expenses	13,688,304	8,843,463	357,495	579,433
Income (loss) from operations before impairment, self-insurance trust fund investment return, and nonrecurring expenses	463,553	381,361	19,334	(3,160)
Self-insurance trust fund investment return	(63,960)	(63,960)	–	–
Income (loss) from operations before impairment, and nonrecurring expenses	399,593	317,401	19,334	(3,160)
Impairment, restructuring, and nonrecurring expenses	36,214	11,486	608	2,736
Income (loss) from operations	363,379	305,915	18,726	(5,896)
Nonoperating (losses) gains:				
Investment return	(979,466)	(774,039)	(36,174)	(14,794)
Loss on extinguishment of debt	(3,916)	(3,916)	–	–
(Loss) gain on interest rate swaps	(29,548)	(29,171)	(24)	(36)
Income from unconsolidated entities	5,037	3,344	1,278	–
Donations and fundraising activities	(29,190)	(26,252)	(180)	(315)
Minority interest in consolidated entities	(25,315)	(15,466)	–	(219)
Other	(18,354)	(15,246)	(2,026)	2
Total nonoperating losses, net	(1,080,752)	(860,746)	(37,126)	(15,362)
(Deficit) excess of revenues and gains over expenses and losses	(717,373)	(554,831)	(18,400)	(21,258)

Consolidated Kalamazoo	Consolidated Kansas City	Consolidated Milwaukee	Consolidated Nashville	Consolidated Tawas City	Consolidated Tucson	Consolidated Waco	Consolidated Washington D.C.
$ 515,189	$ 318,912	$ 715,785	$ 1,059,271	$ 59,581	$ 614,146	$ 258,045	$ 250,970
34,440	11,085	42,888	57,833	668	17,754	7,966	9,398
549,629	329,997	758,673	1,117,104	60,249	631,900	266,011	260,368
203,982	121,456	281,187	377,909	25,336	276,691	93,204	125,414
55,963	25,754	64,644	85,527	6,252	47,985	18,376	23,706
60,405	33,153	68,266	118,781	4,725	75,818	7,342	17,673
41,693	11,382	40,473	51,844	3,246	19,021	11,435	10,517
78,723	49,666	90,880	201,786	8,140	114,714	58,722	33,231
3,787	3,043	2,548	5,869	522	6,222	1,175	3,924
25,458	26,485	56,304	62,848	3,122	30,157	20,193	23,049
5,929	4,437	1,944	12,630	720	4,643	1,909	2,324
19,888	12,231	39,967	53,664	3,215	28,983	11,438	8,099
49,592	42,328	81,381	103,779	3,717	42,270	30,253	22,844
545,420	329,935	727,594	1,074,637	58,995	646,504	254,047	270,781
4,209	62	31,079	42,467	1,254	(14,604)	11,964	(10,413)
–	–	–	–	–	–	–	–
4,209	62	31,079	42,467	1,254	(14,604)	11,964	(10,413)
1,014	2,412	6,233	5,412	–	4,978	–	1,335
3,195	(2,350)	24,846	37,055	1,254	(19,582)	11,964	(11,748)
(15,111)	(16,830)	(5,150)	(86,865)	(1,681)	(10,144)	(11,459)	(7,219)
–	–	–	–	–	–	–	–
(50)	(32)	(77)	(125)	(6)	(24)	16	(19)
–	–	–	–	–	–	–	415
(301)	(342)	–	(324)	14	(1,290)	(203)	3
–	(919)	–	(8,711)	–	–	–	–
(1,201)	1	(25)	88	(36)	(1)	–	90
(16,663)	(18,122)	(5,252)	(95,937)	(1,709)	(11,459)	(11,646)	(6,730)
(13,468)	(20,472)	19,594	(58,882)	(455)	(31,041)	318	(18,478)

Ascension Health

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

(Dollars in Thousands)

Year Ended June 30, 2009

	Consolidated Ascension Health	Consolidated Ascension Less Health Ministries Presented	Consolidated Baltimore	Consolidated Birmingham
Unrestricted net assets:				
(Deficit) excess of revenues and gains over expenses and losses	$ (717,373)	$ (554,831)	$ (18,400)	$ (21,258)
Contributed net assets	436	–	–	436
Transfer (to) from sponsors and other affiliates, net	(12,941)	20,694	(4,351)	(3,311)
Net assets released from restrictions for property acquisitions	104,309	81,114	(7)	6,399
Pension and other postretirement liability adjustments	(665,072)	(471,883)	(29,761)	(15,972)
Adjustment to adopt measurement date provision for pension plans	(38,453)	(29,122)	(737)	(543)
Change in unconsolidated entities' net assets	(23,905)	(18,409)	–	–
Deferred gain on interest rate swaps	(1,662)	(1,662)	–	–
Other	(17,554)	(15,031)	(1)	(1,079)
Decrease in unrestricted net assets, before (loss) gain from discontinued operations	(1,372,215)	(989,130)	(53,257)	(35,328)
(Loss) gain from discontinued operations	(45,044)	(45,095)	–	–
Decrease in unrestricted net assets	(1,417,259)	(1,034,225)	(53,257)	(35,328)
Temporarily restricted net assets:				
Contributions and grants	133,282	89,572	4,059	2,594
Net change in unrealized gains/losses on investments	(10,264)	(5,695)	(824)	–
Investment return	(8,046)	(7,353)	(118)	(141)
Net assets released from restrictions	(139,149)	(106,181)	(1,928)	(6,873)
Other	22,285	26,252	139	963
(Decrease) increase in temporarily restricted net assets	(1,892)	(3,405)	1,328	(3,457)
Permanently restricted net assets:				
Contributions	6,900	5,991	5	51
Net change in unrealized gains/losses on investments	419	423	(4)	–
Investment return	(1,489)	(1,480)	(9)	–
Other	(17,878)	(17,058)	(139)	(937)
(Decrease) increase in permanently restricted net assets	(12,048)	(12,124)	(147)	(886)
Decrease in net assets	(1,431,199)	(1,049,754)	(52,076)	(39,671)
Net assets, beginning of year	9,705,941	6,997,288	275,667	349,356
Net assets, end of year	$ 8,274,742	$ 5,947,534	$ 223,591	$ 309,685

Consolidated Kalamazoo	Consolidated Kansas City	Consolidated Milwaukee	Consolidated Nashville	Consolidated Tawas City	Consolidated Tucson	Consolidated Waco	Consolidated Washington D.C.
$ (13,468)	$ (20,472)	$ 19,594	$ (58,882)	$ (455)	$ (31,041)	$ 318	$ (18,478)
–	–	–	–	–	–	–	–
(2,234)	(2,345)	(4,829)	(9,548)	(239)	(3,607)	(1,800)	(1,371)
1,434	73	5,906	5,304	122	1,210	2,445	309
(26,513)	(12,915)	(40,934)	(37,256)	(2,971)	–	(7,583)	(19,284)
(1,691)	(688)	(1,878)	(2,200)	(100)	–	(670)	(824)
–	–	–	–	–	(5,496)	–	–
–	–	–	–	–	–	–	–
457	(17)	350	–	(4)	(2,188)	(40)	(1)
(42,015)	(36,364)	(21,791)	(102,582)	(3,647)	(41,122)	(7,330)	(39,649)
–	–	–	51	–	–	–	–
(42,015)	(36,364)	(21,791)	(102,531)	(3,647)	(41,122)	(7,330)	(39,649)
5,081	890	12,567	17,358	(7)	(2,087)	1,185	2,070
(621)	–	–	(3,222)	105	–	(7)	–
(101)	–	–	291	(151)	(386)	(87)	–
(4,628)	(150)	(5,906)	(6,039)	(150)	(2,417)	(2,585)	(2,292)
(248)	(215)	(4,217)	(684)	5	320	(30)	–
(517)	525	2,444	7,704	(198)	(4,570)	(1,524)	(222)
–	–	89	155	–	571	38	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
236	–	–	–	–	7	13	–
236	–	89	155	–	578	51	–
(42,296)	(35,839)	(19,258)	(94,672)	(3,845)	(45,114)	(8,803)	(39,871)
166,771	176,787	504,847	588,889	24,354	364,696	176,557	80,729
$ 124,475	$ 140,948	$ 485,589	$ 494,217	$ 20,509	$ 319,582	$ 167,754	$ 40,858