BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Financial Statements and Consolidating Schedules

August 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

KPMG LLP
1 East Pratt Street
Baltimore, MD 21202-1128

Independent Auditors' Report

The Board of Directors
Bon Secours Health System, Inc. and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Bon Secours Health System, Inc. and Subsidiaries (the System) as of August 31, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 the System'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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bon Secours Health System, Inc. and Subsidiaries as of August 31, 2011 and 2010, and the consolidated results of their operations, changes in their net assets, and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 2(y)(i) to the consolidated financial statements, the Company has changed its method of accounting for noncontrolling interests in consolidated subsidiaries by presenting the noncontrolling interests as a separate component of the appropriate class of consolidated net assets and including the excess of revenues over expenses attributable to both the system and noncontrolling interests in the consolidated excess of revenues over expenses due to the adoption of new accounting guidance.

KPMG LLP

November 4, 2011

BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Balance Sheets

August 31, 2011 and 2010

(In thousands)

Assets		**2011**	**2010**
Current assets:			
Cash and cash equivalents	$	159,635	180,255
Accounts receivable, net:			
Patient and third-party payors		385,296	348,307
Other		37,319	15,238
Total accounts receivable, net		422,615	363,545
Assets limited or restricted as to use		78,893	62,187
Inventories		54,628	49,231
Prepaid expenses and other current assets		18,134	21,553
Total current assets		733,905	676,771
Assets limited or restricted as to use, less current portion		869,845	790,687
Property, plant, and equipment, net		1,085,226	1,077,741
Deferred financing costs, net		12,794	12,774
Goodwill and other assets, net		279,785	247,187
Total assets	$	2,981,555	2,805,160
Liabilities and Net Assets			
Current liabilities:			
Current portion of long-term debt	$	61,023	26,573
Accounts payable		182,491	169,874
Accrued salaries, wages, and benefits		158,424	152,763
Other accrued expenses		107,679	99,442
Total current liabilities		509,617	448,652
Long-term debt, less current portion		1,014,319	1,033,041
Other long-term liabilities and deferred credits		606,582	638,212
Total liabilities		2,130,518	2,119,905
Net assets:			
Unrestricted-controlling interest		638,462	500,722
Unrestricted-noncontrolling interest		164,810	144,397
Total unrestricted		803,272	645,119
Temporarily restricted		40,911	33,381
Permanently restricted		6,854	6,755
Total net assets		851,037	685,255
	$	2,981,555	2,805,160

See accompanying notes to consolidated financial statements.

BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended August 31, 2011 and 2010

(In thousands)

	2011	2010
Revenues:		
Net patient service revenue	$ 3,166,054	2,993,910
Other revenue	142,821	90,964
Total revenues	3,308,875	3,084,874
Expenses:		
Salaries, wages, and benefits	1,540,009	1,430,410
Supplies	539,578	498,997
Purchased services and other	747,024	683,072
Provision for bad debts	235,887	212,478
Depreciation and amortization	119,801	123,292
Interest	41,099	34,939
Total expenses	3,223,398	2,983,188
Operating income from continuing operations	85,477	101,686
Nonoperating gains (losses), net:		
Nonoperating investment gains (losses), net	65,518	(41,210)
Loss on early retirement of debt	(1,172)	—
Gain on sale of assets, net	967	561
Other nonoperating activities, net	(35,591)	(31,205)
Excess of continuing revenues over expenses	115,199	29,832
Gain on discontinued operations, net	—	3,421
Excess of revenues over expenses	115,199	33,253
Other changes in unrestricted net assets:		
Net change in unrealized gains on other-than-trading securities	1,563	1,729
Net assets released from restrictions used for purchase of property, plant, and equipment	3,661	1,359
Transfers to affiliates and other changes, net	(7,132)	(3,769)
Net change in equity of joint ventures	3,060	(3,982)
Distributions to noncontrolling interest owners	(5,080)	(6,091)
Pension and other postretirement adjustments	46,882	(49,513)
Increase (decrease) in unrestricted net assets	158,153	(27,014)
Unrestricted net assets, beginning of year	645,119	672,133
Unrestricted net assets, end of year	$ 803,272	645,119

See accompanying notes to consolidated financial statements.

BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended August 31, 2011 and 2010

(In thousands)

		Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Balance at August 31, 2009	$	672,133	24,638	6,641	703,412
Excess of revenues over expenses		33,253	—	—	33,253
Grants and restricted contributions		—	11,823	85	11,908
Net change in unrealized gains on other-than-trading securities		1,729	299	—	2,028
Investment income		—	51	—	51
Net assets released from restrictions used for purchase of property, plant, and equipment		1,359	(1,359)	—	—
Net assets released from restrictions used for operations		—	(1,720)	—	(1,720)
Net change in equity of joint ventures		(3,982)	—	—	(3,982)
Distributions to noncontrolling interest owners		(6,091)	—	—	(6,091)
Pension and other postretirement adjustments		(49,513)	—	—	(49,513)
Transfers (to) from affiliates and other changes, net		(3,769)	(351)	29	(4,091)
(Decrease) increase in net assets		(27,014)	8,743	114	(18,157)
Balance at August 31, 2010		645,119	33,381	6,755	685,255
Excess of revenues over expenses		115,199	—	—	115,199
Grants and restricted contributions		—	13,897	118	14,015
Net change in unrealized gains on other-than-trading securities		1,563	398	—	1,961
Investment income		—	129	—	129
Net assets released from restrictions used for purchase of property, plant, and equipment		3,661	(3,661)	—	—
Net assets released from restrictions used for operations		—	(3,136)	—	(3,136)
Net change in equity of joint ventures		3,060	—	—	3,060
Distributions to noncontrolling interest owners		(5,080)	—	—	(5,080)
Pension and other postretirement adjustments		46,882	—	—	46,882
Transfers to affiliates and other changes, net		(7,132)	(97)	(19)	(7,248)
Increase in net assets		158,153	7,530	99	165,782
Balance at August 31, 2011	$	803,272	40,911	6,854	851,037

See accompanying notes to consolidated financial statements.

BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended August 31, 2011 and 2010

(In thousands)

		2011	2010
Cash flows from operating activities:			
Increase (decrease) in net assets	$	165,782	(18,157)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:			
Gain on discontinued operations, net		—	(3,421)
Provision for bad debts		235,887	212,478
Depreciation and amortization, including $2,154 and $3,283 reported in nonoperating activities, net in 2011 and 2010, respectively		121,955	126,575
Amortization of deferred financing costs and bond discount, net		2,537	1,677
Equity in income of joint ventures		(32,649)	(21,193)
Distributions received from investments in joint ventures		25,429	29,359
Net realized/unrealized (gains) losses on certain investments and derivative instruments		(59,108)	47,560
Loss on early retirement of debt		1,172	—
Gain on sale of assets		(967)	(561)
Gain on sale of service line		(30,000)	—
Pension and other postretirement adjustments		(46,882)	49,513
Contributions restricted by donor		(14,015)	(11,908)
Cash distributions to noncontrolling interest owners		5,080	6,091
Cash (used in) provided by changes in assets and liabilities:			
Increase in accounts receivable		(294,957)	(231,519)
Increase in inventories, prepaid expenses and other current assets		(1,978)	(2,446)
Increase in goodwill and other assets, net		(7,038)	(22,093)
Increase in accounts payable and other current liabilities		24,929	35,220
Increase in other long-term liabilities and deferred credits		60,922	33,854
Net cash provided by operating activities		156,099	231,029
Cash flows from investing activities:			
Investment in joint ventures		(21,511)	(3,797)
Proceeds from sale of joint venture		10,700	—
Purchases of securities, net of sales and maturities		(25,606)	(27,537)
Property, plant, and equipment additions, net of disposals		(131,364)	(97,654)
Proceeds from sale of assets		6,425	—
Proceeds from sale of service line		30,000	—
Cash paid for acquisitions		(8,891)	—
Cash flows from hedging activities		(57,405)	(22,436)
Net cash used in investing activities		(197,652)	(151,424)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt		214,095	—
Payments of long-term debt		(25,971)	(27,015)
Retirements of long-term debt		(173,355)	—
Payment of deferred financing fees		(2,771)	—
Proceeds from contributions restricted by donors		14,015	4,708
Cash distributions to noncontrolling interest owners		(5,080)	(6,091)
Net cash provided by (used in) financing activities		20,933	(28,398)
Net (decrease) increase in cash and cash equivalents		(20,620)	51,207
Cash and cash equivalents, beginning of year		180,255	129,048
Cash and cash equivalents, end of year	$	159,635	180,255

Supplemental disclosures:
(a) Cash paid for taxes was $517 and $791 for 2011 and 2010, respectively.
(b) System received a restricted capital contribution of $7,200 in 2010.

See accompanying notes to consolidated financial statements.

(1) Organization and Mission

(a) Organizational Structure

Bon Secours Health System, Inc., a Maryland nonprofit, nonstock membership corporation (BSHSI), and all of the other entities that are controlled directly or indirectly by Bon Secours, Inc., a Maryland nonprofit, nonstock membership corporation (BSI) are described collectively as the System. BSI, which is the sole corporate member of BSHSI, has no healthcare operations. The System was organized in June 1983 to fulfill the healthcare mission of the United States Province of the Congregation of the Sisters of Bon Secours of Paris (*Sisters of Bon Secours*), a congregation of religious women of the Roman Catholic Church founded in France in 1824.

The Sisters of Bon Secours have ministered to the healthcare needs of people in the United States since 1881. To ensure the sustainability of the ministry into the future as well as to broaden their collaboration with the laity in areas of influence, the Sisters of Bon Secours petitioned the Vatican to establish Bon Secours Ministries, an entity comprised of both laypersons and Sisters of Bon Secours to oversee the Catholic healthcare ministry of BSHSI. Bon Secours Ministries, which is referred to as a "public juridic person" in the Catholic Church's *Code of Canon Law*, was established by the Vatican on May 31, 2006 with the specific responsibility to oversee (and, as appropriate, initiate) the healthcare ministries within the System and, in particular, BSHSI's Catholic identity and mission. This formal relationship with the Catholic Church and the specific ministry is commonly referred to as "sponsorship." The Sisters of Bon Secours formally transferred the responsibility of sponsorship of the System to Bon Secours Ministries on November 1, 2006. Since then, Bon Secours Ministries has provided an active presence of leadership and direction for BSHSI to ensure its operations and use of resources are aligned with the mission, values and fundamentals of Catholic social teaching.

The System's principal activities comprise health and nursing care services in the states of New York, Maryland, Virginia, Kentucky, South Carolina, and Florida.

(b) Mission

The Mission of the System is to bring compassion to healthcare and to be good help to those in need, especially those who are poor and dying. As a system of caregivers, the System is committed to helping to bring people and communities to health and wholeness as part of the healing ministry of Jesus Christ and the Catholic Church.

The ministry of BSHSI aids those in need, particularly those who are sick and dying, by offering a wide variety of services, including acute inpatient, outpatient, pastoral, palliative, home health, nursing home, rehabilitative, primary and secondary care and assisted living, in Florida, Kentucky, Maryland, New York, South Carolina, and Virginia without regard to race, religion, color, gender, age, marital status, national origin, sexual orientation, or disability. Activities directly associated with this purpose are considered operating activities. Operating activities also include other incidental services that are closely related to healthcare.

(c) Community Benefits

The System exists to benefit the people in the communities it serves. In pursuing its mission, the System advocates for and provides services to help meet healthcare and related socioeconomic needs of poor and disadvantaged individuals and the broader community. The System provides services in the communities served by holistically ministering to its patients with respect and without regard to their ability to pay.

Programs and services for the uninsured and underinsured represent the financial commitment of the System to everyone in the community. The System's financial assistance policy ensures that all members of the community receive this basic human right to access healthcare.

The categories included as programs and services for the poor and disadvantaged are as follows:

(i) Charitable Services – Financially Disadvantaged Persons

The System provides care to patients regardless of their ability pay all or a portion of the charges incurred. This care is classified as charity care based upon the System's established policies. In accordance with the Catholic Health Association (CHA) guidelines, charity care represents the unpaid costs of free or discounted health services provided to persons who cannot afford to pay and who meet the organization's criteria for financial assistance.

In assessing a patient's ability to pay, the System utilizes generally recognized poverty income levels, financially supporting 100% of the healthcare services provided to patients with annual family income at or below 200% of the federal poverty guidelines. Additional assistance is provided by a reduction in charges for medically necessary services through a community service adjustment.

(ii) Charitable Services – State Programs

The System provides services to indigent patients under various state programs, including state Medicaid, that generally pay healthcare providers amounts that are less than the cost of the services provided to the recipients. Unreimbursed costs of the care provided to these disadvantaged patients are also reported as charitable services.

(iii) Other Community Benefits

Other community benefits include community services for the poor and disadvantaged as well as the broader community. The programs cover a broad spectrum of services and are financially supported by the System:

- Primary Care access – providing free community-based preventive and primary care services through free-standing clinics and mobile health vehicles;

(In thousands)

- Health Screenings and Immunizations – provision of free health screenings and immunizations for a variety of health conditions for women, children, and senior residents;
- Child programs – providing oral healthcare, asthma and childhood obesity interventions;
- Caregiver and senior programs – focused on support, health screenings, and services to assist older adult populations;
- Education – providing medical and other health professional programs;
- Leadership activities – a full-time healthy community leader is provided in each community served who works to expand community capacity, identify community health needs and address social health conditions.

The cost of charitable services and community benefits provided by the System is determined in accordance with the System's accounting policies. These costs are computed by using the cost to charge ratio applied by Medicaid and other state programs as well as specific patient visits identified under the System's charity care policies. The cost of these services is as follows for the years ended August 31, 2011 and 2010:

		2011	2010
Charitable services and other community benefits:			
Cost of services to financially disadvantaged persons	$	128,309	121,445
Unpaid cost of state programs (e.g., Medicaid) to financially disadvantaged persons		84,216	84,646
Cost of other community benefits		57,533	48,975
Total community benefits, at cost	$	270,058	255,066

(2) Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of all members of the corporate group controlled by BSHSI. Members of the corporate group include all entities that BSHSI directly or indirectly controls, even if the System has less than 50% of the ownership or membership interest in the entity. Investments in entities where the System holds 50% or less of an entity's operations and does not have operational control are recorded under the equity or cost method of accounting. The System has included its equity share of income or losses and changes in net assets from investments in unconsolidated affiliates in other revenue and changes in unrestricted net assets, respectively, in the accompanying consolidated statements of operations. All material intercompany transactions and account balances have been eliminated in consolidation.

(In thousands)

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In the years ended August 31, 2011 and 2010, the System recorded income of $16,623 and $22,476, respectively, related to expense reductions and increases in net patient service revenue as a result of the reassessment of various third-party payor settlement issues and changes in estimates associated with other operating assets and liabilities.

(c) Cash and Cash Equivalents

For purposes of the consolidated financial statements, cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less, excluding investments limited or restricted as to use.

(d) Accounts Receivable

Accounts receivable is presented net of allowances for uncollectible amounts of $163,100 and $147,714 at August 31, 2011 and 2010, respectively. The System grants credits to patients and generally does not require collateral or other security. However, it routinely obtains assignment of patients' benefits under their health insurance policies. Most of the System's net patient service revenue is derived from third-party payment programs. Medicare, Medicaid, and Blue Cross comprise approximately half of the System's consolidated third-party payor revenue.

The respective percentages of amounts due from patients and third-party payors at August 31, 2011 and 2010 are as follows:

	2011	2010
Medicare	24%	25%
Medicaid	10	11
Blue Cross	7	6
Managed care	33	31
Other, including self-pay	26	27
	100%	100%

(e) Assets Limited or Restricted as to Use and Investment Income

Assets limited or restricted as to use include assets held by trustees under indentures, self-insurance trust arrangements, assets related to donor-restricted net assets, and assets designated by the board of directors over which it retains control and may, at its discretion, use for other purposes. The fair value of investments, with the exception of alternative investments, is based upon quoted market prices or other observable market inputs. The System elected to fair value its investments in its equity and fixed income commingled funds. Alternative investments are recorded under the equity method.

(In thousands)

Unrealized gains or losses on trading securities are included in nonoperating investment gains (losses), net. As of August 31, 2011 and 2010, all investments and assets limited or restricted as to use are designated as trading securities, except for certain Foundation investments.

Investment income on donor-restricted funds is recorded as an addition to donor-restricted net assets provided the income has been restricted by the donor. Investment income on trustee-held funds, professional/general liability, workers' compensation, and health benefit self-insurance funds is reported in other revenue for the years ended August 31, 2011 and 2010, respectively. All other investment income is reported within nonoperating investment (losses), net.

(f) Inventories

Inventories, consisting primarily of pharmaceuticals and medical supplies, are stated at the lower of cost or market, principally on a first-in, first-out basis.

(g) Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost or, if donated, at fair value on the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the accompanying consolidated financial statements. Estimated useful lives of the assets are as follows:

Buildings	20 to 50 years
Fixed equipment	10 to 20 years
Major movable equipment	3 to 5 years

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

Interest cost is capitalized as part of the cost of constructing capital assets, net of any interest income earned on unexpended bond proceeds borrowed for a specific project, during the construction period. The System capitalizes the direct costs, including internal costs, associated with the implementation of new information systems for internal use. Capitalized amounts are amortized over the estimated lives of the software, which generally are five years.

(h) Asset Impairment

The System regularly evaluates whether events or changes in circumstances have occurred that could indicate an impairment in the value of long-lived assets. In accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 360-10, *Impairment or Disposal of Long-Lived Assets*, if events or changes in circumstances indicate that the carrying value of an asset is not recoverable, the System's management estimates the projected undiscounted cash flows, excluding interest and taxes, of the related individual facilities to determine if an impairment loss should be recognized. The amount of impairment loss is determined by comparing the historical carrying value of the asset to its estimated fair value. Estimated fair value is determined through an evaluation of recent and projected financial performance of facilities using standard industry valuation techniques.

In addition to consideration of impairment upon the events or changes in circumstances described above, management regularly evaluates the remaining lives of its long-lived assets. If estimates are changed, the carrying value of affected assets is allocated over the remaining lives. In estimating the future cash flows for determining whether an asset is impaired and if expected future cash flows used in measuring assets are impaired, the System groups their assets at the lowest level for which there are identifiable cash flows independent of other groups of assets. No impairment charges were recorded during the years ended August 31, 2011 and 2010, respectively.

(i) Goodwill and Other Assets, Net

Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in a business combination. ASC Topic 350, *Intangibles – Goodwill and Other*, requires that tangible and indefinite-lived assets, as well as Goodwill, must be analyzed in order to determine whether their value has been impaired.

In conjunction with the implementation of the provisions of ASC 350, effective September 1, 2010, the System no longer amortizes goodwill, but tests the carrying value annually for impairment (see note 2(y)(i)). Pursuant to ASC 350, the System determined that it had one reporting unit, which is the aggregate of all of the System's entities, and performed an initial impairment test as of September 1, 2010. To accomplish this, the System determined the carrying value of such reporting unit by assigning the assets and liabilities, including the existing goodwill, to the reporting unit. The System estimated the fair value of this reporting unit based on a discounted cash flow analysis as well as using standard industry valuation techniques and concluded that goodwill was not impaired as of September 1, 2010. In addition, goodwill was evaluated as of August 31, 2011 with no impairment charges recorded.

Total goodwill recognized on acquisitions, less accumulated amortization, was $98,359 and $92,898 as of August 31, 2011 and 2010, respectively, and is included in goodwill and other assets, net. Accumulated amortization of goodwill amounted to $50,890 at August 31, 2011 and 2010.

(In thousands)

Goodwill and other assets, net, consist of the following at August 31, 2011 and 2010:

		2011	2010
Goodwill, net of accumulated amortization	$	98,359	92,898
Investment in joint venture (note 10)		113,059	94,907
Self insurance receivable		33,451	12,439
Other assets		19,194	34,541
Pledges and notes receivable		15,722	12,402
Total goodwill and other assets, net	$	279,785	247,187

Prior to the adoption of the new accounting guidance pursuant to ASC 350, goodwill was amortized on a straight-line basis over 15 – 40 years.

(j) Deferred Financing Costs, Net

Financing costs incurred in connection with the issuance of long-term debt have been capitalized and included in other assets. These costs are being amortized using the effective-interest method over the term of the related obligations. Accumulated amortization of long-term debt issuance costs amounted to $7,966 and $7,297 at August 31, 2011 and 2010, respectively.

(k) Leases

Lease arrangements, including assets under construction, are capitalized when such leases convey substantially all the risks and benefits incidental to ownership. Capital leases are amortized over either the lease term or the life of the related assets, depending upon available purchase options and lease renewal features. Amortization related to capital leases is included in the consolidated statements of operations within depreciation and amortization expense.

(l) Other Long-Term Liabilities and Deferred Credits

Other long-term liabilities and deferred credits consist of the following at August 31, 2011 and 2010:

		2011	2010
Accrued pension liability (note 9)	$	310,567	350,856
Self-insurance liabilities		118,861	85,175
Environmental liabilities		13,967	13,811
Derivative instrument valuations (note 7)		88,081	135,435
Medical office building liabilities (note 13(e))		40,070	40,070
Other long-term liabilities		35,036	12,865
	$	606,582	638,212

(m) Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the System are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying consolidated statements of operations as net assets released from restrictions. Such amounts are classified as other revenue or transfers for additions to property, plant, and equipment. Donor-restricted contributions whose restrictions are satisfied within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

(n) Net Assets

The System classifies net assets based on the existence or absence of donor-imposed restrictions. Unrestricted net assets represent contributions, gifts, and grants that have no donor-imposed restrictions or that arise as a result of operations. Temporarily restricted net assets are subject to donor-imposed restrictions that must or will be met either by satisfying a specific purpose and/or passage of time. Temporarily restricted net assets of $40,911 and $33,381 at August 31, 2011 and 2010, respectively, primarily consisted of pledges and funds received for capital projects, various healthcare programs, and community outreach programs. Permanently restricted net assets are subject to donor-imposed restrictions that must be maintained in perpetuity. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for specific purposes.

(o) Fair Values

The carrying values of financial instruments classified as current assets and current liabilities approximate fair values. The fair values of investments and assets limited or restricted as to use, with the exception of alternative investments, are based on quoted market prices or other observable inputs. Alternative investments are recorded under the equity method. The System elected to record its investments in equity and fixed income commingled funds at fair value in 2011. See note 4 for additional disclosures of investments and assets limited or restricted as to use. The carrying values of other long-term liabilities approximate fair values. See note 6 for the fair value of long-term debt.

(p) Net Patient Service Revenue

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors. Retroactive reimbursement adjustments are estimated in the period in which the related services are rendered and adjusted in future periods as final settlements are determined.

(q) Other Revenue

Other revenue includes income from Equity investments in joint ventures, gains on sales of operating activities, grant revenues (including Meaningful Use-Health Information Technology for Economic and Clinical Health Act (HITECH) Stimulus Grants), assisted living, and cafeteria and meal sales. The System recorded approximately $13,300 of revenues related to Medicare's incentive payments for meeting the criteria for electronic health records during the year ended August 31, 2011 (see note 10).

(r) Nonoperating Activities, Net

Other activities, which are largely unrelated to the System's primary mission, are recorded as other nonoperating gains (losses), include rental activities of medical office buildings, school of nursing, general donations, and fund-raising activities.

(s) Performance Indicator

The accompanying consolidated statements of operations include a performance indicator, excess of continuing revenues over expenses. Changes in unrestricted net assets that are excluded from the performance indicator, consistent with industry practice, include discontinued operations, unrealized gains on other-than-trading securities, permanent transfers of assets to and from unconsolidated affiliates for other than goods and services, pension and other postretirement adjustments, the System's allocated share of joint ventures' change in equity, distributions to noncontrolling interest owners and contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purpose of acquiring such assets).

(t) Discontinued Operations

The System accounts for discontinued operations under relevant FASB accounting guidance, which requires that a component of an entity that has been disposed of or is classified as held-for-sale and has operations and cash flows that can be clearly distinguished from the rest of the entity be reported as discontinued operations. In the period that a component of an entity has been disposed of or classified as held-for-sale, the results of operations for prior periods are reclassified to discontinued operations in the accompanying consolidated statements of operations. The System recognized gains on discontinued operations of $3,421 for the year ended August 31, 2010 (none in 2011).

(u) Income Taxes

The System and most of its subsidiaries (including certain joint venture entities) are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The system accounts for uncertain tax positions in accordance with ASC Topic 740. Income taxes of the System's for-profit subsidiaries are not material to the accompanying consolidated financial statements. The System's taxable subsidiaries have approximately $89,500 and $98,300 of net operating loss carryforwards as of August 31, 2011 and 2010, respectively, which expire in varying periods through 2031 and are available to offset future taxable income. The System's deferred tax assets are fully reserved at August 31, 2011 and 2010. Any changes to the valuation allowance on the deferred tax asset are reflected in the year of the change.

(v) Derivative Instruments

ASC Topic 815, *Derivatives and Hedging*, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. An entity is required to recognize all derivatives as either assets or liabilities in the consolidated balance sheets and measure those instruments at fair value. In addition, for those derivative instruments that meet the criteria of an effective hedge, the hedged item must also be recorded at its fair value, with the changes in fair value reflected in other changes in unrestricted net assets.

Derivative instruments, specifically interest rate swaps, are recorded on the balance sheets at their respective fair values. The System's current derivative instruments do not qualify for hedge accounting, and the changes in fair value of such derivative instruments are reflected in nonoperating investment losses, net in the accompanying consolidated statements of operations in the period of change. Net settlement payments made or received on nonqualifying derivatives are recorded as nonoperating investment losses, net.

(w) Self-Insurance

Under the System's self-insurance programs (professional/general liability, workers' compensation, and employee health benefits), claims are reflected as based upon actuarial estimation, including both reported and incurred but not reported claims, taking into consideration the severity of incidents and the expected timing of claim payments.

(x) Reclassifications

Certain prior year amounts have been reclassified to conform to current period presentation, the effect of which is not material.

(y) Recently Issued Accounting Pronouncements

(i) In April 2009, the FASB issued new guidance relating to not-for-profit mergers and acquisitions that will apply prospectively to mergers with merger dates on or after December 15, 2009, and to acquisitions with acquisition dates on or after the beginning of the first annual reporting period beginning on or after December 15, 2009. This new guidance prescribes how to determine whether a combination is a merger or acquisition, how to account for each, and the disclosures that should be made. This guidance does not apply to formations of joint ventures, acquisitions of assets or a group of assets that do not constitute either a business or a nonprofit activity, a combination between not-for-profit entities under common control or transaction or other events where a not-for-profit entity obtains control of another entity but does not consolidate that entity. In addition, under the new guidance, goodwill and indefinite-lived identifiable intangible assets recognized in a not-for-profit entity's acquisition of a business or nonprofit activity are not amortized. Such assets are tested for impairment at least annually. On September 1, 2010, the date the statement was initially applied, the System determined that it had one reporting unit based on its reporting structure at that date. After establishing its reporting unit, goodwill was tested for impairment as of September 1, 2010 upon adoption of the statement and at August 31 annually thereafter. The system determined that goodwill was not impaired in 2011.

The guidance also requires the presentation of noncontrolling interests in the net assets of consolidated subsidiaries be reported as a separate component of the appropriate class of net assets in the consolidated balance sheets and the amount of consolidated excess of revenues over expenses attributable the System and to the noncontrolling interest to be disclosed. The provisions of the standard related to the presentation and disclosure of noncontrolling interest are to be applied retrospectively to all periods presented. The adoption of this standard did not have a material impact on the Corporation's consolidated financial statements, except for the following:

a. Noncontrolling interests of $130,043 as of September 1, 2009 were reclassified from other long-term liabilities to unrestricted net assets, separate from the System's unrestricted net assets.

b. Consolidated excess of revenues over expenses includes excess revenues over expenses attributable to both the System and noncontrolling interests. See note 8 for such allocation.

c. The consolidated statements of cash flows now begin with change in net assets (including noncontrolling interests) with excess of revenues over expenses from noncontrolling interests included in changes in assets and liabilities and is no longer a reconciling item in arriving at net cash provided by operating activities. Distributions and contributions to/from noncontrolling owners are reported in cash flows from financing activities.

(ii) In January 2010, the FASB issued guidance that clarifies and requires new disclosures about fair value measurements. The clarifications and requirement to disclose the amounts and reasons for significant transfers between Level 1 and Level 2, as well as significant transfers in and out of Level 3 of the fair value hierarchy, is effective for interim and annual reporting periods beginning after December 15, 2009. The new guidance also requires that purchases, sales, issuances, and settlements be presented gross in the Level 3 reconciliation and that requirement is effective for fiscal years beginning after December 15, 2010 and for interim periods within those years, with early adoption permitted. Since this new guidance only amends the disclosure requirements, it did not impact the System's financial position, results of operations or cash flows.

(iii) In August 2010, the FASB issued Accounting Standards Updated (ASU) No. 2010-23, *Health Care Entities (Topic 954): Measuring Charity Care for Disclosure*. ASU No. 2010-23 is intended to reduce the diversity in practice regarding the measurement basis used in the disclosure of charity care. ASU No. 2010-23 requires that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct or indirect cost of providing the charity care, and requires disclosure of the method used to identify or determine such costs. The adoption of this new guidance is effective for the System beginning September 1, 2011.

(iv) In August 2010, the FASB issued ASU No. 2010-24, *Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries*. ASU No. 2010-24 is intended to address current diversity in practice to the accounting by healthcare entities for medical malpractice claims and similar liabilities and their related anticipated insurance recoveries. Most healthcare entities have netted anticipated insurance recoveries against the related accrued liability, although some entities have presented the anticipated insurance recovery and related liability on a gross basis. The existing guidance does not permit offsetting of conditional or unconditional liabilities with anticipated insurance recoveries from third parties. This update clarifies that a healthcare entity should not net insurance recoveries against related claim liability. Additionally, the amount of the claim liability should be determined without consideration of insurance recoveries. The adoption of this new guidance is effective for the System beginning September 1, 2011.

(v) In July 2011, the FASB issued ASU No. 2011-07, *Health Care Entities (Topic 954), Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, which requires a healthcare entity to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patients service revenue from an operating expense to a deduction from patients service revenue (net of contractual allowances and discounts). Additionally, enhanced disclosures about an entity's policies for recognizing revenue, assessing bad debts, as well as qualitative and quantitative information about changes in the allowance for doubtful accounts are required. The adoption of ASU 2011-07 is effective for the System beginning September 1, 2012.

(vi) In September 2011, the FASB issued ASU No. 2011-08, *Intangibles-Goodwill and Other (Topic 350), Testing Goodwill for Impairment*, which permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. The System adopted ASU 2011-08 as of August 31, 2011 and determined that it was not more-likely-than-not that the fair value of its reporting unit was less than its carrying amount. Accordingly, the System concluded that goodwill was not impaired as of August 31, 2011 without having to perform the two-step impairment test.

(In thousands)

(3) Property, Plant, and Equipment, Net

Property, plant, and equipment, net consist of the following at August 31, 2011 and 2010:

	2011	2010
Land	$ 81,505	82,105
Land improvements	46,371	46,400
Buildings	905,886	902,794
Fixed equipment	70,366	66,582
Major movable equipment	969,807	858,379
Leasehold improvements	66,049	63,919
Construction in progress	121,874	124,190
	2,261,858	2,144,369
Less accumulated depreciation	1,176,632	1,066,628
	$ 1,085,226	1,077,741

Included in construction in progress at August 31, 2011 and 2010 are costs mainly associated with an electronic medical records project, facility renovations, and expansions. The System anticipates expending an additional $109,053 in future periods to complete strategic capital projects. Depreciation expense for the System was $121,955 and $122,187 for the years ended August 31, 2011 and 2010, respectively.

(4) Assets Limited or Restricted as to Use

The composition of assets limited or restricted as to use consists of the following at August 31, 2011 and 2010:

	2011	2010
Board-designated funds:		
Cash and cash equivalents	$ 95,865	81,398
Equity mutual funds	45,151	15,673
Equity commingled funds	54,553	59,611
Common and preferred stocks	269,268	258,107
Fixed income mutual funds	77,899	146,269
Fixed income commingled funds	75,320	—
U.S. government and agency securities	779	803
Corporate obligations	35,380	52,329
Alternative investments	121,926	80,005
Land and other investments, at cost	52	901
	776,193	695,096

(In thousands)

	2011	2010
Donor-restricted funds:		
Cash and cash equivalents	$ 8,676	11,141
Equity mutual funds	6,170	258
Equity commingled funds	725	980
Common and preferred stocks	7,125	2,894
Fixed income mutual funds	2,194	857
Fixed income commingled funds	1,001	—
U.S. government and agency securities	210	437
Corporate obligations	1,693	1,325
Alternative investments	1,829	—
Land and other investments, at cost	57	121
	29,680	18,013
Funds held by indenture trustees:		
Cash and cash equivalents	20,729	26,808
Government and agency bonds	28,342	33,255
Corporate obligations	17,409	15,170
	66,480	75,233
Self-insurance funds:		
Cash and cash equivalents	8,051	6,334
Equity commingled funds	13,655	11,611
Common and preferred stocks	10,205	8,626
Fixed income mutual funds	22,259	33,475
Fixed income commingled funds	22,215	—
Corporate obligations	—	4,486
	76,385	64,532
Assets limited or restricted as to use	948,738	852,874
Available for current liabilities	(78,893)	(62,187)
Long-term assets limited or restricted as to use	$ 869,845	790,687

(In thousands)

The portion of the System's investments available for current liabilities consists of the following at August 31, 2011 and 2010:

		2011	2010
Current portion of debt and interest rate swap collateral	$	13,361	14,528
Self-insurance programs		54,836	38,460
Foundation programs		6,355	4,758
General board-designated		4,341	4,441
	$	78,893	62,187

The System's consolidated total return on investments consists of the following for the years ended August 31, 2011 and 2010:

		2011	2010
Dividends and interest	$	17,252	16,201
Net realized gains (losses) on securities		37,719	(7,610)
Net unrealized gains on securities		31,420	43,218
		86,391	51,809
Realized and unrealized losses on derivative instruments		(10,031)	(83,168)
	$	76,360	(31,359)

Total investment return is classified in the accompanying consolidated financial statements as follows for the years ended August 31, 2011 and 2010:

		2011	2010
Nonoperating investment gains (losses), net	$	65,518	(41,210)
Investment income, net on trustee-held funds recorded as other revenue		8,752	7,772
Investment income and net unrealized gains on securities in restricted net assets		527	350
Net unrealized gains on other-than-trading securities		1,563	1,729
Total investment return	$	76,360	(31,359)

The System's ability to generate investment income is dependent in large measure on market conditions. The market value of the System's investment portfolio, as well as the System's investment income, have fluctuated significantly in the past and are likely to continue to fluctuate in the future. The System's investment portfolio assets are designated as trading securities as discussed in ASC Topic 320, *Investments – Debt and Equity Securities*. The System's entire portfolio is actively managed by third-party investment managers. Trading generally reflects active and frequent buying and selling, and trading securities are generally used with the objective of generating profits on short-term differences in price. As required by U.S. GAAP, realized and unrealized gains and losses on an investment portfolio designated as a trading portfolio are accounted for as nonoperating investment income and are included in excess of revenues over expenses. Because of this designation as a trading portfolio, management anticipates fluctuations in excess of revenues over expenses.

At August 31, 2011 and 2010, the System had invested approximately $123,755 and $80,005, or 13.0% and 9.4%, respectively, of the portfolio in alternative investments, which are allocated between hedge funds of funds and real estate investment funds.

(5) Fair Value of Financial Instruments

The System determines the fair values of its financial instruments based on the fair value hierarchy established in ASC Topic 820, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include cash and cash equivalents, debt and equity securities and mutual funds that are traded in an active exchange market, as well as government and agency securities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain equity mutual funds, corporate-debt securities, equity commingled funds, fixed income commingled funds, and interest rate swaps.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments.

The following discussion describes the valuation methodologies used for financial assets and liabilities measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions used, including discount rates and estimates of the amount and timing of future cash flows. Care should be exercised in deriving conclusions about the System's business, its value or consolidated financial position based on the fair value information of financial assets presented below.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

Fair values for the System's fixed maturity securities are based on prices provided by its investment managers and its custodian bank. Both the investment managers and the custodian bank use a variety of pricing sources to determine market valuations. Each designate specific pricing services or indexes for each sector of the market based upon the provider's expertise. The System's fixed maturity securities portfolio is highly liquid, which allows for a high percentage of the portfolio to be priced through pricing services.

Fair values of equity securities have been determined by the System from observable market quotations, when available. Private placement securities and other equity securities where a public quotation is not available are valued by using broker quotes.

Fair values for the System's interest rate swaps have been determined using pricing models developed based on the LIBOR swap rate and other observable market data. The values were determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and the System.

BSHSI has elected to record equity and fixed income commingled funds using the fair value option contained within FASB ASC Topic 825, *Financial Instruments*.

(In thousands)

The following table presents the System's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of August 31, 2011:

		Fair value measurements at August 31, 2011 using		
	Fair value	**Level 1**	**Level 2**	**Level 3**
Investments:				
Cash and cash equivalents	$ 133,321	132,884	437	—
Equity mutual funds	51,321	50,191	1,130	—
Equity commingled funds	68,933	—	68,933	—
Common and preferred stocks	286,598	286,598	—	—
Fixed income mutual funds	102,352	102,352	—	—
Fixed income commingled funds	98,536	—	98,536	—
U.S. Government and agency securities	29,331	29,212	119	—
Corporate obligations	54,482	17,770	36,586	126
Total investments	$ 824,874	619,007	205,741	126
Liabilities:				
Interest rate swaps	$ 88,081	—	88,081	—
Total liabilities	$ 88,081	—	88,081	—

(In thousands)

The following table presents the System's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of August 31, 2010:

		Fair value	Fair value measurements at August 31, 2010 using Level 1	Level 2	Level 3
Financial instruments:					
Investments:					
Cash and cash equivalents	$	125,681	125,681	—	—
Equity mutual funds		15,931	15,369	562	—
Equity commingled funds		72,202	—	72,202	—
Common and preferred stocks		269,627	269,627	—	—
Fixed income mutual funds		180,601	180,601	—	—
U.S. Government and agency securities		34,495	34,495	—	—
Corporate obligations		73,310	15,349	57,961	—
Total investments	$	771,847	641,122	130,725	—
Liabilities:					
Interest rate swaps	$	135,435	—	135,435	—
Total liabilities	$	135,435	—	135,435	—

There were no significant transfers between Level 1, 2 and 3 during the year ended August 31, 2011 and 2010.

The change in the fair value of the assets and liabilities using significant unobservable inputs (Level 3) was due to the following:

		Level 3 assets Corporate bonds
Beginning balance, September 1, 2010	$	—
Total net gains unrealized		1
Total net losses unrealized		(4)
Purchases		248
Sales		(119)
Transfers in (out) of Level 3		—
Ending balance, August 31, 2011	$	126

(In thousands)

The System has incorporated an Investment Policy Statement (IPS) into its investment program. The IPS, which has been formally adopted by the Board of Directors, contains numerous standards designed to ensure adequate diversification by asset category and geography. The IPS also limits investments by manager and position size, and limits fixed-income positions based on credit ratings, which serves to further mitigate the risks associated with the investment program. At August 31, 2011, management believes that its investment positions are in accordance with the guidelines in the IPS.

(6) Long-Term Debt

Long-term debt consists of the following at August 31, 2011 and 2010:

		2011	**2010**
Master Trust Notes and Hospital Revenue Bonds:			
Series 1992B and 1992C Virginia fixed rate term bonds payable in installments through August 2027; interest at 5.93%	$	64,644	65,943
Series 1995 Maryland fixed rate term bonds payable in installments through August 2024; interest at 5.50%		5,135	5,400
Series 1995 Memorial Regional Medical Center fixed rate serial and term bonds payable in installments through August 2018; interest at 6.375% to 6.50%		25,730	28,580
Series 1996 Virginia fixed rate serial and term bonds payable in installments through August 2020; interest at 5.40% to 6.25%		12,735	13,780
Series 1997 Virginia fixed rate serial and term bonds payable in installments through August 2023; interest at 4.70% to 5.25%		12,315	13,130
Series 1997 New York fixed rate serial and term bonds payable in installments through July 2027; interest at 5.00% to 5.50%		33,075	34,350
Series 2002A Kentucky fixed rate term bond payable in installments beginning November 2023 through November 2030; interest at 5.625%		42,970	42,970
Series 2002A South Carolina fixed rate and serial term bonds payable in installments beginning November 2015 through November 2030; interest at 5.50% to 6.00%		225,200	225,200
Series 2002A Henrico, Virginia fixed rate term bond payable in installments beginning November 2023 through November 2030; interest at 5.60%		46,400	46,400

(In thousands)

	2011	2010
Series 2002B Florida variable rate demand bond payable in installments beginning November 2017 through November 2026 subject to a fifteen day put provision; interest at 2.0% and 0.33% at August 31, 2011 and 2010, set at prevailing rates	$ 4,250	4,250
Series 2002B Kentucky variable rate demand bond payable in installments through November 2026 subject to a fifteen day put provision; interest at 2.0% and 0.33% at August 31, 2011 and 2010, set at prevailing rates	14,075	14,725
Series 2008B-C Virginia fixed rate serial and term bond payable in installments through November 2042; interest at 4.50% to 5.25% at August 31, 2011.	—	173,355
Series 2008B-C Virginia variable rate demand bonds subject to a seven day put provision payable in installments beginning November 2032 through November 2042; interest at 0.33% at August 31, 2010, set at prevailing rates	173,355	—
Series 2008D Virginia variable rate demand bonds subject to a seven day put provision payable in installments through November 2025; interest at 0.15% to 0.18% at August 31, 2011 and 0.24% to 0.33% at August 31, 2010, set at prevailing rates	69,925	69,925
Series 2008A South Carolina variable rate demand bonds subject to a seven day put provision payable in installments beginning November 2032 through November 2042; interest at 3.00% and 0.33% at August 31, 2011 and 2010, set at prevailing rates	230,250	242,840
Series 2008D South Carolina variable rate demand bonds subject to a seven day put provision payable in installments through November 2025; interest at 0.15% and 0.33% at August 31, 2011 and 2010, set at prevailing rates	26,425	27,785
Series 2010 Virginia variable rate demand bonds subject to a seven day put provision payable in installments through November 2042 ; interest at 0.18% at August 31, 2011, set at prevailing rates	40,740	—
Total Master Trust Notes and Hospital Revenue Bonds	1,027,224	1,008,633

(Continued)

(In thousands)

		2011	2010
Other debt secured by certain property, plant, and equipment:			
9.25% note payable to HUD, due April 2025	$	6,788	7,025
3.00% note payable to Wells Fargo		1,425	1,575
Capital leases obligations (interest at 5.00-6.00%)		12,668	16,060
Notes payable		31,120	30,428
Other long-term debt		154	890
Total other debt		52,155	55,978
Total long-term debt		1,079,379	1,064,611
Less bond discount, net of accumulated amortization		4,037	4,997
		1,075,342	1,059,614
Less current portion		61,023	26,573
Long-term debt, less current portion	$	1,014,319	1,033,041

Master Notes have been issued by certain members of the System. Master Notes consist of payment obligations evidencing or securing serial and term indebtedness incurred on behalf of Members of the Obligated Group, as defined in the related debt agreements, or affiliates of BSHSI. The Master Notes are issued under a Master Trust Indenture dated October 1, 1985, as restated, supplemented, and amended. The indebtedness is subject to mandatory redemption or maturity annually at various dates through 2042. Each Master Note is a joint and several obligation of each Member of the Obligated Group, but is not secured by any mortgage of, or security interest in, any real or personal property of the Members of the Obligated Group, other than a security interest in their Unrestricted Receivables. Approximately 40.9% and 40.1% of the indebtedness represented or secured by the Master Notes is secured, as to payments of principal and interest, by bond insurance policies as of August 31, 2011 and 2010, respectively. Approximately 28.8% and 26.7% of the indebtedness represented or secured by the Master Notes is secured, as to payments of principal and interest, by letters of credit as of August 31, 2011 and 2010, respectively.

The Master Trust Indenture and related agreements require the Obligated Group to maintain minimum financial ratios, place restrictions on the disposition of assets and changes in members of the Obligated Group, and provide for the maintenance of certain trustee-held funds, among other things. At August 31, 2010, management had requested and received waivers of compliance with the debt to capitalization covenant for the fiscal year ended August 31, 2010 from each of the credit enhancers.

On January 15, 2008, the System completed a bond financing of approximately $243,300 (Series 2008A-C Bonds). The proceeds of the sale of the Series 2008A-C Bonds together with other funds, were used to (i) pay or reimburse, or refinance certain indebtedness, the proceeds of which were used for the payment of the costs of acquiring, constructing, equipping, expanding, enlarging and improving certain healthcare facilities, (ii) refund the outstanding portion of certain prior bonds, which were outstanding with an aggregate principal amount of $80,000, and (iii) pay certain costs incurred in connection with the issuance of the Series 2008A-C Bonds and the refunding of the prior bonds, including the costs of bond insurance policies and liquidity enhancement (in the form of standby bond purchase agreements) for the Series 2008A-C Bonds. The 2008A-C Bonds are bonds remarketed weekly that bear interest at a weekly interest rate established by the market.

The 2008A-C Bonds, while subject to long-term amortization periods, may be put at the option of the bondholders. At such point, the banks would advance funds on behalf of the System to the bondholders under the standby bond purchase agreements. The standby bond purchase agreements have notional amounts of $69,925, $80,695, $46,440, and $46,220; all four of the standby bond purchase agreements have a stated expiration date of January 14, 2013. If funds are advanced on the standby bond purchase agreements to purchase bonds, no payments are due from the System to the bank(s) until 367 days after the bank(s) purchases such bonds. Beginning on the first business day following the 367th day, the System must repay the advances semiannually in equal or near equal amounts over the subsequent four years, unless certain events occur.

On October 17, 2008, the Obligated Group completed a bond financing of approximately $293,600 (referred to as the Series 2008D Bonds). The proceeds of the sale of the Series 2008D Bonds, together with other funds, were used to (i) currently refund and/or purchase all of the outstanding principal amount of the South Carolina Jobs-Economic Development Authority Variable Rate Economic Development Revenue Bonds, Series 2002B (Bon Secours Health System, Inc.) outstanding in the aggregate principal amount of $30,400; (ii) currently refund and/or purchase all of the Economic Development Authority of Hanover County Variable Rate Revenue Bonds, Series 2002B (Bon Secours Health System, Inc.) outstanding in the aggregate principal amount of $31,500; (iii) currently refund and/or purchase all of the Economic Development Authority of Henrico County, Virginia Variable Rate Revenue Bonds, Series 2002B (Bon Secours Health System, Inc.) outstanding in the aggregate principal amount of $53,900; (iv) currently refund and/or purchase all of the Economic Development Authority of the City of Norfolk Variable Rate Revenue Refunding Bonds, Series 2005A (Bon Secours Health System, Inc.) outstanding in the aggregate principal amount of $40,300; (v) purchase and redeem all of the Economic Development Authority of Hanover County Variable Rate Revenue Bonds, Series 2005A outstanding in the aggregate amount of $93,200; (vi) purchase and redeem all of the Economic Development Authority of the City of Norfolk Variable Rate Revenue Bonds, Series 2002B (Bon Secours Health System, Inc.) outstanding in the aggregate amount of $44,300; and (vii) pay-related costs. The Series 2008D Bonds are bonds remarketed weekly that bear interest at a weekly interest rate established by the market.

On September 29, 2010, BSHSI terminated six irrevocable direct pay letters of credit that secured Series 2008D variable rate debt bonds. On the same date, BSHSI entered into four new and two amended and restated irrevocable direct pay letters of credit to secure the Series 2008D bonds with stated maturities ranging from September 2013 to September 2015. The direct pay letters of credit have notional amounts of (i) $27,785 Series 2008D SCJEDA; (ii) $28,805 Series 2008D-1 Hanover, VA; (iii) $36,805 Series 2008D-1 Norfolk, VA; (iv) $42,415 Series 2008D Henrico; (v) $42,050 Series 2008D-2 Norfolk, and (vi) $92,765 Series 2008D-2.

The Series 2008D Bonds, while subject to long-term amortization periods, may be put at the option of the bondholders. At such point, the banks would advance funds on behalf of the System to the bondholders under the letter-of-credit arrangements. If funds are advanced on the letters of credit to purchase bonds, no payments are due from the System to the bank(s) until 367 days after the bank(s) purchases such bonds. With respect to three of the bank agreements, (i), (ii), and (iii) as described above, the System must repay these advances on the first day of the 13^{th} month succeeding the stated expiration date (currently September 2013). To secure its obligations to reimburse these banks, BSHSI issued separate direct note obligations. With respect to the other three letter-of-credit agreements, (iv), (v), and (vi) as described above, reimbursement to the bank begins on the first business day following the 367^{th} day, and the system must repay these advances semiannually in equal or nearly equal amounts over the subsequent three to five years unless certain events occur. The bonds are remarketed weekly that bear interest at a weekly interest rate established by the market.

On October 19, 2010, the Obligated Group converted the interest rate mode of $173,355 of the Series 2008B-C bonds from variable interest rate to fixed interest rate. The bonds were converted to fixed rate serial and term bonds. The original variable interest rate bonds were secured by bond insurance policies and four standby bond purchase agreements. The standby bond purchase agreements were terminated on October 19, 2010; however, the bond insurance policies remained in effect. Principal and interest are payable in installments through November 2042 at fixed interest rates ranging from 4.50% to 5.25%.

The conversion satisfied a one-time covenant for the benefit of certain credit enhancers to cause the percentage of the principal amount of its long-term indebtedness, which bears interest at other than a fixed rate to be reduced to not greater than 40% of the Obligated Group’s long-term indebtedness.

Additionally, on October 19, 2010 the Obligated Group completed a bond financing of $40,740 (referred to as the Series 2010 Bonds). The proceeds of the sale of the Series 2010 Bonds were used to (i) pay the swap termination payment of $38,972 and (ii) pay-related costs of issuance. The Series 2010 Bonds were issued through the Virginia Small Business Financing Authority. The bonds are secured by an irrevocable direct pay letter of credit with a stated maturity of September 2013. The Series 2010 Bonds are bonds remarketed weekly and bear interest at a weekly rate established by the market.

The Series 2010 Bonds, while subject to long-term amortization periods, may be put at the option of the bondholders. At such time, the bank would advance funds on behalf of the System to the bondholders under the letter-of-credit agreement. If funds are advanced on the letter of credit to purchase bonds, no payments are due from the System to the bank(s) until 367 days after the bank(s) purchases such bonds. Beginning on the first business day following the 367^{th} day, the system must repay these advances semiannually in equal or nearly equal amounts over the subsequent three years unless certain events occur. To secure its obligations to reimburse the bank BSHSI issued a direct note obligation.

The fair value of the Master Notes and the underlying indebtedness is $1,030,767 and $1,020,718 as of August 31, 2011 and 2010, respectively. The fair value of the Master Notes was determined by comparing current market prices of similar debt.

(Continued)

(In thousands)

Scheduled principal repayments on long-term debt are as follows:

2012	$	61,023
2013		24,790
2014		26,690
2015		26,302
2016		29,767
Thereafter		910,807
Total	$	1,079,379

The System has entered into four leases maturing in 5-10 years that are classified as capital leases for building and equipment. In addition, the System has consolidated two limited liability corporations with amounts outstanding under notes totaling $29,095 as of August 31, 2011. Such notes have an interest rate of 7.75% and maturity dates in 2021.

Frances Schervier Home and Hospital (Schervier) is located in the Bronx, New York and is indirectly controlled by BSHSI. Schervier is not a member of the BSHSI obligated group. Schervier is the obligor on certain Series 1997 fixed rate bonds issued by the Dormitory Authority of the State of New York with an outstanding principal amount of $33,075. Pursuant to its loan agreement, Schervier covenanted to maintain certain minimum financial ratios. At December 31, 2010, Schervier was not in compliance with its annual debt service coverage ratio (the Coverage Ratio). Therefore, such debt is included within the current portion of long-term debt as of August 31, 2011.

Total interest expense was $41,099 and $34,939 for the years ended August 31, 2011 and 2010, respectively. Cash paid for interest was $36,175 and $28,212 for the years ended August 31, 2011 and 2010, respectively, and includes capitalized interest for construction projects of $3,005 and $1,899, net of investment income, for the years ended August 31, 2011 and 2010, respectively.

(7) Interest Rate Risk Management

The System uses fixed and variable-rate debt to finance capital needs and develop an appropriate debt structure. Variable-rate debt exposes the System to variability in interest expense due to changes in interest rates. Conversely, fixed-rate debt obligations can be more expensive to the System in times of declining interest rates. The System manages and monitors its cost of capital on a regular basis and from time to time enters into derivative instruments with financial institutions to help manage interest rate risk.

(In thousands)

At August 31, 2011 and 2010, the System had eleven and fifteen derivative instruments, respectively, which did not qualify for hedge accounting treatment under ASC Topic 815. Fair value changes of these instruments were reported under nonoperating investment losses, net. The following is a summary of the derivative instruments in place at August 31, 2011:

Description	#	Outstanding notional amount	Pay rates	Maturity dates	Collateral Posted @ 8/31/2011	Counterparties	Mark to market	Collateral thresholds
Fixed Payer	1	$ 56,360	3.448%	Nov-2025	$ —	Goldman Sachs	$ (6,864)	10,000
Fixed Payer	1	84,540	3.491%	Nov-2025	—	Deutsche Bank	(10,515)	20,000
Fixed Payer	2	127,575	3.420%/ 4.460%	Aug-2026/ Nov-2028	—	Merrill Lynch	(24,010)	*
Fixed Payer	2	125,200	3.384%/ 4.485%	Oct-2025/ Oct-2026	11,086	JP Morgan	(26,085)	15,000
Fixed Payer	1	69,925	3.454%	Nov-2042	—	Citigroup	(15,209)	*
	7	463,600			11,086	Citigroup	(82,683)	
Fixed Basis	1	200,000	SIFMA	Jan-2029	—	Merrill Lynch	(1,533)	20,000
Variable Basis	3	501,000	SIFMA	Nov-2029	—		(12,610)	*
Total derivatives	11	$ 1,164,600			$ 11,086		(96,826)	$ 65,000
						Valuation adjustments	8,745	
							$ (88,081)	

(In thousands)

The following is a summary of the derivative instruments in place at August 31, 2010:

Description	#	Outstanding notional amount	Pay rates	Maturity dates	Collateral Posted @ 8/31/2010	Counterparties	Mark to market	Collateral thresholds
Fixed Payer	1	$ 61,410	3.448%	Nov-2025	$ —	Goldman Sachs	$ (7,656)	10,000
Fixed Payer	1	92,115	3.491%	Nov-2025	—	Deutsche Bank	(11,733)	20,000
Fixed Payer	2	133,075	3.420%/ 4.460%	Aug-2026/ Nov-2028	—	Merrill Lynch	(25,792)	*
Fixed Payer	2	128,950	3.384%/ 4.485%	Oct-2025/ Oct-2026	11,199	JP Morgan	(27,739)	15,000
Fixed Payer	1	69,925	3.454%	Nov-2042	—	Citigroup	(16,555)	*
Fixed Payer	† 1	46,440	3.454%	Nov-2042	—	Citigroup	(10,995)	*
Fixed Payer	† 3	126,915	3.454%	Nov-2042	—	Citigroup	(30,048)	*
	11	658,830			11,199		(130,518)	
Fixed Basis	1	200,000	SIFMA	Jan-2029	—	Citigroup	(2,762)	20,000
Variable Basis	3	512,500	SIFMA	Nov-2029	—	Merrill Lynch	(16,079)	*
Total derivatives	15	$ 1,371,330			$ 11,199		(149,359)	$ 65,000
						Valuation adjustments	13,924	
							$ (135,435)	

* Derivative instrument does not provide for the posting of collateral.
† Derivative instrument terminated in 2011.

The unrealized gains of $8,402 and unrealized losses of $60,732 for the years ended August 31, 2011 and 2010, respectively, relating to these nonqualifying derivative activities are recorded within nonoperating investment losses, net in the accompanying consolidated statements of operations.

The System utilizes a diversified group of swap counterparties and has sought to limit its obligations to post collateral in the agreements governing its derivative instruments. In addition, the System routinely evaluates its derivative portfolio and may decide at any time to terminate certain of the derivative instruments discussed above and/or enter into new derivative instruments. Should the System decide to terminate any of such instruments, it may be required to make termination or breakage payments under the terms of those instruments.

On September 28, 2010, the System terminated four fixed payor swaps with a notional value of $173,355 that were integrated with the Series 2008B-C bonds converted from variable rate to fixed interest rate bonds. On October 19, 2010, the System paid $38,972 to the counterparty to terminate these swaps.

(8) Noncontrolling Interest

The following table presents a reconciliation of the changes in consolidated unrestricted net assets attributable to the System's controlling interest and noncontrolling interest, including amounts such as the performance indicator, change in pension and other postretirement adjustments and other changes in unrestricted net assets as of and for the years ended August 31, 2011 and 2010:

(In thousands)

		Unrestricted net assets-controlling interest	Unrestricted net assets-noncontrolling interest	Total unrestricted net assets
Balance as of August 31, 2009	$	542,090	130,043	672,133
Excess of revenues over expenses		12,808	20,445	33,253
Net change in unrealized gains on other than trading securities		1,729	—	1,729
Net assets released from restrictions used for purchase of property, plant, and equipment		1,359	—	1,359
Net change in equity of joint venture		(3,982)	—	(3,982)
Pension and other postretirement adjustments		(49,513)	—	(49,513)
Distributions to noncontrolling interest owners		—	(6,091)	(6,091)
Transfers to affiliates and other changes, net		(3,769)	—	(3,769)
(Decrease) increase in net assets		(41,368)	14,354	(27,014)
Balance as of August 31, 2010		500,722	144,397	645,119
Excess of revenues over expenses		85,886	29,313	115,199
Net change in unrealized gains on other than trading securities		1,563	—	1,563
Net assets released from restrictions used for purchase of property, plant, and equipment		3,661	—	3,661
Net change in equity of joint venture		3,060	—	3,060
Pension and other postretirement adjustments		46,882	—	46,882
Distributions to noncontrolling interest owners		—	(5,080)	(5,080)
Transfers to affiliates and other changes, net		(3,312)	(3,820)	(7,132)
Increase in net assets		137,740	20,413	158,153
Balance as of August 31, 2011	$	638,462	164,810	803,272

(9) Pension Plan

Most of the System's employees are covered by one of the System's several noncontributory defined benefit pension plans, while a portion are covered by defined contribution retirement plans. The System's noncontributory defined benefit pension plans provide benefits based upon age at retirement, years of credited services, and average earnings. Seven of the System's eight defined benefit plans are deemed church plans under the Internal Revenue Code. For defined benefit pension plans deemed to be church plans under the Internal Revenue Code, the System's funding policy is to make contributions to fund the annual service cost of the plans plus a 15 year amortization of the unfunded Accumulated Benefit Obligation. Defined benefit pension plans that are subject to the Employee Retirement Income Security Act of 1974 guidelines are funded in accordance with those guidelines. The service cost and projected benefit obligation are based upon the projected unit credit actuarial method.

In July 2011, the company announced the closure of the defined benefit pension plans to all new employees. Existing defined benefit plan participants were given a choice option. This choice option allows a one time election to maintain participation in the defined benefit pension plan or move to a defined contribution retirement plan. Based on an actuarial review of demographic data, the System recognized a curtailment charge of $571 and an increase in unrestricted net assets of $16,666 related to the estimated reduction in the projected benefit obligation.

The investment policy and objectives for defined benefit plan assets are established by BSHSI and are based on a long-term perspective. An investment advisory firm engaged by BSHSI reviews asset performance and allocation on a periodic basis throughout the fiscal year. The percentage allocation to each asset class may vary depending upon market conditions and is adjusted when it falls outside the established ranges set for each asset class.

(In thousands)

The following are deferred pension costs, which have not yet been recognized in periodic pension expense but are accrued in unrestricted net assets, as of August 31, 2011 and 2010. Unrecognized actuarial losses represent unexpected changes in the projected benefit obligation and plan assets over time, primarily due to changes in assumed discount rates and investment experience. Unrecognized prior service cost is the impact of changes in plan benefits applied retrospectively to employee service previously rendered. Deferred pension costs are amortized into annual pension expense over the expected average remaining assumed service period for active employees.

	Amounts in unrestricted net assets at August 31, 2011	Amounts in unrestricted net assets at August 31, 2010	Amounts in unrestricted net assets to be recognized in fiscal year 2012
Net prior service cost	$ 565	964	199
Net actuarial losses	235,410	281,900	16,130
Transition asset	(22)	(29)	(7)
Total	$ 235,953	282,835	16,322

The components of the funded status, net periodic benefit costs, and actuarial assumptions used in accounting for defined benefit pension plans for the years ended August 31, 2011 and 2010 are as follows:

	2011	2010
Change in projected benefit obligation:		
Net projected benefit obligation at beginning of year	$ 727,447	643,771
Service cost	23,817	20,256
Interest cost	38,771	37,489
Actuarial loss	1,730	50,632
Plan amendments	498	(583)
Curtailments	(16,095)	—
Gross benefits paid	(25,614)	(24,118)
Projected benefit obligation at end of year	750,554	727,447
Change in plan assets:		
Fair value of plan assets at beginning of year	376,591	353,824
Actual return on plan assets	50,645	26,218
Employer contributions	38,365	20,667
Gross benefits paid	(25,614)	(24,118)
Fair value of plan assets at end of year	439,987	376,591
Net amount recognized at end of year	$ (310,567)	(350,856)

(Continued)

(In thousands)

		2011	2010
Accumulated benefit obligation at end of year	$	718,417	680,879
Amounts recognized in the consolidated balance sheets consist of:			
Accrued benefit costs – long term	$	(310,567)	(350,856)
Components of net periodic benefit cost:			
Service cost	$	23,817	20,256
Interest cost		38,771	37,489
Expected return on plan assets		(34,884)	(34,591)
Amortization of:			
Actuarial loss		16,518	8,397
Prior service cost		325	416
Transition asset		(7)	(7)
Total net periodic benefit costs	$	44,540	31,960
Weighted average assumptions used to determine benefit obligations at August 31:			
Discount rate		5.35%	5.30%
Rate of compensation increase		3.50	3.50
Weighted average assumptions used to determine net periodic benefit cost at August 31:			
Discount rate		5.30%	5.80%
Expected return on plan assets		7.80	7.80
Rate of compensation increase		3.50	3.50

Net pension expense is included as a component of fringe benefits recorded as salaries, wages, and benefits in the accompanying consolidated statements of operations.

The expected long-term rate of return of the pension plan assets used for determining pension expense was 7.80% and was determined based upon a review of the System's long-term rate of return experienced in the capital markets for the target asset allocation employed to invest pension assets.

(In thousands)

The System's pension plan asset allocation is planned to include approximately 65% equities, 30% fixed income/cash, and 5% alternatives. Equity investments are balanced between type and size of investment and investment managers are monitored against benchmarks. Pension plan assets at August 31, 2011 and 2010 by asset category are as follows:

	2011	2010
Asset category:		
Equity mutual and commingled funds and securities	59%	60%
Fixed income mutual funds and securities	27	32
Alternative investments	10	5
Cash	4	3
Total	100%	100%

The following table presents the System's fair value hierarchy for the pension plan assets measured at fair value on a recurring basis as of August 31, 2011:

	Fair value	Fair value measurements Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalents	$ 15,519	14,839	680	—
Equity mutual funds	5,396	5,396	—	—
Equity commingled funds	47,150	—	47,150	—
Common and preferred stocks	206,625	206,625	—	—
Fixed income mutual funds	63,238	63,238	—	—
U.S. Government and agency securities	15,744	15,744	—	—
Corporate obligations	41,720	—	41,660	60
Alternative investments	44,595	—	—	44,595
Total investments	$ 439,987	305,842	89,490	44,655

(In thousands)

The following table presents the System's fair value hierarchy for the pension plan assets measured at fair value on a recurring basis as of August 31, 2010:

	Fair value	Fair value measurements Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalents	$ 11,511	11,511	—	—
Equity mutual funds	7,537	7,537	—	—
Equity commingled funds	43,498	—	43,498	—
Common and preferred stocks	174,029	174,029	—	—
Fixed income mutual funds	87,132	87,132	—	—
Corporate obligations	33,129	—	33,129	—
Alternative investments	19,755	—	—	19,755
Total investments	$ 376,591	280,209	76,627	19,755

There were no significant transfers between Level 1, 2 and 3 during the years ended August 31, 2011 and 2010.

The change in the fair value for the pension assets valued using significant unobservable inputs (Level 3) was due to the following:

	Level 3 assets Fixed maturities	Corporate Bonds	Alternative investments	Total
Beginning balance September 1, 2009	$ —	—	—	—
Total net gains realized	2	—	—	2
Total net gains unrealized	—	—	255	255
Purchases	322	—	19,500	19,822
Sales	(324)	—	—	(324)
Ending balance August 31, 2010	—	—	19,755	19,755
Total net gains realized	—	1	—	1
Total net (losses) gains unrealized	—	(2)	1,340	1,338
Purchases	—	130	23,500	23,630
Sales	—	(69)	—	(69)
Ending balance August 31, 2011	$ —	60	44,595	44,655

The System applies ASU No. 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent),* to its pension plan asset portfolio. The guidance amends ASC Topic 820 and permits, as a practical expedient, fair value of investments within its scope to be estimated using net asset value or its equivalent. The alternative investments classified within Level 3 of the fair value hierarchy have been recorded using Net Asset Value (NAV).

(In thousands)

The following summarizes redemption and commitment terms for the alternative investment vehicles held in the pension plan assets as of and for the year ended August 31, 2011:

Pension Plan Alternative Investment Terms as of August 31, 2011

		Hedge fund	Hedge fund
Redemption timing:			
Redemption frequency		Monthly	Quarterly
Required notice		70 days	95 days
Audit reserve:			
Percentage held back for audit reserve		10%	10%
Gates:			
Potential gate holdback		—%	—%
Potential gate release timeframe		n/a	n/a
Unfunded commitments	$	—	—

The System expects to contribute $34,992 to its pension plans in fiscal year 2012.

Future pension benefit payments, which reflect expected future service, as appropriate, are expected as follows:

Fiscal year:		
2012	$	42,836
2013		32,521
2014		35,628
2015		36,520
2016		39,183
2017 – 2021		229,250

The System also has various contributory, tax-deferred annuity, and savings plans with participation available to certain employees. The System matches employee contributions up to 7% of compensation under certain defined contribution plans. The System contributed approximately $17,617 and $14,202 towards these plans during the years ended August 31, 2011 and 2010, respectively. Total expense was $18,515 and $15,537 in 2011 and 2010, respectively.

In addition to the retirement plan described above, other postretirement healthcare benefits are provided to certain qualified retirees who meet certain eligibility requirements. The net obligation recognized in the accompanying consolidated balance sheets at August 31, 2011 and 2010 is $3,795 and $3,812, respectively.

(10) Reimbursement Programs

The System participates in the Medicare and Medicaid programs. Payment rates for inpatient services provided to program beneficiaries are governed by the applicable regulations and implementation provisions thereunder, based generally on prospectively determined rates using clinical and diagnostic charges. Capital costs are also generally based upon prospectively determined rates. However, certain services are subject to cost-based reimbursement principles, subject to certain limitations. The System also participates in Blue Cross and other managed care programs. Generally, these programs provide for payments based on negotiated rates; however, certain plans utilize cost-based or charge-based payment principles.

Programs utilizing cost-based reimbursement principles are subject to review and final determination by appropriate program representatives. In the opinion of management, adequate provision has been made for any adjustments that may result from such reviews. Due to third-party payors, net, is included in other accrued expenses in the accompanying consolidated balance sheets.

In 2005, the Centers for Medicare and Medicaid Services (CMS) implemented a new demonstration project using recovery audit contractors (RACs) as part of the CMS's further efforts to assure accurate patient payments. The project uses the RACs to search for potentially inaccurate Medicare payments that may have been made to healthcare providers and that were not detected through existing CMS program integrity efforts. Once a RAC identifies a claim it believes is inaccurate, it makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. Certain System affiliates have been the subject of RAC audits. As of August 31, 2011, the BSHSI hospitals in Kentucky, South Carolina, New York, and Virginia had received notices. To date, the BSHSI hospitals in South Carolina and New York have had a nominal amount of Medicare claims denied and the BSHSI hospital in Kentucky has had a nominal amount of claims denied. Additional RAC assessments against the System are anticipated; however, the outcome of such assessments is unknown and cannot be reasonably estimated.

During 2008 and 2009, State Medicaid Integrity Programs (referred to as MIPs) were initiated by CMS through contractors. Virginia, Florida and New York are the only states in which BSHSI operates where MIP audits have been initiated. As of August 31, 2011, MIP audits have been initiated in BSHSI hospitals in Virginia and New York with nominal findings. The outcome of any open audit reports is uncertain and cannot be reasonably estimated. In addition to RAC and MIP audits, System affiliates may from time to time be subject to other audits by state or federal agencies, including state Medicaid programs. The outcome of these audits is uncertain and the impact cannot be reasonably estimated at this time.

The System's management strives to anticipate factors that affect payment changes and develop plans to address them. Management attempts to address these issues proactively through its policies and practices that focus on areas such as charity and uninsured care as well as effective managed care contracting, accounts receivable and revenue cycle best practices and analysis of potential government payment changes. Nonetheless, future actions by federal, state, and private payors could have a significant adverse effect on the System's operating results, cash flows, and liquidity. In addition, management pursues the highest level of compliance, but state and federal audits by the Offices of the Inspector General do create uncertainty. At this time, the System has one audit underway. The outcome of this audit is uncertain and the impact cannot be reasonably estimated at this time.

As a result of recently enacted federal healthcare reform legislation, substantial changes are anticipated in the U.S. healthcare system. Such legislation includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement of healthcare providers, and the legal obligations of health insurers, providers, and employers. These provisions are currently slated to take effect at specified times over approximately the next decade.

Two specific changes have been enacted by CMS this year, both of which present opportunities to the System. The first is value based purchasing. On May 6, 2011, CMS issued the final rule that establishes a hospital value-based purchasing program for acute care hospitals paid under the Medicare Inpatient Prospective Payment System. Beginning in federal fiscal year 2013, value-based incentive payments will be made based upon achievement of or improvement on a set of clinical and patient experience of care quality measures designed to foster improved clinical outcomes for hospital patients as well as improve how patients experience inpatient care. The System's hospitals are currently measuring quality indicators consistent with the CMS value based purchasing methodology and creating action plans to continue improvement in future periods in an effort to maximize the System's reimbursement opportunities.

The second change is Meaningful Use – HITECH Stimulus Grants. On July 13, 2010, CMS issued rules to implement the Medicare and Medicaid electronic health record (EHR) incentive program established under the Health Information Technology for Economic and Clinical Health Act (HITECH Act). Certain hospitals and eligible healthcare professionals (EPs) that demonstrate "meaningful use" of certified EHR technology can qualify for Medicare payments beginning in 2011. Medicaid requires that hospitals and EPs "adopt, implement or upgrade" certified EHR, which includes purchasing the technology, in order to receive incentive payments in 2011. Beginning in federal fiscal year 2015, Medicare payment reduction penalties will be assessed against hospitals and EP's that do not achieve meaningful use of EHR. BSHSI had four Virginia hospitals, the South Carolina hospitals and many EPs qualify for EHR incentive payments of approximately $13,300 during the System's fiscal year 2011. As BSHSI has made a substantial investment in qualified EHR, the System expects to qualify providers for Medicaid payments in all States where the State Medicaid Health Information Technology Plan has been submitted to and approved by CMS.

(11) Investments in Joint Ventures and Nonpublic Entities

The System has invested in a number of joint ventures, limited liability corporations and other nonpublic entities to provide specialty healthcare services or engage in other activities. These investments range from minority investments with no control to majority investments or investments with control.

(In thousands)

(a) Roper St. Francis Healthcare – South Carolina

BSHSI, The Medical Society of South Carolina, and the Carolinas Health System, Inc. are members of Care Alliance Health Services (d/b/a Roper St. Francis Healthcare). Roper St. Francis Healthcare is the sole member of and operates Bon Secours – St. Francis Xavier Hospital, Roper Hospital, a supporting foundation and physician practices located in Charleston, South Carolina. BSHSI is obligated to provide 27% of any capital contribution to Roper St. Francis Healthcare and is entitled to 27% of any surplus capital. BSHSI accounts for its interest in Roper St. Francis Healthcare under the equity method and includes its interest in Roper St. Francis Healthcare's excess of revenue over expenses in its consolidated statements of operations as other revenue. Roper St. Francis Healthcare, The Medical Society of South Carolina, and the Carolinas Health System, Inc. are not otherwise affiliated with BSHSI and are not Members of the Obligated Group.

The System recorded income of $10,171 and $6,332 related to its equity interest for the years ended August 31, 2011 and 2010, respectively. Included in these amounts were the System's allocated share of investment gains of $6,287 and $1,842 for the years ended August 31, 2011 and 2010, respectively. In addition, adjustments of $3,259 and $1,091 were recorded as net change in equity of joint ventures in 2011 and 2010, respectively, to reflect the System's 27% interest in the net assets of this joint venture.

The total assets, total liabilities, and net assets as of August 31, 2011 and 2010 and the total revenue, total expenses, investment gains, net, and change in unrestricted net assets for the years then ended for Roper St. Francis Healthcare are as follows:

		2011	2010
Total assets	$	846,700	813,943
Total liabilities		510,675	508,414
Net assets		336,025	305,529
Total revenue		719,956	708,449
Total expenses		704,956	691,815
Investment gains, net		23,285	6,822
Change in unrestricted net assets		40,174	22,327

In May 2008, Roper St. Francis Healthcare began construction of a third 85-bed general acute care hospital and a medical office building, which opened on November 1, 2010. In addition, in June 2009, Roper St. Francis Healthcare received state approval for the construction of an additional 50-bed general acute care hospital located in Berkeley County, South Carolina. The approval of this project is currently under appeal at the request of a local hospital that also received state approval for a 50-bed facility. These capital construction projects will be financed through Roper St. Francis Healthcare's equity. Distributions are expected to be foregone during this construction period.

(b) Bon Secours Holy Family Regional Health System – Pennsylvania

On November 1, 2004, Bon Secours Holy Family Regional Health System, which owned and operated Bon Secours Holy Family Hospital (now known as Bon Secours Hospital), located in Altoona, Pennsylvania, merged with Altoona Hospital, Inc. to form Altoona Regional Health System (referred to as ARHS). ARHS owns and operates Altoona Hospital and Bon Secours Hospital. Until March 8, 2011, Central Pennsylvania Health Services Corporation held a 90% membership interest in ARHS and BSHSI held the remaining 10% membership interest. BSHSI recorded its membership interest in ARHS under the equity method due to the extent of its board powers, and included its interest in ARHS's change in net assets in its consolidated statements of operations as other revenue.

The ARHS bylaws provided that upon the occurrence of certain defined events and dates, BSHSI could exercise a "put" option to require ARHS to purchase BSHSI's membership interest in ARHS at fair market value. In November 2010, BSHSI exercised its "put" option, and on March 8, 2011, BSHSI and ARHS entered into an agreement under which BSHSI withdrew as a member of ARHS, and received a distribution from ARHS of approximately $10,000.

(c) Sentara Princess Anne

On August 3, 2011, BSHSI, DePaul Medical Center and Bon Secours Hampton Roads Health System (referred to as Bon Secours Hampton Roads) entered a joint venture with Sentara Healthcare (Sentara) to own a 154-bed general acute care hospital to be located in Virginia Beach, Virginia. Bon Secours Hampton Roads contributed 42 licensed but unstaffed beds and the remaining beds came from certificates of public need (referred to as CONs) obtained by Sentara or reallocated from existing Sentara facilities.

The new joint venture hospital opened for operations during August 2011 and is owned by a newly formed Virginia not-for-profit, nonstock corporation, in which Sentara holds a 70% membership interest and DePaul Medical Center holds a 30% membership interest. The joint venture is managed by Sentara and the agreements provide the members with rights to "put" and "call" the Bon Secours Hampton Roads' membership interest at fair market value terms upon the occurrence of certain events and dates.

Approximately 80% of the project costs for the new joint venture hospital were financed by the proceeds of tax-exempt borrowings by Sentara, which borrowings were assumed by the joint venture. The remaining project costs plus appropriate working capital is funded 70% by Sentara and 30% by Bon Secours Hampton Roads. The System's cash capital contributions to the joint venture in 2011 were approximately $20,600. The joint venture will fund operating and capital reserves from its operations. Distributions to members will occur in accordance with the respective membership interests following the build up by the joint venture of days cash on hand above certain thresholds. If the joint venture undertakes major capital projects, such projects will be funded by a portion of joint venture indebtedness and use of capital reserves, and if necessary by capital contributions of the members in accordance with their respective membership interests.

(In thousands)

The total assets, total liabilities, and net assets as of August 31, 2011 for Sentara Princess Anne Hospital are as follows:

		2011
Total assets	$	240,570
Total liabilities		174,727
Net assets		65,843

(12) Sales and New Businesses

On October 21, 2010, eight System affiliates located in Richmond and Hampton Roads, Virginia sold their outreach clinical reference laboratory services business to an independent third party. These laboratory services contributed less than 1.0% of the System's total revenue during the fiscal year ended August 31, 2010 and the assets that were sold were nominal. The sale of the laboratory services was undertaken to take advantage of favorable market conditions before future reimbursement and market uncertainties change and generated an approximate gain of $30,000, reported in other revenue during the year ended August 31, 2011.

(13) Other Commitments and Contingent Liabilities

(a) General and Professional Liability Insurance

The System participates in a self-insurance program for health professional/general liability (HPL/GL Program) by policies issued under a member of the System, Bon Secours Assurance Company, LTD (BSAC). BSAC is incorporated in the Cayman Islands. BSHSI is the sole shareholder of BSAC. Assets are available under the HPL/GL Program to provide specified levels of claims-made coverage for health professional liabilities and occurrence-based coverage for general liabilities, with excess layers reinsured through commercial carriers under policies written on a claims-made basis.

The provision for claims and related funding levels for the HPL/GL Program is established annually based upon the recommendations of consulting actuaries. BSAC has accrued claims including liabilities for incidents incurred but not reported of approximately $102,346 and $69,958 at August 31, 2011 and 2010, respectively. The current portion of such accruals is included in other accrued expenses, and the remainder is reported within other long-term liabilities in the accompanying consolidated balance sheets. Amounts recorded for unpaid claims are based upon the estimated present value of future claim payments and such amounts are undiscounted and based upon an actuarial estimate.

(b) Workers' Compensation Insurance

The System's workers' compensation program primarily consists of self-insurance programs in various states with excess coverage through a commercial insurer. Mary Immaculate Hospital, which is also a participant of the System's workers' compensation program, is insured under a large deductible policy. Accrued workers' compensation claims of $40,486 and $35,699, of which the current portion is reported as other accrued expenses and the remainder is reported within other long-term liabilities in the accompanying consolidated balance sheets, include estimates for incidents incurred but not reported at August 31, 2011 and 2010, respectively. Amounts recorded for unpaid claims are based upon the estimated present value of future claim payments using a discount rate of 3.0% and 3.5%, as of August 31, 2011 and 2010, respectively.

(In thousands)

(c) Employee Health Insurance

Employee health benefits of the System are principally provided through the System's self-insurance program. Accrued claims associated with this program, reported as other accrued expenses in the accompanying consolidated balance sheets, of approximately $17,375 and $14,739 include estimates for claims incurred but not reported at August 31, 2011 and 2010, respectively.

(d) Litigation

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments. The System's compliance with these laws and regulations can be subject to periodic governmental review and interpretation, which can result in regulatory action unknown or unasserted at this time. Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the ordinary course of business. It is management's opinion that the ultimate resolution of these pending claims and regulatory matters will not have a material adverse effect on the System's consolidated results of operations or financial position.

(e) Operating Leases

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred. Total rental expense was $90,050 and $82,830 in 2011 and 2010, respectively. Future rental payments under noncancelable operating leases with durations in excess of one year are as follows:

2012	$	69,399
2013		55,198
2014		49,180
2015		39,886
2016		28,836
Thereafter		81,157

Certain local systems entered into agreements to lease space in medical office buildings (MOBs) under construction by external development companies. Based on the provisions of ASC Topic 840-40-05-5, *Lessee Involvement with Construction*, local systems were considered the owner of the MOBs during construction. These transactions do not qualify for sale-leaseback accounting and as such are treated as financing transactions. Accordingly, the associated financing obligations, along with their related construction in progress or building assets of $40,070 at August 31, 2011 and

2010, are included in other long-term liabilities and construction in progress or buildings 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.

Subsequent to August 31, 2011, the System has entered into additional operating leases and developments as a matter of ongoing business.

(f) Guaranty Agreements

Affiliates of the System entered into several limited partnership agreements during the period from 1997 through 2010. The limited partnerships are involved in housing projects in the System's Baltimore market. System affiliates have entered into guaranty agreements with the limited partnerships during 1997 through 2010, whereby they have agreed to advance funds to the partnerships under specified conditions. The termination of each guaranty agreement is predicated on the occurrence of certain events. All such guaranty agreements are still in effect as of August 31, 2011. System affiliates have not been obligated to make any guarantee payments under the guaranty agreements to date through August 31, 2011. The maximum potential amount of future payments the System affiliates are obligated to make was $14,795 and $5,583 as of August 31, 2011 and 2010, respectively.

(14) Net Assets

BSHSI's endowments consist of approximately 79 individual funds established for a variety of purposes. Net assets associated with endowment funds, including board-designated funds, are classified and reported based on the existence or absence of donor or board-imposed restrictions and the nature of the restrictions, if any.

The System's endowment net assets are comprised of permanently restricted funds, which were $6,854 and $6,755 at August 31, 2011 and 2010, respectively. The System does not hold any board-designated endowment funds within unrestricted net assets or temporarily restricted net assets.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the System to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. There were no significant deficiencies at August 31, 2011 and 2010.

(In thousands)

The System has investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the System must hold in perpetuity or for a donor-specified period as well as board-designated funds. The practice allows the endowment assets to be invested in a manner that is intended to produce investment returns that exceed the price and yield the results of the allocation index while assuming a moderate level of investment risk. The System expects its endowment funds to provide a rate of return that preserves the gift and generates earnings to achieve the endowment purpose.

To satisfy its long-term rate-of-return objectives, the System relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and interest and dividend income. The System uses diversified asset allocation to achieve its long-term return objectives within prudent risk constraints to preserve capital.

BSHSI has a practice of distributing the major portion of current year earnings on the endowment funds, if the restrictions have been met. This is consistent with the System’s objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

(15) Functional Expenses

The functional breakdown of expenses incurred by the System in fulfilling its mission for the years ended August 31, 2011 and 2010 is as follows:

		2011	2010
Healthcare services	$	2,934,952	2,700,692
General and administrative		288,446	282,496
Total expenses	$	3,223,398	2,983,188

(16) Subsequent Events

Management evaluated all events and transactions that occurred after August 31, 2011 and through November 4, 2011. The System did not have any material recognizable subsequent events during this period.

BON SECOURS HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Index to Consolidating Information

KPMG LLP
1 East Pratt Street
Baltimore, MD 21202-1128

Independent Auditors' Report on Supplementary Information

The Board of Directors
Bon Secours Health System, Inc. and Subsidiaries:

We have audited and reported separately herein on the consolidated financial statements of Bon Secours Health System, Inc. and Subsidiaries as of and for the years ended August 31, 2011 and 2010.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements of Bon Secours Health System, Inc. and Subsidiaries taken as a whole. The supplementary information included in Schedules 1.1 through 2.10 is presented for purposes of additional analysis and is not a required part of the basis consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

KPMG LLP

November 4, 2011

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2011
(with comparative totals for 2010)

		Bon Secours Baltimore Health Corporation	Bon Secours Hampton Roads Healthcare System	Bon Secours Richmond Health Corporation	Bon Secours St. Francis Health System, Inc.	Bon Secours Kentucky Health System, Inc.	Bon Secours New York Health System, Inc.	Bon Secours Charity Health System, Inc.
Assets								
Current assets:								
Cash and cash equivalents	$	294	117,270	280,869	244,252	9,698	7,107	2,327
Accounts receivable, net:								
Patient and third-party payors		19,541	76,669	127,436	63,314	19,841	7,939	68,390
Other		3,535	1,769	20,189	5,543	1,204	201	1,188
Total accounts receivable, net		23,076	78,438	147,625	68,857	21,045	8,140	69,578
Assets limited or restricted as to use		288	2,786	4,869	899	-	4,130	-
Inventories		1,179	11,375	17,525	13,228	3,886	128	7,217
Prepaid expenses and other current assets		19	4,089	11,643	2,515	1,979	89	1,769
Total current assets		24,856	213,958	462,531	329,751	36,608	19,594	80,891
Assets limited or restricted as to use, less current portion		15,665	116,987	301,428	20,911	9,537	4,387	23,112
Property, plant, and equipment, net		30,318	133,607	370,735	165,602	55,370	23,588	112,049
Deferred financing costs, net		-	763	2,803	-	-	-	-
Goodwill and other assets, net		756	35,263	12,836	83,938	1,544	275	7,130
Total assets	$	71,595	500,578	1,150,333	600,202	103,059	47,844	223,182
Liabilities and Net Assets								
Current liabilities:								
Current portion of long-term debt	$	700	1,456	4,216	-	-	33,319	1,151
Accounts payable		8,101	41,123	60,278	27,201	6,122	3,841	18,228
Accrued salaries, wages, and benefits		6,428	23,834	41,429	27,122	7,059	3,177	27,576
Other accrued expenses		4,364	4,600	16,885	3,362	4,778	546	14,345
Due to (from) affiliate		(583)	(2,058)	(5,169)	(2,868)	(2,218)	(167)	(1,548)
Total current liabilities		19,010	68,955	117,639	54,817	15,741	40,716	59,752
Long-term debt, less current portion		8,027	39,099	70,801	317	-	6,544	82,154
Due to (from) affiliate, less current portion		94,361	112,381	208,499	377,470	24,362	5	100,252
Other long-term liabilities and deferred credits		22,649	45,021	161,119	17,670	34,304	6,599	15,338
Total liabilities		144,047	265,456	558,058	450,274	74,407	53,864	257,496
Net assets:								
Unrestricted-controlling interest		(74,156)	168,042	469,824	146,078	26,027	(7,756)	(39,790)
Unrestricted-noncontrolling interest		-	63,014	100,761	877	-	-	-
Total unrestricted		(74,156)	231,056	570,585	146,955	26,027	(7,756)	(39,790)
Temporarily restricted		1,704	3,202	17,991	2,539	1,398	1,736	4,847
Permanently restricted		-	864	3,699	434	1,227	-	629
Total net assets		(72,452)	235,122	592,275	149,928	28,652	(6,020)	(34,314)
	$	71,595	500,578	1,150,333	600,202	103,059	47,844	223,182

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2011
(with comparative totals for 2010)

	Bon Secours St. Petersburg Health System, Inc.	Bon Secours Associates, LLC	Bon Secours Assurance Company, Ltd.	Bon Secours Health System Office	Consolidating Eliminations	2011 Consolidated	2010 Consolidated
Assets							
Current assets:							
Cash and cash equivalents	$ 2,097	-	-	0	(504,279)	159,635	180,255
Accounts receivable, net:							
Patient and third-party payors	2,166	-	-	-	0	385,296	348,307
Other	107	-	-	3,616	(33)	37,319	15,238
Total accounts receivable, net	2,273	-	-	3,616	(33)	422,615	363,545
Assets limited or restricted as to use	0	-	17,382	48,540	(1)	78,893	62,187
Inventories	89	-	-	-	1	54,628	49,231
Prepaid expenses and other current assets	376	-	-	3,157	(7,502)	18,134	21,553
Total current assets	4,835	-	17,382	55,313	(511,814)	733,905	676,771
Assets limited or restricted as to use, less current portion	-	454	58,759	251,402	67,203	869,845	790,687
Property, plant, and equipment, net	12,518	-	-	169,806	11,633	1,085,226	1,077,741
Deferred financing costs, net	-	-	-	9,229	(1)	12,794	12,774
Goodwill and other assets, net	-	1,267	26,858	135,620	(25,702)	279,785	247,187
Total assets	$ 17,353	1,721	102,999	621,370	(458,681)	2,981,555	2,805,160
Liabilities and Net Assets							
Current liabilities:							
Current portion of long-term debt	-	-	-	19,604	577	61,023	26,573
Accounts payable	926	-	-	16,822	(150)	182,491	169,874
Accrued salaries, wages, and benefits	1,338	-	-	20,462	(1)	158,424	152,763
Other accrued expenses	414	-	17,382	48,576	(7,573)	107,679	99,442
Due to (from) affiliate	(187)	-	-	14,638	160	0	0
Total current liabilities	2,491	-	17,382	120,102	(6,987)	509,617	448,652
Long-term debt, less current portion	-	-	-	855,370	(47,993)	1,014,319	1,033,041
Due to (from) affiliate, less current portion	16,464	-	-	(496,518)	(437,276)	-	-
Other long-term liabilities and deferred credits	961	1	85,617	241,666	(24,363)	606,582	638,212
Total liabilities	19,916	1	102,999	720,620	(516,619)	2,130,518	2,119,905
Net assets:							
Unrestricted-controlling interest	(2,955)	1,720	-	(106,510)	57,937	638,462	500,722
Unrestricted-noncontrolling interest	157	-	-	-	1	164,810	144,397
Total unrestricted	(2,797)	1,720	-	(106,510)	57,938	803,272	645,119
Temporarily restricted	235	-	-	7,260	(1)	40,911	33,381
Permanently restricted	-	-	-	-	1	6,854	6,755
Total net assets	(2,563)	1,720	-	(99,250)	57,938	851,037	685,255
	$ 17,353	1,721	102,999	621,370	(458,681)	2,981,555	2,805,160

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2011
(with comparative totals for 2010)

	Bon Secours Baltimore Health Corporation						
	Bon Secours Hospital Baltimore	BS Community Health Services	Bon Secours of Maryland Foundation	Urban Medical Institute	Consolidating Eliminations	2011 Consolidated	2010 Consolidated
Assets							
Current assets:							
Cash and cash equivalents	$ (70,580)	(381)	70	(700)	71,885	294	560
Accounts receivable, net:							
Patient and third-party payors	19,303	238	-	-	0	19,541	15,154
Other	2,268	1	1,237	12	17	3,535	2,146
Total accounts receivable, net	21,571	239	1,237	12	17	23,076	17,300
Assets limited or restricted as to use	-	-	288	-	0	288	6
Inventories	1,179	-	-	-	0	1,179	948
Prepaid expenses and other current assets	15	-	3,233	-	(3,229)	19	1,242
Total current assets	(47,815)	(142)	4,828	(688)	68,673	24,856	20,056
Assets limited or restricted as to use, less current portion	9,608	-	6,057	-	0	15,665	13,867
Property, plant, and equipment, net	28,472	103	43,267	-	(41,524)	30,318	36,518
Deferred financing costs, net	-	-	66	-	(66)	-	-
Goodwill and other assets, net	13	-	122	-	621	756	1,121
Total assets	$ (9,722)	(39)	54,340	(688)	27,704	71,595	71,562
Liabilities and Net Assets							
Current liabilities:							
Current portion of long-term debt	$ 700	-	440	-	(440)	700	635
Accounts payable	7,980	8	3,942	-	(3,829)	8,101	9,175
Accrued salaries, wages, and benefits	6,428	-	19	-	(19)	6,428	5,585
Other accrued expenses	4,364	-	3,367	-	(3,367)	4,364	3,873
Due to (from) affiliate	(18,037)	13,016	1,363	3,075	0	(583)	(3)
Total current liabilities	1,435	13,024	9,131	3,075	(7,655)	19,010	19,265
Long-term debt, less current portion	7,925	-	15,110	-	(15,008)	8,027	9,010
Due to affiliate, less current portion	17,485	-	4,668	-	72,208	94,361	94,761
Other long-term liabilities and deferred credits	22,649	-	1	-	(1)	22,649	24,138
Total liabilities	49,494	13,024	28,910	3,075	49,544	144,047	147,174
Net assets:							
Unrestricted-controlling interest	(59,815)	(13,063)	1,826	(3,763)	659	(74,156)	(75,740)
Unrestricted-noncontrolling interest	-	-	22,499	-	(22,499)	-	-
Total unrestricted	(59,815)	(13,063)	24,325	(3,763)	(21,840)	(74,156)	(75,740)
Temporarily restricted	599	-	1,105	-	0	1,704	128
Permanently restricted	-	-	-	-	-	-	-
Total net assets	(59,216)	(13,063)	25,430	(3,763)	(21,840)	(72,452)	(75,612)
	$ (9,722)	(39)	54,340	(688)	27,704	71,595	71,562

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2011
(with comparative totals for 2010)

	Bon Secours Hampton Roads Healthcare System										
	Maryview Medical Center	Bon Secours Maryview Nursing Care Center	Professional Health Care Mgmt Services	Bon Secours DePaul Medical Center, Inc.	Tidewater Diversified, Inc.	Mary Immaculate Hospital, Inc.	St. Francis Nursing Care Center, Inc.	Other Corporations	Consolidating Eliminations	2011 Consolidated	2010 Consolidated
Assets											
Current assets:											
Cash and cash equivalents	$ 17,003	14,968	1,864	(70,963)	1,295	70,440	7,122	4,573	70,968	117,270	102,007
Accounts receivable, net:											
Patient and third-party payors	34,507	849	-	20,332	-	20,104	876	-	1	76,669	71,014
Other	454	(1)	151	495	284	117	-	268	1	1,769	1,135
Total accounts receivable, net	34,961	848	151	20,827	284	20,221	876	268	2	78,438	72,149
Assets limited or restricted as to use	92	12	-	64	-	914	-	1,705	(1)	2,786	2,682
Inventories	4,058	-	-	2,863	400	3,481	-	573	0	11,375	11,033
Prepaid expenses and other current assets	2,187	9	19	1,256	1	276	15	327	(1)	4,089	2,503
Total current assets	58,301	15,837	2,034	(45,953)	1,980	95,332	8,013	7,446	70,968	213,958	190,374
Assets limited or restricted as to use, less current portion	78,626	0	-	10,692	-	25,335	-	2,334	0	116,987	107,457
Property, plant, and equipment, net	51,518	1,643	9,942	38,638	0	29,392	1,475	998	1	133,607	131,584
Deferred financing costs, net	298	60	-	72	-	295	37	-	1	763	865
Goodwill and other assets, net	3,766	-	-	29,810	354	546	-	1,638	(851)	35,263	14,339
Total assets	$ 192,509	17,540	11,976	33,259	2,334	150,900	9,525	12,416	70,119	500,578	444,619
Liabilities and net assets											
Current liabilities:											
Current portion of long-term debt	$ 600	0	(4)	-	-	860	-	-	0	1,456	932
Accounts payable	17,329	506	141	9,741	219	9,871	495	2,812	9	41,123	39,932
Accrued salaries, wages, and benefits	18,507	155	154	2,175	80	1,512	135	1,115	1	23,834	20,647
Other accrued expenses	2,271	643	27	1,574	-	(202)	80	207	0	4,600	4,952
Due to (from) affiliate	(4,610)	(103)	4,304	(650)	0	(699)	(65)	(228)	(7)	(2,058)	712
Total current liabilities	34,097	1,201	4,622	12,840	299	11,342	645	3,906	3	68,955	67,175
Long-term debt, less current portion	23,846	3,900	-	-	-	11,353	-	-	0	39,099	40,928
Due to (from) affiliate, less current portion	(11,934)	-	3,607	46,739	-	(2,691)	3,498	2,194	70,968	112,381	86,871
Other long-term liabilities and deferred credits	23,224	(1)	3,978	6,464	1	7,463	(1)	3,896	(3)	45,021	53,745
Total liabilities	69,233	5,100	12,207	66,043	300	27,467	4,142	9,996	70,968	265,456	248,719
Net Assets:											
Unrestricted-controlling interest	123,191	12,440	(1,214)	(32,793)	2,034	122,861	5,364	(960)	(62,881)	168,042	135,118
Unrestricted-noncontrolling interest	-	-	983	-	-	-	-	-	62,031	63,014	56,843
Total unrestricted	123,191	12,440	(231)	(32,793)	2,034	122,861	5,364	(960)	(850)	231,056	191,961
Temporarily restricted	85	-	-	9	-	524	19	2,564	1	3,202	3,080
Permanently restricted	-	-	-	-	-	48	-	816	0	864	859
Total net assets	123,276	12,440	(231)	(32,784)	2,034	123,433	5,383	2,420	(849)	235,122	195,900
	$ 192,509	17,540	11,976	33,259	2,334	150,900	9,525	12,416	70,119	500,578	444,619

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2011
(with comparative totals for 2010)

	Bon Secours Richmond Health Corporation									
	St. Mary's Hospital, Inc.	Stuart Circle Hospital, Inc.	Richmond Community Hospital	St. Francis Medical Center	Memorial Regional Medical Center	Bon Secours Healthsource Company Group	Other Corporations	Consolidating Eliminations	2011 Consolidated	2010 Consolidated
Assets										
Current assets:										
Cash and cash equivalents	$ 228,274	(11,512)	(41,004)	(36,481)	144,540	(30,540)	(18,756)	46,348	280,869	248,130
Accounts receivable, net:										
Patient and third-party payors	56,253	-	6,007	23,265	33,170	7,099	1,641	1	127,436	124,549
Other	3,817	-	931	3,803	4,690	1,341	5,607	0	20,189	7,264
Total accounts receivable, net	60,070	-	6,938	27,068	37,860	8,440	7,248	1	147,625	131,813
Assets limited or restricted as to use	1,425	-	1	0	22	-	3,420	1	4,869	4,800
Inventories	6,004	-	922	3,635	4,979	320	1,665	0	17,525	16,400
Prepaid expenses and other current assets	1,667	-	307	883	1,423	5,487	1,879	(3)	11,643	10,089
Total current assets	297,440	(11,512)	(32,836)	(4,895)	188,824	(16,293)	(4,544)	46,347	462,531	411,232
Assets limited or restricted as to use, less current portion	276,509	-	-	-	12,065	-	12,855	(1)	301,428	272,036
Property, plant, and equipment, net	136,438	-	11,817	110,145	88,472	21,271	2,591	1	370,735	357,751
Deferred financing costs, net	780	-	-	1,324	699	-	-	0	2,803	2,950
Goodwill and other assets, net	1,127	-	86	906	50	6,020	4,647	0	12,836	10,528
Total assets	$ 712,294	(11,512)	(20,933)	107,480	290,110	10,998	15,549	46,347	1,150,333	1,054,497
Liabilities and net assets										
Current liabilities:										
Current portion of long-term debt	$ 1,127	-	-	-	3,030	59	-	0	4,216	5,428
Accounts payable	21,277	-	1,765	11,264	14,875	1,505	9,591	1	60,278	53,538
Accrued salaries, wages, and benefits	40,807	-	131	2	342	147	-	0	41,429	40,423
Other accrued expenses	5,863	-	693	3,889	2,603	2,840	998	(1)	16,885	18,033
Due from affiliate	(1,926)	-	(212)	(916)	(1,438)	(404)	(271)	(2)	(5,169)	-
Total current liabilities	67,148	-	2,377	14,239	19,412	4,147	10,318	(2)	117,639	117,422
Long-term debt, less current portion	48,101	-	-	-	22,700	-	-	0	70,801	75,039
Due to affiliate, less current portion	12,835	24,854	2,584	80,000	41,880	0	-	46,346	208,499	197,207
Other long-term liabilities and deferred credits	111,806	(1)	36	3,801	43,281	286	1,907	3	161,119	163,203
Total liabilities	239,890	24,853	4,997	98,040	127,273	4,433	12,225	46,347	558,058	552,871
Net Assets:										
Unrestricted-controlling interest	472,370	(36,365)	(25,932)	9,436	162,713	86	(112,484)	0	469,824	398,673
Unrestricted-noncontrolling interest	-	-	-	-	-	6,479	94,282	0	100,761	86,437
Total unrestricted	472,370	(36,365)	(25,932)	9,436	162,713	6,565	(18,201)	(1)	570,585	485,110
Temporarily restricted	34	-	2	4	4	-	17,946	1	17,991	12,901
Permanently restricted	-	-	-	-	120	-	3,579	0	3,699	3,615
Total net assets	472,404	(36,365)	(25,930)	9,440	162,837	6,565	3,324	-	592,275	501,626
	$ 712,294	(11,512)	(20,933)	107,480	290,110	10,998	15,549	46,347	1,150,333	1,054,497

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Schedule 1.5

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2011
(with comparative totals for 2010)

		St. Francis Health System, Inc.								
		St. Francis - Downtown	St. Francis - Eastside	St. Francis Physician Services	Upstate Surgery Center	St Francis - Millennium	St. Francis Foundation	Consolidating Eliminations	2011 Consolidated	2010 Consolidated
Assets										
Current assets:										
Cash and cash equivalents	$	128,103	112,259	(110,363)	824	(5,837)	1,096	118,170	244,252	177,042
Accounts receivable, net:										
Patient and third-party payors		30,410	22,693	9,373	379	459	-	0	63,314	53,985
Other		3,596	(1)	1,409	-	-	540	(1)	5,543	1,461
Total accounts receivable, net		34,006	22,692	10,782	379	459	540	(1)	68,857	55,446
Assets limited or restricted as to use		-	-	-	-	-	899	0	899	736
Inventories		11,155	1,976	31	66	-	-	0	13,228	10,698
Prepaid expenses and other current assets		1,274	54	972	-	175	39	1	2,515	2,583
Total current assets		174,538	136,981	(98,578)	1,269	(5,203)	2,574	118,170	329,751	246,505
Assets limited or restricted as to use, less current portion		16,331	-	-	-	-	4,580	0	20,911	18,535
Property, plant, and equipment, net		97,783	49,979	-	414	17,427	-	(1)	165,602	171,571
Deferred financing costs, net		-	-	-	-	-	-	-	-	-
Goodwill and other assets, net		83,641	-	-	297	-	-	0	83,938	83,938
Total assets	$	372,293	186,960	(98,578)	1,980	12,224	7,154	118,169	600,202	520,549
Liabilities and net assets										
Current liabilities:										
Current portion of long-term debt	$	-	-	-	-	-	-	-	-	-
Accounts payable		20,298	4,865	1,752	196	90	-	0	27,201	21,467
Accrued salaries, wages, and benefits		19,927	2,351	4,662	49	133	-	0	27,122	22,613
Other accrued expenses		1,989	311	952	87	24	-	(1)	3,362	2,831
Due to (from) affiliate		(2,316)	(508)	-	(15)	(30)	-	1	(2,868)	-
Total current liabilities		39,898	7,019	7,366	317	217	-	-	54,817	46,911
Long-term debt, less current portion		16	301	-	-	-	-	0	317	426
Due to affiliate, less current portion		259,300	-	-	-	-	-	118,170	377,470	344,638
Other long-term liabilities and deferred credits		590	12	8	1	17,059	-	0	17,670	6,373
Total liabilities		299,804	7,332	7,374	318	17,276	-	118,170	450,274	398,348
Net Assets:										
Unrestricted-controlling interest		72,489	179,628	(105,952)	785	(5,052)	4,181	(1)	146,078	118,685
Unrestricted-noncontrolling interest		-	-	-	877	-	-	0	877	1,115
Total unrestricted		72,489	179,628	(105,952)	1,662	(5,052)	4,181	(1)	146,955	119,800
Temporarily restricted		-	-	-	-	-	2,539	0	2,539	1,968
Permanently restricted		-	-	-	-	-	434	0	434	433
Total net assets		72,489	179,628	(105,952)	1,662	(5,052)	7,154	(1)	149,928	122,201
	$	372,293	186,960	(98,578)	1,980	12,224	7,154	118,169	600,202	520,549

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2011
(with comparative totals for 2010)

		Bon Secours Kentucky Health System, Inc.					
		Our Lady of Bellefonte Hospital, Inc.	OLBH Foundation	Bellefonte Physician Services	Consolidating Eliminations	2011 Consolidated	2010 Consolidated
Assets							
Current assets:							
Cash and cash equivalents	$	9,072	405	(24,142)	24,363	9,698	5,387
Accounts receivable, net:							
Patient and third-party payors		17,925	-	1,915	1	19,841	17,013
Other		1,059	37	107	1	1,204	1,343
Total accounts receivable, net		18,984	37	2,022	2	21,045	18,356
Assets limited or restricted as to use		-	-	-	-	-	-
Inventories		3,669	-	217	0	3,886	3,649
Prepaid expenses and other current assets		454	1	1,526	(2)	1,979	1,085
Total current assets		32,179	443	(20,377)	24,363	36,608	28,477
Assets limited or restricted as to use, less current portion		7,030	2,507	-	0	9,537	8,486
Property, plant, and equipment, net		55,370	-	-	0	55,370	57,748
Deferred financing costs, net		-	-	-	-	-	-
Goodwill and other assets, net		1,407	90	46	1	1,544	1,695
Total assets	$	95,986	3,040	(20,331)	24,364	103,059	96,406
Liabilities and Net Assets							
Current liabilities:							
Current portion of long-term debt	$	-	-	-	-	-	-
Accounts payable		5,721	-	401	0	6,122	7,254
Accrued salaries, wages, and benefits		5,912	-	1,147	0	7,059	6,114
Other accrued expenses		4,779	-	(2)	1	4,778	3,371
Due to (from) affiliate		(2,219)	-	1	0	(2,218)	0
Total current liabilities		14,193	-	1,547	1	15,741	16,739
Long-term debt, less current portion		-	-	-	-	-	-
Due to affiliate, less current portion		-	-	-	24,362	24,362	14,734
Other long-term liabilities and deferred credits		34,303	-	-	1	34,304	39,969
Total liabilities		48,496	-	1,547	24,364	74,407	71,442
Net Assets:							
Unrestricted-controlling interest		47,490	415	(21,878)	0	26,027	22,604
Unrestricted-noncontrolling interest		-	-	-	-	-	-
Total unrestricted		47,490	415	(21,878)	0	26,027	22,604
Temporarily restricted		-	1,398	-	0	1,398	1,153
Permanently restricted		-	1,227	-	0	1,227	1,207
Total net assets		47,490	3,040	(21,878)	-	28,652	24,964
	$	95,986	3,040	(20,331)	24,364	103,059	96,406

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2011
(with comparative totals for 2010)

	Bon Secours New York Health System, Inc.						
	Frances Schervier Home and Hospital	Frances Schervier Housing Development	Bon Secours New York Parent Corp.	Schervier Long Term Home Health Care	Consolidating Eliminations	2011 Consolidated	2010 Consolidated
Assets							
Current assets:							
Cash and cash equivalents	$ 6,314	788	5	1	(1)	7,107	10,636
Accounts receivable, net:							
Patient and third-party payors	5,921	-	-	2,019	(1)	7,939	10,021
Other	189	12	-	-	0	201	215
Total accounts receivable, net	6,110	12	-	2,019	(1)	8,140	10,236
Assets limited or restricted as to use	4,130	-	-	0	0	4,130	4,305
Inventories	128	-	-	-	0	128	122
Prepaid expenses and other current assets	86	1	-	1	1	89	135
Total current assets	16,768	801	5	2,021	(1)	19,594	25,434
Assets limited or restricted as to use, less current portion	3,884	503	-	-	0	4,387	4,358
Property, plant, and equipment, net	18,883	4,480	0	225	0	23,588	24,353
Deferred financing costs, net	-	-	-	-	-	-	-
Goodwill and other assets, net	234	42	-	-	(1)	275	329
Total assets	$ 39,769	5,826	5	2,246	(2)	47,844	54,474
Liabilities and Net Assets							
Current liabilities:							
Current portion of long-term debt	$ 33,075	244	-	-	-	33,319	1,512
Accounts payable	2,304	40	122	1,375	0	3,841	4,476
Accrued salaries, wages, and benefits	3,043	10	283	(160)	1	3,177	3,085
Other accrued expenses	544	-	0	2	0	546	781
Due to (from) affiliate	(186)	5	13	-	1	(167)	-
Total current liabilities	38,780	299	418	1,217	2	40,716	9,854
Long-term debt, less current portion	-	6,544	-	-	0	6,544	39,863
Due to (from) affiliate, less current portion	6,524	1,601	334	(8,459)	5	5	-
Other long-term liabilities and deferred credits	6,368	43	-	197	(9)	6,599	4,451
Total liabilities	51,672	8,487	752	(7,045)	(2)	53,864	54,168
Net Assets:							
Unrestricted-controlling interest	(13,614)	(2,661)	(747)	9,266	0	(7,756)	(1,258)
Unrestricted-uoncontrolling interest	-	-	-	-	-	-	-
Total unrestricted	(13,614)	(2,661)	(747)	9,266	0	(7,756)	(1,258)
Temporarily restricted	1,711	-	-	25	0	1,736	1,564
Permanently restricted	-	-	-	-	-	-	-
Total net assets	(11,903)	(2,661)	(747)	9,291	-	(6,020)	306
	$ 39,769	5,826	5	2,246	(2)	47,844	54,474

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2011
(with comparative totals for 2010)

	Bon Secours Charity Health System, Inc										
	Good Samaritan Hospital	St. Anthony Community Hospital	Bon Secours Community Hospital	Schervier Pavilion	Mt. Alverno Assisted Living Facility	Good Samaritan Hospital Foundation	Good Samaritan Hospital Home Care	Other Corporations	Consolidating Eliminations	2011 Consolidated	2010 Consolidated
Assets											
Current assets:											
Cash and cash equivalents	$ (87,215)	10,674	(8,618)	(1,342)	(1,323)	167	34	(10,303)	100,253	2,327	3,262
Accounts receivable, net:											
Patient and third-party payors	40,132	8,214	14,884	1,575	317	-	2,049	1,219	0	68,390	53,582
Other	198	254	95	136	28	110	287	79	1	1,188	84
Total accounts receivable, net	40,330	8,468	14,979	1,711	345	110	2,336	1,298	1	69,578	53,666
Assets limited or restricted as to use	-	-	-	-	-	-	-	-	-	-	-
Inventories	4,756	1,074	1,388	-	-	-	-	-	(1)	7,217	6,298
Prepaid expenses and other current assets	894	90	472	32	31	1	-	250	(1)	1,769	2,192
Total current assets	(41,235)	20,306	8,221	401	(947)	278	2,370	(8,755)	100,252	80,891	65,418
Assets limited or restricted as to use, less current portion	18,687	0	27	-	-	2,619	250	1,530	(1)	23,112	23,799
Property, plant, and equipment, net	71,100	16,601	12,634	5,928	3,921	-	187	1,677	1	112,049	110,681
Deferred financing costs, net	-	-	-	-	-	-	-	-	-	-	-
Goodwill and other assets, net	1,869	1,041	1,619	-	16	437	-	2,148	0	7,130	10,910
Total assets	$ 50,421	37,948	22,501	6,329	2,990	3,334	2,807	(3,400)	100,252	223,182	210,808
Liabilities and Net Assets											
Current liabilities:											
Current portion of long-term debt	$ 385	-	-	-	-	-	-	766	0	1,151	301
Accounts payable	11,831	2,731	2,572	252	8	18	378	437	1	18,228	14,118
Accrued salaries, wages, and benefits	18,617	2,052	3,854	592	235	-	-	2,226	0	27,576	27,322
Other accrued expenses	8,087	2,405	2,371	352	109	-	759	263	(1)	14,345	12,729
Due to (from) affiliate	(1,203)	(236)	(226)	(84)	(35)	669	(363)	(70)	0	(1,548)	87
Total current liabilities	37,717	6,952	8,571	1,112	317	687	774	3,622	-	59,752	54,557
Long-term debt, less current portion	53,369	-	13,790	13,700	-	-	-	1,295	0	82,154	81,285
Due to affiliate, less current portion	-	-	-	-	-	-	-	-	100,252	100,252	58,284
Other long-term liabilities and deferred credits	9,746	312	4,337	470	350	-	122	-	1	15,338	16,583
Total liabilities	100,832	7,264	26,698	15,282	667	687	896	4,917	100,253	257,496	210,709
Net Assets:											
Unrestricted-controlling interest	(50,905)	30,684	(4,224)	(8,953)	2,323	(520)	1,661	(9,856)	0	(39,790)	(5,857)
Unrestricted-noncontrolling interest	-	-	-	-	-	-	-	-	-	-	-
Total unrestricted	(50,905)	30,684	(4,224)	(8,953)	2,323	(520)	1,661	(9,856)	0	(39,790)	(5,857)
Temporarily restricted	494	-	27	-	-	3,155	250	922	(1)	4,847	5,327
Permanently restricted	-	-	-	-	-	12	-	617	0	629	629
Total net assets	(50,411)	30,684	(4,197)	(8,953)	2,323	2,647	1,911	(8,317)	(1)	(34,314)	99
	$ 50,421	37,948	22,501	6,329	2,990	3,334	2,807	(3,400)	100,252	223,182	210,808

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2011
(with comparative totals for 2010)

	Bon Secours St. Petersburg Health System, Inc.						
	Maria Manor Nursing Care Center, Inc.	Bon Secours Place at St. Petersburg	Maria Manor Health Resources	St. Petersburg Home Care Services, Inc.	Consolidating Eliminations	2011 Consolidated	2010 Consolidated
Assets							
Current assets:							
Cash and cash equivalents	$ 824	1,590	-	(317)	0	2,097	1,543
Accounts receivable, net:							
Patient and third-party payors	1,797	-	-	369	0	2,166	2,990
Other	4	103	-	-	0	107	29
Total accounts receivable, net	1,801	103	-	369	-	2,273	3,019
Assets limited or restricted as to use	-	0	-	-	0	0	-
Inventories	89	-	-	-	0	89	83
Prepaid expenses and other current assets	96	280	-	1	(1)	376	30
Total current assets	2,810	1,973	-	53	(1)	4,835	4,675
Assets limited or restricted as to use, less current portion	-	-	-	-	-	-	-
Property, plant, and equipment, net	5,418	7,032	-	69	(1)	12,518	12,499
Deferred financing costs, net	-	-	-	-	-	-	-
Goodwill and other assets, net	-	-	1,000	-	(1,000)	-	-
Total assets	$ 8,228	9,005	1,000	122	(1,002)	17,353	17,174
Liabilities and Net Assets							
Current liabilities:							
Current portion of long-term debt	$ -	-	-	-	-	-	-
Accounts payable	880	2	-	62	(18)	926	947
Accrued salaries, wages, and benefits	1,132	176	-	31	(1)	1,338	1,410
Other accrued expenses	65	327	-	23	(1)	414	326
Due to (from) affiliate	(903)	30	-	668	18	(187)	(11)
Total current liabilities	1,174	535	-	784	(2)	2,491	2,672
Long-term debt, less current portion	-	-	-	-	-	-	-
Due to affiliate, less current portion	10,700	5,764	-	-	0	16,464	16,791
Other long-term liabilities and deferred credits	949	2	-	9	0	960	702
Total liabilities	12,823	6,301	-	793	(2)	19,915	20,165
Net Assets:							
Unrestricted-controlling interest	(4,830)	2,248	1,000	(671)	(702)	(2,955)	(3,006)
Unrestricted-noncontrolling interest	-	456	-	-	(299)	157	2
Total unrestricted	(4,830)	2,704	1,000	(671)	(1,000)	(2,797)	(3,004)
Temporarily restricted	235	-	-	-	0	235	-
Permanently restricted	-	-	-	-	-	-	13
Total net assets	(4,595)	2,704	1,000	(671)	(1,000)	(2,562)	(2,991)
	$ 8,228	9,005	1,000	122	(1,002)	17,353	17,174

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Balance Sheet Information
(in thousands)

August 31, 2011
(with comparative totals for 2010)

	Bon Secours Associates, LLC		Bon Secours Assurance Company, Ltd.		Bon Secours Health System Office	
	2011 Consolidated	2010 Consolidated	2011 Consolidated	2010 Consolidated	2011 Consolidated	2010 Consolidated
Assets						
Cash and cash equivalents	$ -	-	-	-	0	0
Accounts receivable, net:						
Patient and third-party payors	-	-	-	-	-	-
Other	-	-	-	-	3,616	1,697
Total accounts receivable, net	-	-	-	-	3,616	1,697
Assets limited or restricted as to use	-	-	17,382	15,972	48,540	33,686
Inventories	-	-	-	-	-	-
Prepaid expenses and other current assets	-	-	-	-	3,157	6,296
Total current assets	-	-	17,382	15,972	55,313	41,679
Assets limited or restricted as to use, less current portion	454	442	58,759	48,560	251,402	240,056
Property, plant, and equipment, net	-	-	-	-	169,806	170,232
Deferred financing costs, net	-	-	-	-	9,229	8,959
Goodwill and other assets, net	1,267	1,267	26,858	6,261	135,620	135,240
Total assets	$ 1,721	1,709	102,999	70,793	621,370	596,166
Liabilities and Net Assets						
Current liabilities:						
Current portion of long-term debt	$ -	-	-	-	19,604	17,066
Accounts payable	-	-	-	-	16,822	19,185
Accrued salaries, wages, and benefits	-	-	-	-	20,462	25,565
Other accrued expenses	-	-	17,382	15,972	48,576	41,314
Due (to) from affiliate	-	-	-	-	14,638	(1,002)
Total current liabilities	-	-	17,382	15,972	120,102	102,128
Long-term debt, less current portion	-	-	-	-	855,370	833,271
Due from affiliate, less current portion	-	-	-	-	(496,518)	(497,488)
Other long-term liabilities and deferred credits	1	1	85,617	54,821	241,666	299,589
Total liabilities	1	1	102,999	70,793	720,620	737,500
Net assets:						
Unrestricted-controlling interest	1,720	1,708	-	-	(106,510)	(148,594)
Unrestricted-noncontrolling interest	-	-	-	-	-	-
Total unrestricted	1,720	1,708	-	-	(106,510)	(148,594)
Temporarily restricted	-	-	-	-	7,260	7,260
Permanently restricted	-	-	-	-	-	-
Total net assets	1,720	1,708	-	-	(99,250)	(141,334)
	$ 1,721	1,709	102,999	70,793	621,370	596,166

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

Year ended August 31, 2011
(with comparative totals for 2010)

	Bon Secours Baltimore Health Corporation	Bon Secours Hampton Roads Health System	Bon Secours Richmond Health Corporation	St. Francis Health System, Inc.	Bon Secours Kentucky Health System, Inc.	Bon Secours New York Health System, Inc.	Bon Secours Charity Health System, Inc.
Revenues:							
Net patient service revenue	$ 132,055	672,608	1,114,967	557,057	170,041	52,141	444,239
Other revenues	6,014	46,134	24,036	20,444	5,460	519	3,240
Total revenues	138,069	718,742	1,139,003	577,501	175,501	52,660	447,479
Expenses:							
Salaries, wages, and benefits	65,780	271,690	482,665	263,031	80,848	30,548	238,471
Supplies	12,497	133,978	196,364	107,017	22,964	3,397	60,037
Purchased services and other	44,055	186,397	260,604	104,377	46,137	19,641	121,963
Provision for bad debts	11,156	73,559	66,893	43,648	11,160	614	28,477
Depreciation and amortization	4,171	20,488	46,240	18,229	7,352	1,343	17,277
Interest	1,408	7,816	16,129	7,562	4,268	1,956	8,505
Total expenses	139,067	693,928	1,068,895	543,864	172,729	57,499	474,730
Operating income (loss) from continuing operations	(998)	24,814	70,108	33,637	2,772	(4,839)	(27,251)
Nonoperating gains (losses), net:							
Nonoperating investment gains (losses), net	1,166	12,659	32,340	2,252	784	4	427
Loss on early retirement of debt	-	-	-	-	-	-	-
Gain (loss) on sale of assets, net	(25)	555	642	(46)	(150)	-	-
Other nonoperating activities, net	(1,666)	(2,477)	(19,817)	(1,307)	(2,724)	(390)	(1,573)
Excess (deficit) of continuing revenues over expenses	(1,523)	35,551	83,273	34,537	682	(5,225)	(28,397)
Gain on discontinued operations, net	-	-	-	-	-	-	-
Excess (deficit) of revenues over expenses	(1,523)	35,551	83,273	34,537	682	(5,225)	(28,397)
Other changes in unrestricted net assets:							
Net change in unrealized gains (losses) on other-than-trading securities	517	370	329	249	89	(6)	(30)
Net assets released from restrictions used for purchase of property, plant, and equipment	770	921	619	-	-	-	1,352
Transfers to affiliates and other changes, net	(1,794)	(4,559)	(12,546)	(7,177)	(4,097)	-	(6,705)
Distributions to noncontrolling interest owners	-	-	(4,628)	(453)	-	-	-
Net change in equity of joint venture	-	-	-	-	-	-	-
Pension and other postretirement adjustments	3,613	6,812	18,427	-	6,749	(1,265)	(153)
Increase (decrease) in unrestricted net assets	$ 1,582	39,095	85,475	27,156	3,422	(6,496)	(33,933)

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

Year ended August 31, 2011
(with comparative totals for 2010)

	Bon Secours St. Petersburg Health System, Inc.	Bon Secours Associates, LLC	Bon Secours Assurance Company, Ltd.	Bon Secours Health System Office	Consolidating Eliminations	2011 Consolidated	2010 Consolidated
Revenues:							
Net patient service revenue	$ 22,945	-	-	-	1	3,166,054	2,993,910
Other revenues	5,396	-	23,650	165,142	(157,214)	142,821	90,964
Total revenues	28,341	-	23,650	165,142	(157,213)	3,308,875	3,084,874
Expenses:							
Salaries, wages, and benefits	16,004	-	-	91,147	(175)	1,540,009	1,430,410
Supplies	2,365	-	-	958	1	539,578	498,997
Purchased services and other	7,300	-	23,650	62,597	(129,697)	747,024	683,072
Provision for bad debts	380	-	-	-	0	235,887	212,478
Depreciation and amortization	842	-	-	30,314	(26,455)	119,801	123,292
Interest	695	-	-	(6,968)	(272)	41,099	34,939
Total expenses	27,586	-	23,650	178,048	(156,598)	3,223,398	2,983,188
Operating income (loss) from continuing operations	755	-	-	(12,906)	(615)	85,477	101,686
Nonoperating gains (losses), net:							
Nonoperating investment gains (losses), net	2	-	-	15,884	0	65,518	(41,210)
Loss on early retirement of debt	-	-	-	(1,172)	0	(1,172)	-
Gain (loss) on sale of assets, net	-	-	-	-	(10)	967	561
Other nonoperating activities, net	(48)	12	-	(5,600)	(1)	(35,591)	(31,205)
Excess (deficit) of continuing revenues over expenses	709	12	-	(3,794)	(626)	115,199	29,832
Gain on discontinued operations, net	-	-	-	-	-	-	3,421
Excess (deficit) of revenues over expenses	709	12	-	(3,794)	(626)	115,199	33,253
Other changes in unrestricted net assets:							
Net change in unrealized gains (losses) on other-than-trading securities	-	-	-	45	0	1,563	1,729
Net assets released from restrictions used for purchase of property, plant, and equipment	-	-	-	-	(1)	3,661	1,359
Transfers to affiliates and other changes, net	(503)	-	-	30,074	175	(7,132)	(3,769)
Distributions to noncontrolling interest owners	-	-	-	-	-	(5,080)	(6,091)
Net change in equity of joint venture	-	-	-	3,060	-	3,060	(3,982)
Pension and other postretirement adjustments	-	-	-	12,701	(2)	46,882	(49,513)
Increase (decrease) in unrestricted net assets	$ 206	12	-	42,085	(454)	158,153	(27,014)

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Schedule 2.2

Consolidating Schedule - Operating Information
(in thousands)

Year ended August 31, 2011
(with comparative totals for 2010)

		Bon Secours Baltimore Health Corporation						
		Bon Secours Hospital Baltimore	Bon Secours Community Health Services	Bon Secours of Maryland Foundation	Urban Medical Institute	Consolidation Eliminations	2011 Consolidated	2010 Consolidated
Revenues:								
Net patient service revenue	$	132,055	-	-	-	0	132,055	126,814
Other revenues		3,937	33	4,189	64	(2,209)	6,014	11,974
Total revenues		135,992	33	4,189	64	(2,209)	138,069	138,788
Expenses:								
Salaries, wages, and benefits		64,595	33	1,766	15	(629)	65,780	59,837
Supplies		12,410	1	172	1	(87)	12,497	12,649
Purchased services and other		43,235	119	3,262	221	(2,782)	44,055	43,391
Provision for bad debts		11,156	-	-	-	0	11,156	16,080
Depreciation and amortization		4,030	29	1,142	109	(1,139)	4,171	4,843
Interest		1,408	-	499	-	(499)	1,408	1,576
Total expenses		136,834	182	6,841	346	(5,136)	139,067	138,376
Operating income (loss)		(842)	(149)	(2,652)	(282)	2,927	(998)	412
Nonoperating gains (losses), net:								
Nonoperating investment gains, net		915	-	251	-	0	1,166	448
Loss on early retirement of debt		-	-	-	-	-	-	-
Gain (loss) on sale of assets, net		275	(300)	-	-	0	(25)	(4)
Other nonoperating activities, net		(118)	-	(1)	(7)	(1,540)	(1,666)	(1,302)
Excess (deficit) of revenues over expenses		230	(449)	(2,402)	(289)	1,387	(1,523)	(446)
Other changes in unrestricted net assets:								
Net change in unrealized gains (losses) on other-than-trading securities		(1)	-	518	-	0	517	109
Net assets released from restrictions used for purchase of property, plant, and equipment		770	-	-	-	-	770	-
Transfers to affiliates and other changes, net		1,639	-	4,499	(3,429)	(4,503)	(1,794)	(466)
Distrinutions to noncontrolling interest owners		-	-	-	-	-	-	-
Net change in equity of joint venture		-	-	-	-	-	-	-
Pension and other postretirement adjustments		3,613	-	-	-	0	3,613	(3,089)
Increase (decrease) in unrestricted net assets	$	6,251	(449)	2,615	(3,718)	(3,116)	1,583	(3,892)

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

Year ended August 31, 2011
(with comparative totals for 2010)

	Bon Secours Hampton Roads Health System										
	Maryview Medical Center	Bon Secours Maryview Nursing Care Center	Professional Health Care Mgmt Services	Bon Secours DePaul Medical Center, Inc.	Tidewater Diversified, Inc.	Mary Immaculate Hospital, Inc.	St. Francis Nursing Care Center, Inc.	Other Corporations	Consolidation Eliminations	2011 Consolidated	2010 Consolidated
Revenues:											
Net patient service revenue	$ 310,769	9,919	-	166,555	-	177,100	8,265	-	0	672,608	620,626
Other revenues	13,537	32	6,787	19,342	3,463	2,839	27	74,944	(74,837)	46,134	20,878
Total revenues	324,306	9,951	6,787	185,897	3,463	179,939	8,292	74,944	(74,837)	718,742	641,504
Expenses:											
Salaries, wages, and benefits	117,144	5,006	3,646	62,958	499	49,709	4,035	28,691	2	271,690	241,630
Supplies	44,976	968	534	30,967	2,658	49,312	875	3,688	0	133,978	121,151
Purchased services and other	107,849	2,097	1,713	64,342	108	43,421	2,332	39,373	(74,838)	186,397	168,603
Provision for bad debts	38,720	200	-	19,028	-	15,490	121	-	0	73,559	54,030
Depreciation and amortization	7,271	232	388	6,340	-	2,818	245	3,193	1	20,488	22,294
Interest	3,555	227	120	1,792	-	1,931	192	-	(1)	7,816	8,603
Total expenses	319,515	8,730	6,401	185,427	3,265	162,681	7,800	74,945	(74,836)	693,928	616,311
Operating income (loss)	4,791	1,221	386	470	198	17,258	492	(1)	(1)	24,814	25,193
Nonoperating gains (losses), net:											
Nonoperating investment gains, net	8,739	20	4	1,053	1	2,698	9	133	2	12,659	7,019
Loss on early retirement of debt	-	-	-	-	-	-	-	-	-	-	-
Gain on sale of assets, net	-	-	1	553	-	-	-	-	1	555	-
Other nonoperating activities, net	(341)	-	(992)	(147)	-	(871)	-	(126)	0	(2,477)	(2,878)
Excess (deficit) of revenues over expenses	13,189	1,241	(601)	1,929	199	19,085	501	6	2	35,551	29,334
Other changes in unrestricted net assets:											
Net change in unrealized gains on other-than-trading securities	-	-	-	-	-	61	-	309	0	370	121
Net assets released from restrictions used for purchase of property, plant, and equipment	664	-	-	169	-	88	-	-	0	921	110
Transfers to affiliates and other changes, net	(1,483)	-	-	(1,783)	-	(1,162)	(180)	49	(1)	(4,560)	(2,102)
Distributions to noncontrolling interest owners	-	-	-	-	-	-	-	-	-	-	-
Net change in equity of joint ventures	-	-	-	-	-	-	-	-	-	-	-
Pension and other postretirement adjustments	4,768	-	-	1,022	-	1,022	-	-	0	6,812	(2,829)
Increase (decrease) in unrestricted net assets	$ 17,138	1,241	(601)	1,337	199	19,094	321	364	1	39,094	24,634

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Schedule 2.4

Consolidating Schedule - Operating Information
(in thousands)

Year ended August 31, 2011
(with comparative totals for 2010)

	Bon Secours Richmond Health Corporation									
	St. Mary's Hospital, Inc.	Stuart Circle Hospital, Inc.	Richmond Community Hospital	St. Francis Medical Center	Memorial Regional Medical Center	Bon Secours Healthsource Company Group	Other Corporations	Consolidation Eliminations	2011 Consolidated	2010 Consolidated
Revenues:										
Net patient service revenue	$ 457,096	-	59,084	213,147	304,198	66,032	15,411	(1)	1,114,967	1,053,661
Other revenues	5,861	-	1,124	5,061	4,741	6,883	177,485	(177,119)	24,036	10,602
Total revenues	462,957	-	60,208	218,208	308,939	72,915	192,896	(177,120)	1,139,003	1,064,263
Expenses:										
Salaries, wages, and benefits	167,116	-	19,799	67,035	106,863	35,956	85,896	0	482,665	453,282
Supplies	80,085	-	9,990	40,507	46,534	4,052	15,195	1	196,364	187,307
Purchased services and other	144,876	-	18,708	72,024	103,996	20,010	78,108	(177,118)	260,604	243,229
Provision for bad debts	19,381	-	9,107	14,240	22,202	1,814	149	0	66,893	50,871
Depreciation and amortization	12,614	-	1,568	6,328	7,504	4,638	13,589	(1)	46,240	42,551
Interest	6,839	-	-	3,588	5,670	32	-	0	16,129	18,211
Total expenses	430,911	-	59,172	203,722	292,769	66,502	192,937	(177,118)	1,068,895	995,451
Operating income (loss)	32,046	-	1,036	14,486	16,170	6,413	(41)	(2)	70,108	68,812
Nonoperating gains (losses), net:										
Nonoperating investment gains (losses), net	30,869	-	(112)	(98)	918	(49)	813	(1)	32,340	17,806
Loss on early retirement of debt	-	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of assets, net	273	-	-	(12)	-	405	(24)	0	642	21
Other nonoperating activities, net	(5,559)	-	(609)	(1,930)	(7,797)	(683)	(3,238)	0	(19,817)	(20,448)
Excess (deficit) of revenues over expenses	57,629	-	315	12,445	9,291	6,086	(2,490)	(3)	83,273	66,191
Other changes in unrestricted net assets:										
Net change in unrealized gains (losses) on other-than-trading securities	(2)	-	-	-	(10)	22	319	0	329	318
Net assets released from restrictions used for purchase of property, plant, and equipment	131	-	21	32	435	-	-	0	619	453
Transfers to affiliates and other changes, net	(5,528)	-	2,143	(3,378)	(3,588)	(1,479)	(716)	0	(12,546)	(4,179)
Distributions to noncontrolling interest owners	-	-	-	-	-	(4,628)	-	0	(4,628)	(5,866)
Net change in equity of joint ventures	-	-	-	-	-	-	-	-	-	-
Pension and other postretirement adjustments	12,888	-	-	-	5,539	-	-	0	18,427	(20,645)
Increase (decrease) in unrestricted net assets	$ 65,118	-	2,479	9,099	11,667	1	(2,887)	(3)	85,475	36,272

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Schedule 2.5

Consolidating Schedule - Operating Information
(in thousands)

Year ended August 31, 2011
(with comparative totals for 2010)

		St. Francis Health System, Inc.								
		St. Francis - Downtown	St. Francis - Eastside	St. Francis Physician Services	Upstate Surgery Center	St Francis - Millennium	St. Francis Foundation	Consolidation Eliminations	2011 Consolidated	2010 Consolidated
Revenues:										
Net patient service revenue	$	302,845	143,404	103,902	3,740	3,165	-	1	557,057	522,583
Other revenues		14,712	544	4,469	67	652	-	0	20,444	9,969
Total revenues		317,557	143,948	108,371	3,807	3,817	-	1	577,501	532,552
Expenses:										
Salaries, wages, and benefits		100,088	55,728	103,832	1,276	2,107	-	0	263,031	242,015
Supplies		73,946	21,550	10,190	916	415	-	0	107,017	92,826
Purchased services and other		60,122	17,953	22,672	712	2,918	-	0	104,377	92,275
Provision for bad debts		26,100	13,192	3,767	296	293	-	0	43,648	53,507
Depreciation and amortization		14,767	3,383	-	77	1	-	1	18,229	23,568
Interest		4,533	3,030	-	-	-	-	(1)	7,562	8,646
Total expenses		279,556	114,836	140,461	3,277	5,734	-	-	543,864	512,837
Operating income (loss)		38,001	29,112	(32,090)	530	(1,917)	-	1	33,637	19,715
Nonoperating gains (losses), net:										
Nonoperating investment gains, net		1,865	-	-	2	-	385	0	2,252	1,333
Loss on early retirement of debt		-	-	-	-	-	-	-	-	-
Gain (loss) on sale of assets, net		(6)	(40)	-	-	-	0	0	(46)	737
Other nonoperating activities, net		(319)	(4)	-	(10)	(127)	(846)	0	(1,307)	(857)
Excess (deficit) of revenues over expenses		39,541	29,067	(32,090)	522	(2,044)	(461)	2	34,537	21,661
Other changes in unrestricted net assets:										
Net change in unrealized gains (losses) on other-than-trading securities		-	-	-	-	-	249	0	249	(48)
Net assets released from restrictions used for purchase of property, plant, and equipment		-	-	-	-	-	-	-	-	-
Transfers to affiliates and other changes, net		(3,535)	(2,761)	-	(627)	-	(254)	0	(7,177)	(2,918)
Distributions to noncontrolling interest owners		-	-	-	(453)	-	-	1	(453)	(225)
Net change in equity of joint ventures		-	-	-	-	-	-	-	-	-
Pension and other postretirement adjustments		-	-	-	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets	$	36,006	26,306	(32,090)	(558)	(2,044)	(466)	2	27,156	18,470

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Schedule 2.6

Consolidating Schedule - Operating Information
(in thousands)

Year ended August 31, 2011
(with comparative totals for 2010)

	Bon Secours Kentucky Health System, Inc.					
	Our Lady of Bellefonte Hospital, Inc.	OLBH Foundation	Bellefonte Physician Services	Consolidation Eliminations	2011 Consolidated	2010 Consolidated
Revenues:						
Net patient service revenue	$ 150,022	-	20,019	0	170,041	164,305
Other revenues	4,615	-	845	0	5,460	4,270
Total revenues	154,637	-	20,864	-	175,501	168,575
Expenses:						
Salaries, wages, and benefits	59,334	-	21,514	0	80,848	73,202
Supplies	21,603	-	1,361	0	22,964	21,385
Purchased services and other	41,665	-	4,473	(1)	46,137	44,597
Provision for bad debts	9,728	-	1,432	0	11,160	13,294
Depreciation and amortization	7,352	-	-	0	7,352	8,757
Interest	4,268	-	0	0	4,268	4,870
Total expenses	143,950	-	28,780	(1)	172,729	166,105
Operating income (loss) from operations	10,687	-	(7,916)	1	2,772	2,470
Nonoperating gains (losses), net:						
Nonoperating investment gains (losses), net	832	(18)	(30)	0	784	445
Loss on early retirement of debt	-	-	-	-	-	-
Loss on sale of assets, net	(150)	-	-	0	(150)	(191)
Other nonoperating activities, net	(2,339)	(385)	-	(1)	(2,724)	(3,158)
Excess (deficit) of revenues over expenses	9,031	(403)	(7,946)	-	682	(434)
Other changes in unrestricted net assets:						
Net change in unrealized gains on other-than-trading securities	-	89	-	0	89	39
Net assets released from restrictions used for purchase of property, plant, and equipment	-	-	-	-	-	138
Transfers to affiliates and other changes, net	(4,469)	372	1	0	(4,097)	9
Distributions to noncontrolling interest owners	-	-	-	-	-	-
Net change in equity of joint venture	-	-	-	-	-	-
Pension and other postretirement adjustments	6,749	-	-	0	6,749	(4,556)
Increase (decrease) in unrestricted net assets	$ 11,311	58	(7,945)	-	3,423	(4,804)

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Schedule 2.7

Consolidating Schedule - Operating Information
(in thousands)

Year ended August 31, 2011
(with comparative totals for 2010)

	Bon Secours New York Health System, Inc.						
	Frances Schervier Home and Hospital	Frances Schervier Housing Development	Bon Secours New York Parent Corp.	Schervier Long Term Home Health Care	Consolidation Eliminations	2011 Consolidated	2010 Consolidated
Revenues:							
Net patient service revenue	$ 42,696	-	-	9,444	1	52,141	54,437
Other revenues	519	1,773	3,116	0	(4,889)	519	604
Total revenues	43,215	1,773	3,116	9,444	(4,888)	52,660	55,041
Expenses:							
Salaries, wages, and benefits	26,556	256	1,305	2,816	(385)	30,548	30,681
Supplies	3,314	12	45	52	(26)	3,397	2,877
Purchased services and other	14,410	852	1,766	6,439	(3,826)	19,641	18,414
Provision for bad debts	490	-	-	124	0	614	266
Depreciation and amortization	1,276	353	0	68	(354)	1,343	1,930
Interest	1,956	640	-	-	(640)	1,956	2,023
Total expenses	48,002	2,113	3,116	9,499	(5,231)	57,499	56,191
Operating income (loss)	(4,787)	(340)	-	(55)	343	(4,839)	(1,150)
Nonoperating gains (losses), net:							
Nonoperating investment gains, net	3	1	-	-	0	4	148
Loss on early retirement of debt	-	-	-	-	-	-	-
Other nonoperating activities, net	(52)	-	-	-	(338)	(390)	(618)
Excess (deficit) of revenues over expenses	(4,836)	(339)	-	(55)	5	(5,225)	(1,620)
Other changes in unrestricted net assets:							
Net change in unrealized losses on other-than-trading securities	(6)	-	-	-	0	(6)	-
Net assets released from restrictions used for purchase of property, plant, and equipment	-	-	-	-	-	-	-
Transfers to affiliates and other changes, net	0	1	0	2	(5)	(2)	(1)
Distributions to noncontrolling interest owners	-	-	-	-	-	-	-
Net change in equity of joint ventures	-	-	-	-	-	-	-
Pension and other postretirement adjustments	(1,265)	-	-	-	0	(1,265)	(587)
Decrease in unrestricted net assets	$ (6,107)	(338)	-	(53)	-	(6,498)	(2,208)

See accompanying independent auditors' report on supplementary information

Schedule 2.8

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

Year ended August 31, 2011
(with comparative totals for 2010)

	Bon Secours Charity Health System, Inc.										
	Good Samaritan Hospital	St. Anthony Community Hospital	Bon Secours Community Hospital	Schervier Pavilion	Mt. Alverno Assisted Living Facility	Good Samaritan Hospital Foundation	Good Samaritan Hospital Home Care	Other Corporations	Consolidation Eliminations	2011 Consolidated	2010 Consolidated
Revenues:											
Net patient service revenue $	255,971	56,414	84,904	11,768	3,073	-	17,309	14,799	1	444,239	428,665
Other revenues	1,664	346	198	31	102	-	310	588	1	3,240	3,229
Total revenues	257,635	56,760	85,102	11,799	3,175	-	17,619	15,387	2	447,479	431,894
Expenses:											
Salaries, wages, and benefits	126,841	26,747	41,855	8,381	2,574	243	11,394	20,436	0	238,471	225,616
Supplies	41,495	7,397	8,260	1,082	292	17	305	1,188	1	60,037	57,870
Purchased services and other	71,797	15,244	24,710	3,005	1,338	474	4,554	7,402	(6,561)	121,963	109,158
Provision for bad debts	14,481	6,264	6,621	223	24	-	169	695	0	28,477	23,819
Depreciation and amortization	10,730	2,518	2,813	256	227	-	36	696	1	17,277	17,268
Interest	6,321	-	809	759	-	-	-	617	(1)	8,505	9,534
Total expenses	271,665	58,170	85,068	13,706	4,455	734	16,458	31,034	(6,560)	474,730	443,265
Operating income (loss)	(14,030)	(1,410)	34	(1,907)	(1,280)	(734)	1,161	(15,647)	6,562	(27,251)	(11,371)
Nonoperating gains (losses), net:											
Nonoperating investment gains (losses), net	217	51	(2)	(1)	(2)	26	0	139	(1)	427	238
Loss on early retirement of debt	-	-	-	-	-	-	-	-	-	-	-
Other nonoperating activities, net	(894)	77	340	-	-	68	-	(127)	(1,037)	(1,573)	1,125
Excess (deficit) of revenues over expenses	(14,707)	(1,282)	372	(1,908)	(1,282)	(640)	1,161	(15,635)	5,524	(28,397)	(10,008)
Other changes in unrestricted net assets:											
Net change in unrealized gains (losses) on other-than-trading securities	-	(83)	-	-	-	14	-	39	0	(30)	118
Change in classification of interest rate derivatives	-	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions used for purchase of property, plant, and equipment	1,143	85	-	72	53	-	-	-	(1)	1,352	659
Transfers to affiliabes and other changes, net	(4,825)	670	(274)	(722)	33	(419)	(1)	4,358	(5,522)	(6,705)	(3,306)
Net change in equity of joint ventures	-	-	-	-	-	-	-	-	-	-	-
Pension and other postretirement adjustments	(153)	-	-	-	-	-	-	-	0	(153)	100
Increase (decrease) in unrestricted net assets $	(18,542)	(610)	98	(2,558)	(1,196)	(1,045)	1,160	(11,238)	1	(33,933)	(12,437)

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

Year ended August 31, 2011
(with comparative totals for 2010)

		Bon Secours St. Petersburg Health System, Inc.						
		Maria Manor Nursing Care Center, Inc.	Bon Secours Place at St. Petersburg	Maria Manor Health Resources	St. Petersburg Home Care Services, Inc.	Consolidation Eliminations	2011 Consolidated	2010 Consolidated
Revenues:								
Net patient service revenue	$	21,377	-	-	1,569	(1)	22,945	22,819
Other revenues		497	4,899	-	0	0	5,396	5,340
Total revenues		21,874	4,899	-	1,569	(1)	28,341	28,159
Expenses:								
Salaries, wages, and benefits		12,463	2,311	-	1,230	0	16,004	16,197
Supplies		1,918	402	-	45	0	2,365	2,035
Purchased services and other		5,601	1,253	-	446	0	7,300	7,314
Provision for bad debts		333	4	-	43	0	380	612
Depreciation and amortization		541	272	-	30	(1)	842	800
Interest		543	152	-	-	0	695	769
Total expenses		21,399	4,394	-	1,794	(1)	27,586	27,727
Operating income (loss)		475	505	-	(225)	-	755	432
Nonoperating gains (losses), net:								
Nonoperating investment gains (losses), net		(1)	3	-	0	0	2	5
Loss on early retirement of debt		-	-	-	-	-	-	-
Other nonoperating activities, net		(48)	-	-	-	0	(48)	(42)
Excess (deficit) of revenues over expenses		426	508	-	(225)	-	709	395
Other changes in unrestricted net assets:								
Net change in unrealized gains on other-than-trading securities		-	-	-	-	-	-	-
Net assets released from restrictions used for purchase of property, plant, and equipment		-	-	-	-	-	-	-
Transfers to affiliates and other changes, net		(503)	-	-	-	0	(503)	(219)
Distributions to noncontrolling interest owners		-	-	-	-	-	-	-
Net change in equity of joint ventures		-	-	-	-	-	-	-
Pension and other postretirement adjustments		-	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets	$	(77)	508	-	(225)	-	206	176

See accompanying independent auditors' report on supplementary information

BON SECOURS HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidating Schedule - Operating Information
(in thousands)

Year ended August 31, 2011
(with comparative totals for 2010)

	Bon Secours Associates, LLC		Bon Secours Assurance Company, Ltd.		Bon Secours Health System Office	
	2011	2010	2011	2010	2011	2010
Revenues:						
Net patient service revenue	$ -	-	-	-	-	-
Other revenues	-	-	23,650	28,398	165,142	133,371
Total revenues	-	-	23,650	28,398	165,142	133,371
Expenses:						
Salaries, wages, and benefits	-	-	-	-	91,147	88,230
Supplies	-	-	-	-	958	898
Purchased services and other	-	-	23,650	28,398	62,597	45,120
Provision for bad debts	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	30,314	20,923
Interest	-	-	-	-	(6,968)	(18,996)
Total expenses	-	-	23,650	28,398	178,048	136,175
Operating loss from continuing operations	-	-	-	-	(12,906)	(2,804)
Nonoperating gains (losses), net:						
Nonoperating investment gains (losses), net	-	-	-	-	15,884	(68,652)
Loss on early retirement of debt	-	-	-	-	(1,172)	-
Other nonoperating activities, net	12	267	-	-	(5,600)	(3,296)
Excess (deficit) of continuing revenues over expenses	12	267	-	-	(3,794)	(74,752)
Gain on discontinued operations, net	-	-	-	-	-	3,421
Excess (deficit) of revenues over expenses	12	267	-	-	(3,794)	(71,331)
Other changes in unrestricted net assets:						
Net change in unrealized gains on other-than-trading securities	-	-	-	-	45	1,072
Net assets released from restrictions used for purchase of property, plant, and equipment	-	-	-	-	-	-
Transfers to affiliates and other changes,net	-	-	-	-	30,074	9,414
Distributions to noncontrolling interest owners	-	-	-	-	-	-
Net change in equity of joint ventures	-	-	-	-	3,061	(3,982)
Pension and other postretirement adjustments	-	-	-	-	12,701	(17,907)
Increase (decrease) in unrestricted net assets	$ 12	267	-	-	42,087	(82,734)

See accompanying independent auditors' report on supplementary information