

CONSOLIDATED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

St. Vincent's Health Services Corporation and Subsidiaries
Member of Ascension Health
Years Ended September 30, 2009 and 2008
With Report of Independent Auditors

St. Vincent's Health Services Corporation and Subsidiaries

Consolidated Financial Statements
and Other Financial Information

Years Ended September 30, 2009 and 2008

Contents

Consolidated Financial Statements

Report of Independent Auditors	1
Consolidated Balance Sheets	2
Consolidated Statements of Operations and Changes in Net Assets	4
Consolidated Statements of Cash Flows.....	6
Notes to Consolidated Financial Statements	7

Other Financial Information

Report of Independent Auditors on Other Financial Information	39
Consolidating Balance Sheet for September 30, 2009	40
Consolidating Balance Sheet for September 30, 2008	42
Consolidating Statement of Operations and Changes in Net Assets for the Year Ended September 30, 2009	44
Consolidating Statement of Operations and Changes in Net Assets for the Year Ended September 30, 2008	46
Schedule of Net Cost of Providing Care of Persons Who are Poor and Community Benefit Programs	48

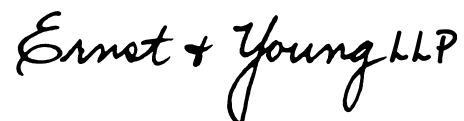
Report of Independent Auditors

The Board of Directors
St. Vincent's Health Services Corporation
Bridgeport, Connecticut

We have audited the accompanying consolidated balance sheets of St. Vincent's Health Services Corporation and Subsidiaries (the "Corporation") as of September 30, 2009 and 2008, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of St. Vincent's College, Inc. (the "College"), Hall-Brooke Behavioral Services, Inc. ("Hall-Brooke"), or The St. Vincent's Special Needs Center (the "Special Needs Center"), all wholly-owned subsidiaries of the Corporation for the years ended September 30, 2009 and 2008, whose combined statements reflect total assets and revenues constituting 8% and 9%, respectively, of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the College, Hall-Brooke and the Special Needs Center, is based solely on the report of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated balance sheets of the Corporation at September 30, 2009 and 2008, and the consolidated results of their operations and changes in net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.



February 10, 2010

St. Vincent's Health Services Corporation and Subsidiaries

Consolidated Balance Sheets

(Dollars in Thousands)

	September 30	
	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,274	\$ 13,867
Investments in Health System Depository	11,030	7,859
Accounts receivable, less allowance for uncollectible accounts (\$22,070 and \$21,374 in 2009 and 2008, respectively)	41,629	44,228
Inventories and other	11,199	12,470
Total current assets	<u>76,132</u>	<u>78,424</u>
Investments in Health System Depository	55,985	69,565
Board-designated investments and assets limited as to use:		
Investments in Health System Depository	173,941	178,608
Other board-designated investments	13,780	13,584
Temporarily or permanently restricted	46,972	52,743
Total board-designated investments and assets limited as to use	<u>234,693</u>	<u>244,935</u>
Property and equipment:		
Land and improvements	13,443	13,311
Buildings and equipment	324,464	303,543
Construction in progress	68,279	34,374
Less accumulated depreciation	(175,672)	(155,746)
Total property and equipment, net	<u>230,514</u>	<u>195,482</u>
Other assets	4,744	4,305
Total assets	<u>\$ 602,068</u>	<u>\$ 592,711</u>

	September 30	
	2009	2008
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 47,673	\$ 44,409
Current portion of long-term debt	1,667	1,557
Estimated third-party payor settlements	9,131	9,845
Other current liabilities	2,177	1,835
Total current liabilities	60,648	57,646
Noncurrent liabilities:		
Long-term debt	78,872	79,993
Self-insurance liabilities	2,936	3,764
Pension and other postretirement liabilities	40,599	10,762
Other liabilities	7,728	7,048
Total noncurrent liabilities	130,135	101,567
Total liabilities	190,783	159,213
Net assets:		
Unrestricted	364,490	380,972
Temporarily restricted	36,582	42,391
Permanently restricted	10,213	10,135
Total net assets	411,285	433,498
Total liabilities and net assets	\$ 602,068	\$ 592,711

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

St. Vincent's Health Services Corporation and Subsidiaries
Consolidated Statements of Operations and Changes in Net Assets

(Dollars in Thousands)

	Year Ended September 30	
	2009	2008
Operating revenues:		
Net patient service revenue	\$ 347,294	\$ 328,957
Other revenue	38,713	41,833
Net assets released from restrictions used for operations	1,045	1,112
Total operating revenues	387,052	371,902
Operating expenses:		
Salaries and wages	168,699	159,107
Employee benefits	38,973	37,145
Purchased services	24,370	24,126
Professional fees	6,340	5,145
Supplies	61,537	57,856
Insurance	5,840	3,107
Bad debts	22,118	21,098
Interest	924	2,050
Depreciation and amortization	20,021	18,876
Other	26,806	24,156
Total operating expenses	375,628	352,666
Income from operations	11,424	19,236
Nonoperating losses:		
Investment loss	(5,153)	(37,455)
Other	(1,134)	(1,691)
Total nonoperating losses, net	(6,287)	(39,146)
Excess (deficiency) of revenue and gains over expenses	5,137	(19,910)

St. Vincent's Health Services Corporation and Subsidiaries

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

(Dollars in Thousands)

	Year Ended September 30	
	2009	2008
Unrestricted net assets:		
Excess (deficiency) of revenue and gains over expenses and losses	\$ 5,137	\$ (19,910)
Transfers (to) from sponsor, net	(37,088)	8,686
Net assets released from restrictions for property acquisitions	17,107	5,222
Pension and other postretirement liability adjustments	(889)	229
Transfer (to) from temporarily and permanently restricted net assets	(749)	(928)
Other	-	(16)
Decrease in unrestricted net assets	<u>(16,482)</u>	<u>(6,717)</u>
Temporarily restricted net assets:		
Contributions	12,141	11,399
Investment income, net	(181)	1,326
Net change in unrealized (losses) gains on investments	879	(5,150)
Net assets released from restrictions	(18,152)	(6,334)
Transfer from (to) unrestricted and permanently restricted net assets	715	765
Other	(1,211)	(1,417)
(Decrease) increase in temporarily restricted net assets	<u>(5,809)</u>	<u>589</u>
Permanently restricted net assets:		
Contributions	39	53
Transfer from unrestricted and temporarily restricted net assets	34	163
Other	5	(248)
Increase (decrease) in permanently restricted net assets	<u>78</u>	<u>(32)</u>
Decrease in net assets	<u>(22,213)</u>	<u>(6,160)</u>
Net assets, beginning of the year	<u>433,498</u>	439,658
Net assets, end of the year	<u>\$ 411,285</u>	<u>\$ 433,498</u>

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

St. Vincent's Health Services Corporation and Subsidiaries

Consolidated Statements of Cash Flows

(Dollars in Thousands)

	Year Ended September 30	
	2009	2008
Cash flows from operating activities		
Increase in net assets	\$ (22,213)	\$ (6,160)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	20,021	18,876
Loss on sale of property and equipment	4	(1,866)
Pension and other post-retirement liability adjustments	889	(229)
Restricted contributions and investment income	(11,999)	(12,778)
Net change in unrealized (gains)/losses on investments	(879)	5,150
Transfers to sponsor, net	37,088	(8,686)
(Increase) decrease in:		
Investments classified as trading	15,759	69,971
Accounts receivable, net	2,599	(3,564)
Inventories and other current assets	1,271	(1,613)
Increase (decrease) in:		
Accounts payable and accrued liabilities	3,264	7,031
Estimated third-party payor settlements	(714)	(1,799)
Pension and other postretirement liabilities	(1,453)	98
Other current liabilities	342	(286)
Other liabilities	(148)	757
Net cash provided by operating activities	<u>43,831</u>	<u>64,902</u>
Cash flows from investing activities		
Property and equipment additions, net	(55,060)	(66,115)
Proceeds from sale of property and equipment	3	4,676
Decrease (increase) in assets limited as to use – restricted	5,771	(520)
Increase in other assets	(439)	(405)
Net cash used in investing activities	<u>(49,725)</u>	<u>(62,364)</u>
Cash flows from financing activities		
Transfers from (to) sponsor, net	(6,687)	(5,088)
Repayment of long-term debt	(1,011)	(1,448)
Restricted contributions and investment income	11,999	12,778
Net cash provided by financing activities	<u>4,301</u>	<u>6,242</u>
Net (decrease) increase in cash and cash equivalents	<u>(1,593)</u>	<u>8,780</u>
Cash and cash equivalents at beginning of the year	13,867	5,087
Cash and cash equivalents at end of the year	<u>\$ 12,274</u>	<u>\$ 13,867</u>

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

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2009

(Dollars in Thousands)

1. Organization and Mission

Organizational Structure

St. Vincent's Health Services Corporation (Corporation) is a member of Ascension Health. Ascension Health is a Catholic, national health system, primarily consisting of nonprofit corporations that own and operate local health care facilities, or Health Ministries, located in 20 of the United States and the District of Columbia. Ascension Health is sponsored by the Northeast, Southeast, East Central, and West Central Provinces of the Daughters of Charity of St. Vincent de Paul, the Congregation of St. Joseph and the Sisters of St. Joseph of Carondelet (CSJ).

St. Vincent's Health Services Corporation, located in Bridgeport, Connecticut, is a nonprofit integrated health care delivery system. Subsidiaries of the Corporation include:

The St. Vincent's Medical Center (Medical Center) is a nonprofit hospital system, consisting of an acute care hospital located in Bridgeport, Connecticut and a behavioral health hospital located in Westport, Connecticut. The Medical Center provides inpatient, outpatient, and emergency care services for residents of the Greater Bridgeport area and its neighboring towns. Admitting physicians are primarily practitioners in the local area. The St. Vincent's College, Inc. (College), a nonprofit subsidiary of the Medical Center, is an institution of higher learning that offers associate degrees in nursing, radiography, medical assisting, and health care management, as well as certificate programs in multi-skilled assisting, health care management and health promotion.

Hall-Brooke Behavioral Health Services, Inc. (Hall-Brooke), located in Westport, Connecticut, is principally engaged in the operation of a special education school, outpatient psychiatric services, and residential services for residents of Fairfield County.

The St. Vincent's Special Needs Center (Special Needs Center), a nonprofit organization, provides a broad spectrum of educational, therapeutic, and recreational programming services for persons with disabilities.

The St. Vincent's Medical Center Foundation (Foundation) is a nonprofit organization managing the charitable funds of the Corporation, allowing distribution to the Corporation and other affiliated nonprofit corporations organized and operated for charitable, religious, educational, or scientific purposes.

St. Vincent's Development Corporation (Development Corp.) is a nonprofit corporation managing various real estate holdings within the Corporation.

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

1. Organization and Mission (continued)

Pequot Medical Associates, P.C. (Pequot) is an independent professional corporation providing physician services. Pequot and the Medical Center share common management, as a result Pequot is presented as a part of the consolidation.

Vincentures, Inc. (Vincentures) is a for profit organization that is inactive as of September 30, 2003 and is not shown on the consolidating balance sheets and statements of operations and changes in net assets.

Mission

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

- Traditional charity care includes the cost of services provided to persons who cannot afford health care because of inadequate resources and/or who are uninsured or underinsured.
- Unpaid cost of public programs represents the unpaid cost of services provided to persons covered by public programs for the poor.
- Cost of other programs for the poor includes unreimbursed costs of programs intentionally designed to serve the poor and vulnerable of the community including substance abusers, the homeless, victims of child abuse, and persons with acquired immune deficiency syndrome.
- Community benefit consists of the unreimbursed costs of community benefit programs and services for the general community, not solely for the poor, including health promotion and education, health clinics and screenings, and medical research.

Discounts are provided to all uninsured patients, including those with the means to pay. Discounts provided to those patients who did not qualify for assistance under charity care guidelines are not included in the cost of providing care of persons who are poor and community benefit programs. The cost of providing care of persons who are poor and community benefit programs is estimated using internal cost data.

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

1. Organization and Mission (continued)

The amount of traditional charity care provided, determined on the basis of cost, excluding the provision for bad debt expense was approximately \$3,171 and \$2,619 for the years ended September 30, 2009 and 2008, respectively. The September 2008 amount has been adjusted to exclude the provision for bad debt expense from total costs of the cost-to-charge ratio in order to be consistent with the methodology used in 2009. The amount of unpaid cost of public programs, cost of other programs for the poor, and community benefit cost are reported in the accompanying other financial information.

Principles of Consolidation

All corporations and other entities for which operating control is exercised by the Corporation or one of its member corporations are consolidated, and all significant inter-entity transactions have been eliminated in consolidation. The Special Needs Center is the only consolidated corporation not on a September 30 fiscal year basis. The Special Needs Center is reported on a June 30 fiscal year end basis. Investments in entities where the Corporation does not have operating control are recorded under the equity or cost method of accounting. There are no entities recorded under the equity method of accounting as of September 30, 2009 and 2008, respectively.

2. Significant Accounting Policies

Use of Estimates

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

Fair Value of Financial Instruments

Carrying values of financial instruments classified as current assets and current liabilities approximate fair value. The fair values of other financial instruments are disclosed in their respective notes.

Cash and Cash Equivalents

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

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Adoption of New Accounting Standards

In June 2009, the Financial Accounting Standards Board (FASB) issued ASC 105, *Generally Accepted Accounting Principles* (ASC 105), which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles (GAAP). Pursuant to the provisions of ASC 105, the Corporation has updated references to GAAP in its financial statements issued for the year ended September 30, 2009. The adoption of ASC 105 did not impact the Corporation's consolidated financial position or results of operations.

Effective October 1, 2008, the Corporation adopted ASC 820, *Fair Value Measurements and Disclosures* (ASC 820). ASC 820 defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. The adoption of ASC 820 did not have a material effect on the Corporation's consolidated financial statements. See Note 5 for related fair value disclosures.

ASC 820 delays the effective date for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value on a recurring basis, until fiscal years beginning after November 15, 2008. Accordingly, the Corporation will apply the provisions of ASC 820 to nonfinancial assets and nonfinancial liabilities beginning with the fiscal year ending September 30, 2010.

Effective October 1, 2008, the Corporation adopted ASC 825-10, *The Fair Value Option for Financial Assets and Liabilities* (ASC 825-10). ASC 825-10 permits companies to choose to measure certain financial instruments and other items at fair value that currently are not required to be measured at fair value under accounting principles generally accepted in the United States. The Corporation chose not to elect the fair value option for any other financial assets and liabilities. Consequently, the adoption of ASC 825-10 did not have any impact on its consolidated financial statements.

On October 1, 2008, the Corporation adopted ASC 958-205: *Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds* (ASC 958-205), which, among other things, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds. The adoption of ASC 958-205 did not have a material effect on the Corporation's consolidated financial statements.

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

For its fiscal year ended June 30, 2009, Ascension Health adopted the measurement date provisions of ASC 715-30, *Compensation - Retirement Benefits - Defined Benefit Plans* (ASC 715-30). ASC 715-30 requires the fair value of plan assets and benefit obligations to be measured as of the date of the employer's fiscal year-end in the statement of financial position. See Note 7 for the impact of adopting these provisions.

During 2009, the Corporation adopted ASC 855-10, *Subsequent Events* (ASC 855-10). ASC 855-10 establishes general standards of accounting and disclosure requirements for subsequent events, events that occur after the balance sheet date but before the financial statements are issued. In addition, certain events subsequent to the balance sheet date may require recognition in the financial statements as of the balance sheet date under the requirements of ASC 855-10. The Corporation adopted the provisions of ASC 855-10 as of September 30, 2009, and evaluated the impact of subsequent events through February 10, 2010, representing the date at which the consolidated financial statements were issued. See Note 15 for a discussion of the Corporation's material subsequent events related to the September 30, 2009 consolidated financial statements.

Investments and Investment Income

The Corporation holds investments through the Health System Depository (HSD), an investment pool of funds in which a limited number of nonprofit healthcare providers participate for purposes of establishing investment goals and monitoring performance under agreed-upon socially responsible investment guidelines. The value of the Corporation's investment in the HSD represents the Corporation's pro rata share of the HSD's investments held for participants. At September 30, 2009 and 2008, the Corporation's investment in the HSD was \$240,956 and \$256,032, respectively. The Corporation also invests in equity, private equity and other investments that are locally managed. All of these funds are held by the Foundation. The Corporation reports both its investment in the HSD and in locally managed investments in the accompanying consolidated balance sheets based upon the long or short term nature of its investment and whether such investments are restricted by law or donors or designated for specific purposes by a governing body of Ascension Health.

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

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Investment returns comprise dividends, interest, and gains and losses. The cost of substantially all securities sold is based on the average cost method. Investment return from all investments is reported as nonoperating gains (losses) in the consolidated statements of operations and changes in net assets unless the return is restricted by donor or law.

Ascension Health has designated all its investment portfolio as trading, with unrealized gains and losses included in excess (deficiency) of revenue and gains over expenses and losses.

Inventories

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

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair value at the date of gift. Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets. Estimated useful lives by asset category are as follows: land improvements – 10 to 15 years; buildings – 10 to 40 years; and equipment – 5 to 25 years. Depreciation expense in 2009 and 2008 was \$20,021 and \$18,876, respectively. Interest costs incurred as part of the related construction are capitalized during the period of construction. Net interest capitalized in 2009 and 2008 was \$1,736 and \$1,232, respectively.

The Corporation accounts for the costs of computer software developed or obtained for internal use in accordance with ASC 350-40 *Internal Use Software*. Costs incurred in the development and installation of the Medical Center's internal use software for a new physician order entry system and upgrade to its financial and clinical information systems are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post implementation stage. Amounts capitalized are amortized over the useful life of the developed asset following project completion.

In addition, the Medical Center has entered into several agreements totaling \$104,884 relating to the plans to renovate its facilities and equipment purchases, spanning over the next several years. As of September 30, 2009, approximately \$72,643 has been incurred on these contracts and is included in property and equipment in the consolidated balance sheets.

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

The Corporation accounts for conditional asset retirement provisions under ASC 410-20 *Asset Retirement Obligations*, (ASC 410-20). ASC 410-20 provides guidance on accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. Asset retirement obligations include, but are not limited to, certain types of environmental issues which are legally required to be remediated upon an asset's retirement as well as contractually required asset retirement obligations. Conditional asset retirement obligations are obligations whose settlement may be conditional on a future event and/or where the timing or method of such settlement may be uncertain. ASC 410-20's guidance requires such conditional asset retirement obligations to be estimated and recognized. Application of these pronouncements primarily affects the Corporation with respect to required future asbestos remediation.

Conditional asset retirement obligations exist relating to future asbestos remediation of physical plant and buildings constructed prior to 1975. Conditional asset retirement obligations of \$609 and \$575 as of September 30, 2009 and 2008, respectively, are recorded in other noncurrent liabilities in the accompanying consolidated balance sheets. There are no assets that are legally restricted for purposes of settling asset retirement obligations.

During 2009 and 2008, no retirement obligations were incurred and settled. Accretion expense of \$35 and \$33 was recorded in 2009 and 2008, respectively.

Temporarily and Permanently Restricted Net Assets

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

Contributions, Bequests, and Grants

Unrestricted gifts and bequests are included in operating revenues when pledged or received, and donor restricted items are reflected as additions to net asset balances. Restricted expenditures are transferred to the unrestricted net asset balance if used for capital additions, reported as other operating revenue if used for operating purposes, or reported as an offset to revenue deductions if used for charity care.

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Performance Indicator

The Corporation's performance indicator is excess (deficiency) of revenues and gains over expenses and losses which includes all changes in unrestricted net assets other than transfers to or from sponsor, net assets released from restrictions for property acquisition, pension and other postretirement liability adjustments.

Operating and Nonoperating Activities

The Corporation's primary mission is to meet the health care needs in its market area through a broad range of general and specialized health care services including inpatient acute care, outpatient services, and other related health care and educational services. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that result in gains or losses peripheral to the Corporation's primary mission are considered to be nonoperating, primarily consisting of the Foundation operations, losses on invested funds, losses on the sale of property and equipment, unrestricted gifts and bequests, and gains or losses on other investments.

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

The following table summarizes net revenue from services to patients:

	Year Ended September 30	
	2009	2008
Gross patient service revenue	\$ 862,620	\$ 756,569
Deductions:		
Allowances	506,426	421,468
Charity care	8,900	6,144
Net patient service revenue	<u>\$ 347,294</u>	<u>\$ 328,957</u>

Patient accounts receivable and revenue are recorded when patient services are performed. Amounts received from most payors are different from established billing rates of the Medical Center and Hall-Brooke, and these differences are accounted for as allowances.

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors, and others for services provided and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. Revenue under certain third-party payor agreements is subject to audit, retroactive adjustments, and significant regulatory actions. Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and as final settlements are determined. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenues related to prior periods increased net patient service revenue by approximately \$4,341 and \$3,020 for the years ended September 30, 2009 and 2008, respectively.

During 2009 and 2008 respectively, approximately 42% and 44% of net patient service revenue were received under the Medicare program, 10% and 10% under the various state Medicaid programs, 31% and 30% from contracts with HMOs and PPOs, 12% and 11% from contracts with commercial carriers, and 5% and 5% from other payers.

The Medical Center and Hall-Brooke grant credit without collateral to their patients, most of whom are local residents and are insured under third-party payor arrangements. Significant concentrations of gross patient accounts receivable at September 30, 2009 and 2008, respectively, include Medicare (34% and 37%), Medicaid (22% and 20%), HMOs and PPOs (15% and 18%), commercial carriers (9% and 9%), and self-pay and other (20% and 16%).

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

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Income Taxes

The member health care entities of the Corporation, except for Pequot and Vincentures, are tax-exempt corporations under Internal Revenue Code Section 501(c)(3) or Section 501(c)(25), and their related income is exempt from federal income tax under Section 501(a). No provision is necessary for Pequot as its activities are immaterial and Vincentures is inactive.

Effective October 1, 2007 the Corporation adopted the provisions of ASC 740-10, *Accounting for Uncertainty in Income Taxes* (ASC 740-10), which clarifies the accounting for uncertainty in income tax positions recognized in financial statements in accordance with ASC 740, *Income Taxes*. ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The adoption of ASC 740-10 did not have a material impact on the Corporation's financial position or results of operations.

Regulatory Compliance

The Medical Center is required to file annual operating information with the State of Connecticut Office of Health Care Access (OHCA).

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

3. Cash and Cash Equivalents and Investments

The Corporation's investments are comprised of the Corporation's pro rata share of the HSD funds held for participants and certain other investments, such as those investments held and managed by the Foundation. Board-designated investments represent investments designated by resolution of the Board of Directors to put amounts aside, primarily for future capital expansion and improvements. Assets limited as to use primarily include investments restricted by donors. The Corporation's investments are reported in the accompanying consolidated balance sheets as presented in the following table:

	September 30,	
	2009	2008
Cash and cash equivalents	\$ 12,274	\$ 13,867
Short-term investments	11,030	7,859
Other investments	55,985	69,565
Board-designated investments	187,721	192,192
Assets limited as to use:		
Temporarily or permanently restricted	46,972	52,743
Total	\$ 313,982	\$ 336,226

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

	September 30,	
	2009	2008
Cash and cash equivalents and short-term investments	\$ 12,274	\$ 13,867
Equity, private equity and other investments	60,752	66,327
Pro rata share of HSD funds held for participants	240,956	256,032
	\$ 313,982	\$ 336,226

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

3. Cash and Cash Equivalents and Investments (continued)

As of September 30, 2009 and 2008, the composition of total HSD investments is as follows:

	Year Ended September 30	
	2009	2008
Cash and cash equivalents and short-term investments	6.2%	3.8%
U.S. government, state, municipal and agency obligations	18.7%	12.6%
Other fixed income securities	39.7%	45.5%
Equity, private equity and other investments	22.0%	22.9%
Equity method investments, including alternative investments	13.4%	15.2 %
	100.0%	100.0%

Investment return is summarized as follows:

	Year Ended September 30	
	2009	2008
Investment losses in HSD	\$ (5,101)	\$ (34,055)
Interest and dividends	4	8
Net gains (losses) on investments reported at fair value	642	(7,232)
Total investment return, net	\$ (4,455)	\$ (41,279)
Included in nonoperating (losses) gains	\$ (5,153)	\$ (37,455)
Reported separately as (decrease) increase in temporarily restricted net assets	698	(3,824)
Total investment return, net	\$ (4,455)	\$ (41,279)

4. Permanently Restricted Endowments

The Corporation's endowments consist of various funds established for a variety of purposes. These endowments consist of donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on donor-imposed restrictions. The endowment funds are held by the Foundation and investment decisions are made by the Foundation, with the Corporation determining the amount of endowment assets to be appropriated for spending.

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

4. Permanently Restricted Endowments (continued)

The Corporation's Board of Directors has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and, if applicable (c) accumulations to the permanent endowment made in accordance with the related gift's donor instructions. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Corporation in a manner consistent with the standard for expenditure as proscribed by UPMIFA.

In accordance with UPMIFA, the Corporation considers the following factors in making determinations to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of Corporation and the donor-restricted endowment fund.
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Corporation
- (7) The investment policies of the Foundation

Endowment Funds with Deficiencies

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 UPMIFA requires the Corporation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$(1,100) and \$(1,028) as of September 30, 2009 and 2008, respectively.

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

4. Permanently Restricted Endowments (continued)

Return Objectives and Risk Parameters

The Board of Directors has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Corporation must hold in perpetuity or for a donor-specified period. Under these policies, endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs. Actual results in any given year may vary from this amount. The Corporation expects its endowment funds, over time, to provide an average rate of return to exceed inflation and investment fees by at least 2% to 5%, dependent on investment mix. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Corporation has a policy of evaluating the spending decisions for each endowment fund based upon the intentions of the donors. In determining the annual amount to be spent, the Corporation considers the long-term expected return on its endowment. Accordingly, over the long-term, the Corporation expects the current spending policy to allow its endowment to grow at an average rate of inflation and investment fees annually. This is consistent with the Corporation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment Net Asset Composition by Type of Fund as of September 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (1,100)	\$ 1,429	\$ 10,213	\$ 10,542

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

4. Permanently Restricted Endowments (continued)

Changes in Endowment Net Assets for the Fiscal Year Ended September 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning balance	\$ (1,028)	\$ 1,935	\$ 10,135	\$ 11,042
Investment return:				
Investment income	–	563	–	563
Net appreciation (depreciation) (realized and unrealized)	(72)	(1,047)	5	(1,114)
Total investment return	(72)	(484)	5	(551)
Contributions	–	–	39	39
Transfers	–	54	34	88
Appropriation of endowment assets for expenditure	–	(76)	–	(76)
Endowment net assets, ending balance	\$ (1,100)	\$ 1,429	\$ 10,213	\$ 10,542

Endowment Net Asset Composition by Type of Fund as of September 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (1,028)	\$ 1,935	\$ 10,135	\$ 11,042

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

4. Permanently Restricted Endowments (continued)

Changes in Endowment Net Assets for the Fiscal Year Ended September 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning balance	\$ —	\$ 4,352	\$ 10,167	\$ 14,519
Investment return:				
Investment income	—	572	—	572
Net appreciation (depreciation) (realized and unrealized)	(1,028)	(2,930)	(84)	(4,042)
Total investment return	(1,028)	(2,358)	(84)	(3,470)
Contributions	—	—	52	52
Transfers	—	86	—	86
Appropriation of endowment assets for expenditure	—	(145)	—	(145)
Endowment net assets, ending balance	\$ (1,028)	\$ 1,935	\$ 10,135	\$ 11,042

5. Fair Value Measurements

As explained in Note 2, the Corporation has adopted ASC 820. Assets and liabilities recorded at fair value in the financial statements are categorized, for disclosure purposes, based upon whether the inputs used to determine their fair values are observable or unobservable utilizing a three-level fair value hierarchy that prioritizes the inputs used to measure assets and liabilities at fair value. Level inputs, as defined by ASC 820, are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access on the reporting date.

Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specific (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs that are unobservable for the asset or liability.

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

5. Fair Value Measurements (continued)

The fair values of Level 1 securities were determined through quoted market prices, while fair values of Level 2 securities were determined primarily through prices obtained from third party pricing sources, where quoted market prices for such securities are not available. The fair values of Level 3 securities were determined primarily through information obtained from the relevant counterparties for such investments. Consistent with ASC 820's Level 3 designation criteria, information on which these securities' fair values are based is generally not readily available in the market.

As discussed in Note 3, the Corporation has an investment in the HSD and certain other investments such as those investments held and managed by the Foundation. As of September 30, 2009, 25%, 68% and 7% of total HSD assets that are measured at fair value on a recurring basis were measured at such fair values based on level 1, level 2 and level 3 inputs, respectively. As of September 30, 2009, 2%, 87% and 11% of total HSD liabilities that are measured at fair value on a recurring basis were measured at such fair values based on level 1, level 2 and level 3 inputs, respectively.

The following table summarizes fair value measurements, by level, at September 30, 2009, for all other financial assets and liabilities which are measured at fair value on a recurring basis in the consolidated financial statements:

	Level 1	Level 2	Level 3	Total
Assets included in:				
Cash and cash equivalents	\$ 12,274	\$ -	\$ -	\$ 12,274
Assets limited as to use				
Cash and cash equivalents and other short term investments	241	68	-	309
Equity, private equity and other investments	36,071	13,296	3,027	52,394
Other noncurrent assets	3,308	-	26	3,334

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

5. Fair Value Measurements (continued)

During the year ended September 30, 2009, the changes in the fair value of the foregoing financial assets measured using significant unobservable inputs (Level 3), were comprised of the following:

	For the Year Ended September 30, 2009	
	Equity, Private Equity and Other Investments	Other Noncurrent Assets
Beginning balance	\$ 6,888	\$ 62
Total realized and unrealized gains (losses):		
Included in nonoperating gains (losses)	(565)	-
Included in changes in net assets	(596)	-
Purchases, issuances and settlements	(2,145)	(27)
Transfers in (out) of Level 3	(555)	(9)
Ending balance	<u>\$ 3,027</u>	<u>\$ 26</u>

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

6. Long-Term Debt

Long-term debt consists of the following:

	September 30	
	2009	2008
State of Connecticut Health and Educational Facilities Authority, Variable Rate Demand Revenue Bonds (Ascension Health Credit Group), Series 1999B, subject to a seven-day put provision payable in installments through November 2029; interest (3.5% at September 30, 2009) set at prevailing market rates	\$ 35,600	\$ 36,700
Intercompany debt with Ascension Health, payable in installments through November 2046; interest (2.8% at September 30, 2009) adjusted based on prevailing blended market interest rate of underlying debt obligations	36,393	36,850
Intercompany debt with Ascension Health, payable in installments from November 2030 through November 2046; interest (2.8% at September 30, 2009) adjusted based on prevailing blended market interest rate of underlying debt obligations	8,546	8,000
	80,539	81,550
Less current portion of long-term debt	1,667	1,557
	\$ 78,872	\$ 79,993

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

Year Ending September 30:	
2010	\$ 1,667
2011	1,685
2012	1,797
2013	1,816
2014	2,139
Thereafter	71,435
Total	<u>\$ 80,539</u>

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

6. Long-Term Debt (continued)

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

In November 1999, the Credit Group issued \$2,365,725 of Hospital Revenue Bonds Series 1999 Bonds (1999 Bonds) through eleven different issuing authorities in nine states. The Bonds of each Series were issued pursuant to separate Bond Indentures, each dated as of November 1, 1999, between the related issuer of such Series and the Bond Trustee for each Series. The proceeds of each Series of Bonds were loaned by the related Issuer to Ascension Health (or, solely with respect to the Connecticut Bonds, the Connecticut Borrowers, (the Medical Center and Hall-Brooke) pursuant to separate Loan Agreements, each dated as of November 1, 1999, between the related Issuer of such Series and Ascension Health (or, solely with respect to the Connecticut Bonds, a Connecticut Borrower). The proceeds of the Connecticut bonds were loaned to the Medical Center and Hall-Brooke and were used to refund the State of Connecticut Health and Educational Facilities Authority (CHEFA) Variable Rate Hospital Revenue Bonds (Charity Obligated Group) St. Vincent's Medical Center/Hall-Brooke Issue, Series 1999B.

Ascension Health, in its capacity of managing the system's debt program, has committed to making loans to the Corporation through November 15, 2029 in amounts ranging from \$282 to \$944 annually, with repayment to occur in annual installments ranging from \$167 to \$1,927, from November 2030 through November 2046.

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

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

6. Long-Term Debt (continued)

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

The borrowing portfolio of the Senior and Subordinate Credit Group includes a combination of fixed and variable rate hospital revenue bonds, commercial paper, and other obligations, the proceeds of which are in turn loaned to the Senior and Subordinate Credit Group members subject to a long-term amortization schedule of 1 to 37 years.

Certain portions of Senior and Subordinate Credit Group borrowings may be periodically subject to interest rate swap arrangements to effectively convert borrowing rates on such obligations from a floating to a fixed interest rate or vice versa based on market conditions. Additionally, Senior and Subordinate Credit Group borrowings may, from time to time, be refinanced or restructured in order to take advantage of favorable market interest rates or other financial opportunities. Any gain or loss on refinancing, as well as any bond premiums or discounts, are allocated to the Senior and Subordinate Credit Group members based on their pro rata share of the Senior and Subordinate Credit Group's obligations. Senior and Subordinate Credit Group refinancing transactions rarely have a significant impact on the outstanding borrowings or intercompany debt amortization schedule of any individual Senior and Subordinate Credit Group member. Members of Ascension Health may also periodically draw from the invested funds of other members of Ascension Health on a relatively short-term basis and subject to certain conditions.

The carrying amounts of intercompany debt with Ascension Health and other debt approximate the fair value based on a portfolio market valuation provided by a third party

The Senior and Subordinate Credit Group financing documents contain certain restrictive covenants, including a debt service coverage ratio.

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

6. Long-Term Debt (continued)

As of September 30, 2009, the Senior Credit Group has a line of credit of \$250 million related to its commercial paper program toward which bank commitments totaling \$250 million extended to November 19, 2010. As of September 30, 2009 and 2008, there were no borrowings under the line of credit.

As of September 30, 2009, the Senior Credit Group has a line of credit of \$500,000 for general corporate purposes, toward which bank commitments totaling \$500,000 extend to April 2, 2010. As of September 30, 2009 there were no borrowings under the line of credit.

As of September 30, 2009, the Subordinate Credit Group has a \$100,000 revolving line of credit related to its letters of credit program toward which a bank commitment of \$100,000 extends to December 31, 2009. As of September 30, 2009, \$50,037 of letters of credit had been extended under the revolving line of credit, although there were no borrowings under any of the letters of credit.

The outstanding principal amount of all hospital revenue bonds is \$4,079,310 million, which represents 51% of the combined unrestricted net assets of the Senior Subordinate Credit Group members at September 30, 2009.

Guarantees are contingent commitments issued by the Senior and Subordinate Credit Groups, generally to guarantee the performance of a sponsored organization or an affiliate to a third party in borrowing arrangements such as commercial paper issuances, bond financing, and similar transactions. The term of the guarantee is equal to the term of the related debt which can be as short as 30 days or as long as 31 years. The maximum potential amount of future payments the Senior and Subordinate Credit Groups could be required to make under its guarantees, letters of credit, and other commitments at September 30, 2009 is \$206,460, which includes the \$50,037 aforementioned letters of credit.

Interest paid on debt, net of amount capitalized during 2009 and 2008 was approximately \$924 and \$2,050, respectively.

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

7. Pension Plans

The Corporation participates in the Ascension Health Pension Plan (Plan) which is a noncontributory defined benefit pension plan covering all eligible employees of certain Ascension Health entities. Benefits cover all eligible employees hired prior to January 1, 2006 and are based on each participant's years of service and compensation. Plan assets are invested in a master trust consisting of cash and cash equivalents, equity and fixed income funds, and alternative investments. Contributions to the Plan are based on actuarially determined amounts sufficient to meet the benefits to be paid to Plan participants. Net periodic pension cost of \$5,481 in 2009 and \$6,706 in 2008 was charged to the Corporation. The service cost component of net periodic pension cost charged to the Corporation is actuarially determined while all other components are allocated based on the Corporation's pro-rata share of Ascension Health's overall projected benefit obligation.

As discussed in Note 2, Ascension Health adopted the measurement date provisions of ASC 715-30 as of June 30, 2009. As a result of moving the measurement date from March 31 to June 30, Ascension Health transferred an additional pension liability of \$80 to the Corporation, which is included in transfer (to) from sponsor and other affiliates, net, in the accompanying consolidated statements of operations and changes in net assets. Adopting ASC 715-30's measurement date provision did not have an effect on the Corporation's consolidated financial position at September 30, 2009.

The assets of the Plan are available to pay the benefits of eligible employees of all participating entities. In the event entities participating in the Plan are unable to fulfill their financial obligations under the Plan, the other participating entities are obligated to do so. As of September 30, 2009, the Plan had a net unfunded liability of \$613 million. The Corporation's allocated share of the Plan's net unfunded liability reflected in the accompanying consolidated balance sheets at September 30, 2009 and 2008 was \$37,417 and \$6,685, respectively. As a result of updating the funded status of the Plan, Ascension transferred an additional pension liability of \$30,376 to the Corporation during 2009, which is included in transfer (to) from sponsor and other affiliates net, in the accompanying consolidated statements of operations and changes in net assets.

The Corporation sponsors a noncontributory, defined contribution plan covering all eligible associates hired after January 1, 2006. Employer automatic contributions are determined as a percentage of a participant's salary and increases over specified periods of employee service. These benefits are funded annually. In addition the Corporation sponsors a defined contribution plan for all employees consisting of employer matching contributions. Benefits for employer matching contributions are determined as a percentage of an eligible participant's contributions each payroll period and are funded each payroll period.

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

7. Pension Plans (continued)

Participants become fully vested in the employer matching contributions immediately and employer automatic contributions after five years. Defined contribution expense was \$815 and \$596 during 2009 and 2008, respectively. Amounts equal to defined contribution expense are funded annually.

The Medical Center has a noncontributory supplemental defined benefit retirement plan (SERP) for certain executive and professional employees. The amount recorded in other liabilities as of September 30, 2009 and 2008 was \$2,663 and \$2,370, respectively. In 2009, the discount rate was decreased from 8.30% to 5.75% and did not have a material effect on the net periodic benefit cost for the year ended September 30, 2009. The SERP is not funded.

8. Other Postretirement Employee Benefits

In addition to the Corporation's defined benefit pension plan (Health Plan), the Medical Center sponsors a defined benefit health care plan for employees that provides postretirement medical benefits to those employees who reach the age of 65 and satisfy certain service requirements. Effective September 30, 2009, the Health Plan was modified to limit benefits to only current beneficiaries and current active employees who were at least age 62 with at least 7 years of service as of September 30, 2009. The plan limits the Medical Center's per employee contribution to \$1.2 per annum. The Plan is not funded.

Significant disclosures relating to the Health Plan as of the measurement date (September 30) follow:

	<u>2009</u>	<u>2008</u>
Change in benefit obligation		
Benefit obligation, beginning of the year	\$ (4,240)	\$ (4,331)
Service cost	(195)	(213)
Interest cost	(270)	(250)
Actuarial (losses) gains	(462)	249
Benefits paid	291	305
Curtailment	1,682	-
Benefit obligation, end of year	<u>\$ (3,194)</u>	<u>\$ (4,240)</u>

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

8. Other Postretirement Employee Benefits (continued)

	<u>2009</u>	<u>2008</u>
Change in plan assets		
Fair value of plan assets, beginning of the year	\$ —	\$ —
Employer contributions	291	305
Benefits paid	(291)	(305)
Fair value of plan assets, end of the year	<u>\$ —</u>	<u>\$ —</u>
Funded status		
Unrecognized prior service cost	\$ (3,194)	\$ (4,240)
Unrecognized net actuarial loss	—	—
Accrued benefit cost	<u>\$ (3,194)</u>	<u>\$ (4,240)</u>
Components of net periodic benefit		
Service cost	\$ 195	\$ 213
Interest cost	270	250
Net amortization and deferral	(486)	(683)
Net periodic benefit	<u>\$ (21)</u>	<u>\$ (220)</u>
Assumption		
Discount rate	5.65%	6.65%

Included in unrestricted net assets are the following amounts that have not yet been recognized in net periodic other postretirement benefit cost:

	<u>September 30</u>	
	<u>2009</u>	<u>2008</u>
Unrecognized prior service credit	\$ 30	\$ 1,443
Unrecognized actuarial gains	487	987
	<u>\$ 517</u>	<u>\$ 2,430</u>

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

8. Other Postretirement Employee Benefits (continued)

Changes in benefit obligations recognized in unrestricted net assets during 2009 include:

Current year actuarial losses	\$ (462)
Prior service cost due to curtailment	(965)
Amortization of actuarial losses	(38)
Amortization of prior service cost	(448)
	<u>\$ (1,913)</u>

The prior service credit and actuarial gains included in unrestricted net assets and expected to be recognized as a reduction of net periodic cost during the year ending September 30, 2010 are \$53 and \$11, respectively.

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

2010	\$ 323
2011	362
2012	381
2013	335
2014	314
2015 – 2018	1,309

9. Self-Insurance Programs

The Corporation participates in self-insurance programs for professional and general liability risks and workers' compensation risks to the extent of certain self-insured limits. In addition, various umbrella insurance policies have been purchased to provide coverage in excess of the self-insured limits. Actuarially determined amounts, discounted at 6%, are contributed to the trusts and the captive insurance companies to provide for the estimated cost of claims. The loss reserves recorded for estimated self-insured professional, general liability, and workers' compensation claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported and are discounted at 6% in 2009 and 2008.

In the event that sufficient funds are not available from the self-insurance programs, each participating entity may be assessed its pro rata share of the deficiency. If contributions exceed the losses paid, the excess may be returned to participating entities.

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

9. Self-Insurance Programs (continued)

General/Professional Liability Programs

The Corporation participates in Ascension Health's professional and general liability self-insured program which provides claims-made coverage through a wholly owned on-shore trust and offshore captive insurance company. The Medical Center has a deductible of \$100 per claim, and all others have no deductible. The program has a self-insured retention of \$10,000 per occurrence with no aggregate. Excess coverage is provided through Ascension Health Insurance Limited (AHIL), a wholly owned captive insurance company with limits up to \$185,000. AHIL retains \$5,000 per occurrence and \$5,000 annual aggregate for professional liability. AHIL also retains a 20% quota share of the first \$25,000 of umbrella excess. The remaining excess coverage is reinsured by commercial carriers.

Included in operating expenses in the accompanying consolidated statements of operations and changes in net assets is general and professional liability expense of \$5,093 and \$2,467 for the years ended September 30, 2009 and 2008, respectively. At September 30, 2009 and 2008, the general and professional liability reserves included in self-insurance liabilities (current and long-term) in the accompanying consolidated balance sheets were approximately \$4,979 and \$5,633, respectively.

Workers' Compensation

The Corporation participates in Ascension Health's workers' compensation self-insurance program which provides occurrence coverage through a grantor trust. The self-insured retention of the trust provides coverage up to \$1,000 per occurrence with no aggregate. The trust provides a mechanism for funding the workers' compensation obligations of its members through self-insurance and excess insurance against catastrophic losses. Premium payments made to the trust are expensed and reflect both claims reported and claims incurred but not reported. Included in operating expenses in the accompanying consolidated statements of operations and changes in net assets is workers' compensation expense of \$1,652 and \$776 for the years ended September 30, 2009 and 2008, respectively.

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

10. Lease Commitments

Future minimum payments under noncancellable operating leases with terms of one year or more are:

Years Ending September 30:	
2010	\$ 2,714
2011	2,578
2012	2,291
2013	1,961
2014	1,770
Thereafter	10,090
Total	<u>\$ 21,404</u>

Rental expense under operating leases amounted to \$4,774 and \$4,296 in 2009 and 2008, respectively.

11. St. Vincent's Medical Center Foundation, Inc. (Foundation)

The following table shows the Foundation's unrestricted and restricted operations for the years ended September 30:

	2009		
	Unrestricted	Temporarily and Permanently Restricted	Total
Contributions	\$ 7	\$ 11,812	\$ 11,819
Non-operating gains (losses):			
Other income	34	5	39
Net asset released from restriction	-	-	-
Changes in value of trusts	-	(7)	(7)
Investment income	(86)	693	607
Operating expenses:			
Salaries and wages	607	-	607
Employee benefits	176	-	176
Support activities	168	18,445	18,613
Fundraising	153	464	617
Other expenses	547	-	547
Depreciation	50	-	50
Total operating expenses	<u>1,701</u>	<u>18,909</u>	<u>20,610</u>
Net loss	<u>\$ (1,746)</u>	<u>\$ (6,406)</u>	<u>\$ (8,152)</u>

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

11. St. Vincent's Medical Center Foundation, Inc. (Foundation) (continued)

	2008		
	Unrestricted	Temporarily and Permanently Restricted	Total
Contributions	\$ 111	\$ 10,719	\$ 10,830
Non-operating gains (losses):			
Other income	116	4	120
Net asset released from restriction	513	(513)	-
Changes in value of trusts	-	(287)	(287)
Investment income	(3,446)	(3,833)	(7,279)
Operating expenses:			
Salaries and wages	591	-	591
Employee benefits	174	-	174
Support activities	247	6,469	6,716
Fundraising	677	-	677
Other expenses	627	-	627
Depreciation	20	-	20
Total operating expenses	2,336	6,469	8,805
Net loss	\$ (5,042)	\$ (379)	\$ (5,421)

12. Related Party Transactions

The Corporation utilized various centralized programs and overhead services of Ascension Health or its other sponsored organizations including risk management, retirement services, treasury, debt management, executive management support, administrative services, and information technology services. The charges allocated to the Corporation for these services represent both allocations of common costs and specifically identified expenses that are incurred by Ascension Health on behalf of the Corporation. Allocations are based on relevant metrics such as the Corporation's pro rata share of revenues, certain costs, debt, or investments to the consolidated totals of Ascension Health. The amounts charged to the Corporation for these services may not necessarily result in the net costs that would be incurred by the Corporation on a stand-alone basis. The charges allocated to the Corporation were approximately \$2,453 and \$1,994 for the years ended September 30, 2009 and 2008, respectively.

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

12. Related Party Transactions (continued)

During 2009 and 2008, the Corporation transferred \$525 and \$543 to its sponsor, Ascension Health, to fund the Corporation's allocated portion of an unmet debt obligation of a former member of the obligated group. Ascension Health's current intentions are to allocate similar amounts to the Corporation during the years 2009 through 2013. In addition, during 2009 and 2008, the Corporation transferred \$6,162 and \$4,488 to Ascension Health for system initiatives.

13. Temporarily and Permanently Restricted Net Assets

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Pledges receivable at September 30, 2009 and 2008 are comprised primarily of amounts contributed for the construction of the master facility plan at St. Vincent's Medical Center, including the Cancer Center, Emergency Department and Level 2 renovations.

Pledges receivable to be received after one year are discounted at a discount rate commensurate with the risks involved. Amortization of the discount is recognized as revenue and is reflected in accordance with donor imposed restrictions, if any, on the contributions.

Pledges receivable included in assets limited as to use as of September 30 are:

	<u>2009</u>	<u>2008</u>
Due within one year	\$ 3,231	\$ 1,470
Due in one to five years	6,643	4,527
Thereafter	95	249
	<u>9,969</u>	<u>6,246</u>
Less allowance and discount to present value	<u>1,547</u>	<u>1,357</u>
Pledges receivable, net	<u>\$ 8,422</u>	<u>\$ 4,889</u>

The discount recognizes the present value of the pledges. The allowance recognizes the estimated uncollectible portion of the pledges.

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

13. Temporarily and Permanently Restricted Net Assets (continued)

Temporarily restricted net assets are available for the following purposes:

	September 30	
	2009	2008
Health care services	\$ 2,511	\$ 2,720
Education and training	1,498	1,719
Capital	29,430	34,437
Other	3,143	3,515
	<u>\$ 36,582</u>	<u>\$ 42,391</u>

Permanently restricted net assets are to be held in perpetuity, the income from which is used for temporarily restricted activities of the designated entity and expendable for the following purposes:

	September 30	
	2009	2008
Health care services	\$ 5,755	\$ 5,706
Education	2,093	2,072
Capital	1,546	1,541
Other	819	816
	<u>\$ 10,213</u>	<u>\$ 10,135</u>

14. Commitments and Contingencies

In addition to professional liability claims, the Corporation is involved in litigation and regulatory investigations arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without a material adverse effect on the Corporation's consolidated financial position.

In January 2006, the Medical Center, AHIL, and an insurance provider entered into an agreement to provide professional liability insurance for community physicians. The agreement stipulates that future actuarial gains and losses will be solely the responsibility of the Medical Center. As of September 30, 2009 and 2008, such gains and losses cannot be determined. Management expects any related adjustment will not have a material adverse effect on the Corporation's consolidated financial position.

St. Vincent's Health Services Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

15. Subsequent Events

Hall-Brooke is in the process of obtaining regulatory approval to transfer its Connecticut operating license for its two outpatient psychiatric centers to the Medical Center. Hall-Brooke plans to staff and operate both centers and will negotiate a management agreement with the Medical Center.

Other Financial Information

Report of Independent Auditors on Other Financial Information

The Board of Directors
St. Vincent's Health Services Corporation

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. Financial statements for St. Vincent's College, Inc. (College), Hall-Brooke Behavioral Services, Inc. (Hall-Brooke), and The St. Vincent's Special Needs Center (Special Needs Center) for the year ended September 30, 2009 were audited by other auditors. The consolidating information and the Schedule of Net Cost of Providing Care of Persons Who are Poor and Community Benefit Programs are presented for purposes of additional analysis of the basic consolidated financial statements, and are not required parts of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Ernst & Young LLP

February 10, 2010

St. Vincent's Health Services Corporation and Subsidiaries

Consolidating Balance Sheet

September 30, 2009

(Dollars in Thousands)

	St. Vincent's Health Services Corporation	The St. Vincent's Medical Center	The St. Vincent's Medical Center Foundation	The St. Vincent's Special Needs Center	St. Vincent's Development Corporation	Hall-Brooke Behavioral Health Services, Inc.	Pequot Medical Associates, P.C.	Eliminations	Total
Assets									
Current assets:									
Cash and cash equivalents	\$ -	\$ 10,792	\$ 225	\$ 968	\$ 59	\$ 230	\$ -	\$ -	\$ 12,274
Investments in Health System Depository	-	8,636	-	1,422	152	820	-	-	11,030
Accounts receivable, less allowance for uncollectible accounts \$22,070	-	40,833	-	-	-	796	-	-	41,629
Advances to (from) affiliated entities, net	-	2,853	(2,785)	37	(1)	13	(352)	235	-
Inventories and other	-	8,649	110	2,027	83	565	-	(235)	11,199
Current portion of note receivable, affiliate	-	-	-	-	-	404	-	(404)	-
Total current assets	-	71,763	(2,450)	4,454	293	2,828	(352)	(404)	76,132
Investments in Health System Depository	-	38,480	-	13,950	920	2,635	-	-	55,985
Note receivable, affiliate	-	-	-	-	-	11,596	-	(11,596)	-
Board-designated investments and assets limited as to use:									
Investments in Health System Depository	-	173,941	-	-	-	-	-	-	173,941
Other board-designated investments	-	-	13,780	-	-	-	-	-	13,780
Temporarily or permanently restricted	-	309	46,650	13	-	-	-	-	46,972
Temporarily or permanently restricted Interest in The St. Vincent's Medical Center Foundation	-	44,065	-	1,970	-	135	-	(46,170)	-
Total board-designated investments and assets limited as to use	-	218,315	60,430	1,983	-	135	-	(46,170)	234,693
Interest in The St. Vincent's Medical Center Foundation	3,263	390	-	524	-	2	-	(4,179)	-
Property and equipment:									
Land and improvements	-	8,428	138	446	3,771	660	-	-	13,443
Buildings and equipment	-	292,025	830	14,831	12,459	4,319	-	-	324,464
Construction in progress	-	68,279	-	-	-	-	-	-	68,279
Less accumulated depreciation	-	(163,170)	(212)	(6,429)	(3,878)	(1,983)	-	-	(175,672)
Total property and equipment, net	-	205,562	756	8,848	12,352	2,996	-	-	230,514
Other assets	-	3,735	966	19	24	-	-	-	4,744
Total assets	\$ 3,263	\$ 538,245	\$ 59,702	\$ 29,778	\$ 13,589	\$ 20,192	\$ (352)	\$ (62,349)	\$ 602,068

St. Vincent's Health Services Corporation and Subsidiaries

Consolidating Balance Sheet (continued)

September 30, 2009

(Dollars in Thousands)

	St. Vincent's Health Services Corporation	The St. Vincent's Medical Center	The St. Vincent's Medical Center Foundation	The St. Vincent's Special Needs Center	St. Vincent's Development Corporation	Hall-Brooke Behavioral Health Services, Inc.	Pequot Medical Associates, P.C.	Eliminations	Total
Liabilities and net assets									
Current liabilities:									
Accounts payable and accrued liabilities	\$ –	\$ 45,128	\$ 114	\$ 1,269	\$ 197	\$ 963	\$ 2	\$ –	\$ 47,673
Current portion of long-term debt	–	1,162	–	85	–	420	–	–	1,667
Current portion of note payable, affiliate	–	404	–	–	–	–	–	(404)	–
Estimated third-party payor settlements	–	9,102	–	–	–	29	–	–	9,131
Other current liabilities	–	1,614	66	323	–	174	–	–	2,177
Total current liabilities	–	57,410	180	1,677	197	1,586	2	(404)	60,648
Noncurrent liabilities:									
Long-term debt	–	59,493	–	6,537	–	12,842	–	–	78,872
Self-insurance liabilities	–	2,936	–	–	–	–	–	–	2,936
Note payable affiliate	–	11,596	–	–	–	–	–	(11,596)	–
Pension and other postretirement liabilities	–	37,376	–	2,784	–	439	–	–	40,599
Other liabilities	–	6,606	680	–	–	442	–	–	7,728
Total noncurrent liabilities	–	118,007	680	9,321	–	13,723	–	(11,596)	130,135
Total liabilities	–	175,417	860	10,998	197	15,309	2	(12,000)	190,783
Net assets:									
Unrestricted	3,263	318,454	12,369	16,797	13,392	4,748	(354)	(4,179)	364,490
Temporarily restricted	–	34,861	36,328	1,283	–	135	–	(36,025)	36,582
Permanently restricted	–	9,513	10,145	700	–	–	–	(10,145)	10,213
Total net assets	3,263	362,828	58,842	18,780	13,392	4,883	(354)	(50,349)	411,285
Total liabilities and net assets	\$ 3,263	\$ 538,245	\$ 59,702	\$ 29,778	\$ 13,589	\$ 20,192	\$ (352)	\$ (62,349)	\$ 602,068

St. Vincent's Health Services Corporation and Subsidiaries

Consolidating Balance Sheet

September 30, 2008

(Dollars in Thousands)

	St. Vincent's Health Services Corporation	The St. Vincent's Medical Center	The St. Vincent's Medical Center Foundation	The St. Vincent's Special Needs Center	St. Vincent's Development Corporation	Hall-Brooke Behavioral Health Services, Inc.	Pequot Medical Associates, P.C.	Eliminations	Total
Assets									
Current assets:									
Cash and cash equivalents	\$ -	\$ 11,180	\$ 561	\$ 1,243	\$ 101	\$ 677	\$ 105	\$ -	\$ 13,867
Investments in Health System Depository	-	4,389	-	2,422	240	808	-	-	7,859
Accounts receivable, less allowance for uncollectible accounts \$21,374	-	40,947	-	-	-	3,281	-	-	44,228
Advances to (from) affiliated entities, net	-	4,691	67	643	18	(4,782)	-	(637)	-
Inventories and other	-	10,012	143	1,597	97	447	(463)	637	12,470
Total current assets	-	71,219	771	5,905	456	431	(358)	-	78,424
Investments in Health System Depository	-	55,588	-	13,243	593	141	-	-	69,565
Board-designated investments and assets limited as to use:									
Investments in Health System Depository	-	178,608	-	-	-	-	-	-	178,608
Other board-designated investments	-	-	13,584	-	-	-	-	-	13,584
Temporarily or permanently restricted	-	326	52,403	14	-	-	-	-	52,743
Temporarily or permanently restricted Interest in The St. Vincent's Medical Center Foundation	306	49,471	-	2,574	-	104	-	(52,455)	-
Total board-designated investments and assets limited as to use	306	228,405	65,987	2,588	-	104	-	(52,455)	244,935
Interest in The St. Vincent's Medical Center Foundation	3,978	1,341	-	759	-	1	-	(6,079)	-
Property and equipment:									
Land and improvements	-	5,008	138	446	3,649	4,070	-	-	13,311
Buildings and equipment	-	256,248	315	14,630	12,118	20,232	-	-	303,543
Construction in progress	-	33,959	371	-	-	44	-	-	34,374
Less accumulated depreciation	-	(139,495)	(194)	(5,836)	(3,366)	(6,855)	-	-	(155,746)
Total property and equipment, net	-	155,720	630	9,240	12,401	17,491	-	-	195,482
Other assets	-	3,623	639	19	24	-	-	-	4,305
Total assets	\$ 4,284	\$ 515,896	\$ 68,027	\$ 31,754	\$ 13,474	\$ 18,168	\$ (358)	\$ (58,534)	\$ 592,711

St. Vincent's Health Services Corporation and Subsidiaries
Consolidating Balance Sheet (continued)

September 30, 2008

(Dollars in Thousands)

	St. Vincent's Health Services Corporation	The St. Vincent's Medical Center	The St. Vincent's Medical Center Foundation	The St. Vincent's Special Needs Center	St. Vincent's Development Corporation	Hall-Brooke Behavioral Health Services, Inc.	Pequot Medical Associates, P.C.	Eliminations	Total
Liabilities and net assets									
Current liabilities:									
Current portion of long-term debt	\$ -	\$ 1,084	\$ -	\$ 83	\$ -	\$ 390	\$ -	\$ -	\$ 1,557
Estimated third-party payor settlements	-	9,754	-	-	-	91	-	-	9,845
Accounts payable and accrued liabilities	-	40,183	212	1,381	209	2,422	2	-	44,409
Other current liabilities	-	1,340	64	267	-	164	-	-	1,835
Total current liabilities	-	52,361	276	1,731	209	3,067	2	-	57,646
Noncurrent liabilities:									
Long-term debt	-	57,129	-	6,622	-	16,242	-	-	79,993
Self-insurance liabilities	-	3,647	-	-	-	117	-	-	3,764
Pension and other postretirement liabilities	-	10,022	-	366	-	374	-	-	10,762
Other liabilities	-	5,743	700	-	-	605	-	-	7,048
Total noncurrent liabilities	-	76,541	700	6,988	-	17,338	-	-	101,567
Total liabilities	-	128,902	976	8,719	209	20,405	2	-	159,213
Net assets:									
Unrestricted	3,978	337,196	14,865	20,448	13,265	(2,341)	(360)	(6,079)	380,972
Temporarily restricted	306	40,411	42,119	1,887	-	56	-	(42,388)	42,391
Permanently restricted	-	9,387	10,067	700	-	48	-	(10,067)	10,135
Total net assets	4,284	386,994	67,051	23,035	13,265	(2,237)	(360)	(58,534)	433,498
Total liabilities and net assets	\$ 4,284	\$ 515,896	\$ 68,027	\$ 31,754	\$ 13,474	\$ 18,168	\$ (358)	\$ (58,534)	\$ 592,711

St. Vincent's Health Services Corporation and Subsidiaries
Consolidating Statement of Operations and Changes in Net Assets

Year Ended September 30, 2009

(Dollars in Thousands)

	St. Vincent's Health Services Corporation	The St. Vincent's Medical Center	The St. Vincent's Medical Center Foundation	The St. Vincent's Special Needs Center	St. Vincent's Development Corporation	Hall-Brooke Behavioral Health Services, Inc.	Pequot Medical Associates, P.C.	Eliminations	Total
Operating revenues:									
Net patient service revenue	\$-	\$342,945	\$ -	\$ -	\$ -	\$ 4,349	\$ -	\$ -	\$ 347,294
Other revenue	-	12,575	7	20,752	2,175	4,713	10	(1,519)	38,713
Net assets released from restrictions used for operations	-	991	-	28	-	26	-	-	1,045
Total operating revenues	-	356,511	7	20,780	2,175	9,088	10	(1,519)	387,052
Operating expenses:									
Salaries and wages	-	153,471	-	11,181	-	4,047	-	-	168,699
Employee benefits	-	34,320	-	3,219	-	1,434	-	-	38,973
Purchased services	-	24,158	-	106	-	103	3	-	24,370
Professional fees	-	5,956	-	239	92	53	-	-	6,340
Supplies	-	60,745	-	667	2	123	-	-	61,537
Insurance	-	5,384	-	427	3	28	(2)	-	5,840
Bad debts	-	21,837	-	1	33	247	-	-	22,118
Interest	-	678	-	213	1	29	3	-	924
Depreciation and amortization	-	18,686	-	657	512	166	-	-	20,021
Other	-	21,107	-	3,230	1,347	2,369	-	(1,247)	26,806
Total operating expenses	-	346,342	-	19,940	1,990	8,599	4	(1,247)	375,628
Income (loss) from operations	-	10,169	7	840	185	489	6	(272)	11,424
Nonoperating (losses) gains:									
Investment (loss) income	-	(3,134)	(52)	(2,306)	38	301	-	-	(5,153)
Other	(217)	316	(1,701)	(18)	-	(9)	-	495	(1,134)
Total nonoperating (losses) gains, net	(217)	(2,818)	(1,753)	(2,324)	38	292	-	495	(6,287)
(Deficiency) excess of revenue and gains over expenses	(217)	7,351	(1,746)	(1,484)	223	781	6	223	5,137

St. Vincent's Health Services Corporation and Subsidiaries
Consolidating Statement of Operations and Changes in Net Assets (continued)

Year Ended September 30, 2009

(Dollars in Thousands)

	St. Vincent's Health Services Corporation	The St. Vincent's Medical Center	The St. Vincent's Medical Center Foundation	The St. Vincent's Special Needs Center	St. Vincent's Development Corporation	Hall-Brooke Behavioral Health Services, Inc.	Pequot Medical Associates, P.C.	Eliminations	Total
Unrestricted net assets:									
(Deficiency) excess of revenue and gains over expenses	\$ (217)	\$ 7,351	\$ (1,746)	\$ (1,484)	\$ 223	\$ 781	\$ 6	\$ 223	\$ 5,137
Transfers from (to) sponsor, net	-	(40,944)	(1)	(2,402)	(96)	6,298	-	57	(37,088)
Net assets released from restrictions for property acquisitions	-	16,927	-	170	-	10	-	-	17,107
Pension and other postretirement liability adjustments	-	(1,134)	-	245	-	-	-	-	(889)
Transfer (to) from temporarily and permanently restricted net assets	-	-	(749)	-	-	-	-	-	(749)
Change in interest in Foundation	(498)	(942)	-	(180)	-	-	-	1,620	-
Other	-	-	-	-	-	-	-	-	-
(Decrease) increase in unrestricted net assets	(715)	(18,742)	(2,496)	(3,651)	127	7,089	6	1,900	(16,482)
Temporarily restricted net assets:									
Contributions	-	17,897	11,773	198	-	35	-	(17,762)	12,141
Investment income, net	-	4	(185)	-	-	-	-	-	(181)
Net change in unrealized gains (losses) on investments	-	-	879	-	-	-	-	-	879
Net assets released from restrictions	-	(17,918)	(17,763)	(198)	-	(35)	-	17,762	(18,152)
Transfer from (to) unrestricted and permanently restricted net assets	-	-	715	-	-	-	-	-	715
Change in interest in Foundation	(306)	(5,532)	-	(604)	-	79	-	6,363	-
Other	-	(1)	(1,210)	-	-	-	-	-	(1,211)
(Decrease) increase in temporarily restricted net assets	(306)	(5,550)	(5,791)	(604)	-	79	-	6,363	(5,809)
Permanently restricted net assets:									
Contributions	-	-	39	-	-	-	-	-	39
Transfer from unrestricted and temporarily restricted net assets	-	-	34	-	-	-	-	-	34
Change in interest in Foundation	-	126	-	-	-	(48)	-	(78)	-
Other	-	-	5	-	-	-	-	-	5
(Decrease) increase in permanently restricted net assets	-	126	78	-	-	(48)	-	(78)	78
(Decrease) increase in net assets	(1,021)	(24,166)	(8,209)	(4,255)	127	7,120	6	8,185	(22,213)
Net assets, beginning of the year	4,284	386,994	67,051	23,035	13,265	(2,237)	(360)	(58,534)	433,498
Net assets, end of the year	\$ 3,263	\$ 362,828	\$ 58,842	\$ 18,780	\$ 13,392	\$ 4,883	\$ (354)	\$ (50,349)	\$ 411,285

St. Vincent's Health Services Corporation and Subsidiaries
Consolidating Statement of Operations and Changes in Net Assets

Year Ended September 30, 2008

(Dollars in Thousands)

	St. Vincent's Health Services Corporation	The St. Vincent's Medical Center	The St. Vincent's Medical Center Foundation	The St. Vincent's Special Needs Center	St. Vincent's Development Corporation	Hall-Brooke Behavioral Health Services, Inc.	Pequot Medical Associates, P.C.	Eliminations	Total
Operating revenues:									
Net patient service revenue	\$ –	\$309,365	\$ –	\$ –	\$ –	\$ 19,592	\$ –	\$ –	\$ 328,957
Other revenue	–	15,649	111	19,603	3,915	4,551	291	(2,287)	41,833
Net assets released from restrictions used for operations	–	957	–	123	–	32	–	–	1,112
Total operating revenues	–	325,971	111	19,726	3,915	24,175	291	(2,287)	371,902
Operating expenses:									
Salaries and wages	–	133,649	–	10,439	–	14,941	78	–	159,107
Employee benefits	–	31,044	–	2,741	–	3,353	7	–	37,145
Purchased services	–	23,268	–	102	–	737	19	–	24,126
Professional fees	–	4,501	–	228	82	334	–	–	5,145
Supplies	–	56,050	–	739	–	1,067	–	–	57,856
Insurance	–	2,345	–	453	2	103	204	–	3,107
Bad debts	–	20,150	–	(13)	32	929	–	–	21,098
Interest	–	1,011	–	283	75	662	19	–	2,050
Depreciation and amortization	–	16,852	–	651	491	882	–	–	18,876
Other	–	18,125	–	3,128	1,168	3,814	22	(2,101)	24,156
Total operating expenses	–	306,995	–	18,751	1,850	26,822	349	(2,101)	352,666
Income (loss) from operations	–	18,976	111	975	2,065	(2,647)	(58)	(186)	19,236
Nonoperating (losses) gains:									
Investment (loss) income	–	(33,946)	(3,399)	47	(136)	(21)	–	–	(37,455)
Other	–	(126)	(1,754)	–	–	3	–	186	(1,691)
Total nonoperating (losses) gains, net	–	(34,072)	(5,153)	47	(136)	(18)	–	186	(39,146)
(Deficiency) excess of revenue and gains over expenses	–	(15,096)	(5,042)	1,022	1,929	(2,665)	(58)	–	(19,910)

St. Vincent's Health Services Corporation and Subsidiaries
Consolidating Statement of Operations and Changes in Net Assets (continued)

Year Ended September 30, 2008

(Dollars in Thousands)

	St. Vincent's Health Services Corporation	The St. Vincent's Medical Center	The St. Vincent's Medical Center Foundation	The St. Vincent's Special Needs Center	St. Vincent's Development Corporation	Hall-Brooke Behavioral Health Services, Inc.	Pequot Medical Associates, P.C.	Eliminations	Total
Unrestricted net assets:									
(Deficiency) excess of revenue and gains over expenses	\$ –	\$ (15,096)	\$ (5,042)	\$ 1,022	\$ 1,929	\$ (2,665)	\$ (58)	\$ –	\$ (19,910)
Transfers from (to) sponsor, net	(4,000)	7,566	(1,496)	1,061	5,433	122	–	–	8,686
Net assets released from restrictions for property acquisitions	4,000	313	–	735	–	174	–	–	5,222
Pension and other postretirement liability adjustments	–	284	–	–	–	(55)	–	–	229
Transfer (to) from temporarily and permanently restricted net assets	–	–	(928)	–	–	–	–	–	(928)
Other	–	4	–	(590)	–	1	(16)	585	(16)
(Decrease) increase in unrestricted net assets	–	(6,929)	(7,466)	2,228	7,362	(2,423)	(74)	585	(6,717)
Temporarily restricted net assets:									
Contributions	4,000	1,270	10,666	858	–	206	–	(5,601)	11,399
Investment income, net	–	8	1,318	–	–	–	–	–	1,326
Net change in unrealized gains (losses) on investments	–	–	(5,150)	–	–	–	–	–	(5,150)
Net assets released from restrictions	(4,000)	(1,270)	(5,601)	(858)	–	(206)	–	5,601	(6,334)
Transfer from (to) unrestricted and permanently restricted net assets	–	–	765	–	–	–	–	–	765
Change in interest in Foundation	(4,719)	7,710	–	(197)	–	(214)	–	(2,580)	–
Other	–	3	(1,420)	–	–	–	–	–	(1,417)
(Decrease) increase in temporarily restricted net assets	(4,719)	7,721	578	(197)	–	(214)	–	(2,580)	589
Permanently restricted net assets:									
Contributions	–	–	53	–	–	–	–	–	53
Transfer from unrestricted and temporarily restricted net assets	–	–	163	–	–	–	–	–	163
Change in interest in Foundation	–	126	–	–	–	5	–	(131)	–
Other	–	–	(248)	–	–	–	–	–	(248)
(Decrease) increase in permanently restricted net assets	–	126	(32)	–	–	5	–	(131)	(32)
(Decrease) increase in net assets	(4,719)	918	(6,920)	2,031	7,362	(2,632)	(74)	(2,126)	(6,160)
Net assets, beginning of the year	9,003	386,076	73,971	21,004	5,903	395	(286)	(56,408)	439,658
Net assets, end of the year	\$ 4,284	\$ 386,994	\$ 67,051	\$ 23,035	\$ 13,265	\$ (2,237)	\$ (360)	\$ (58,534)	\$ 433,498

St. Vincent's Health Services Corporation and Subsidiaries

Schedule of Net Cost of Providing Care of Persons
Who are Poor and Community Benefit Programs

Year Ended September 30, 2009

(Dollars in Thousands)

The net cost to the Corporation of providing care of persons who are poor and community benefit programs is as follows:

Traditional charity care provided	\$ 3,171
Unpaid cost of public programs for the poor	7,999
Other programs for the poor	2,991
Community benefit programs	<u>6,656</u>
Care of persons who are poor and community benefit programs	<u><u>\$ 20,817</u></u>