



CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

CHRISTUS Health
Years Ended June 30, 2013 and 2012
With Report of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**

CHRISTUS Health

Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2013 and 2012

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Report of Independent Auditors

The Board of Directors
CHRISTUS Health

We have audited the accompanying consolidated financial statements of CHRISTUS Health, which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CHRISTUS Health at June 30, 2013 and 2012, and the consolidated results of its operations and changes in net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Adoption of Accounting Standards Updated (ASU) No. 2011-07, Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities

As discussed in Note 3 to the consolidated financial statements, the System changed the presentation of the provision for bad debts as a result of the adoption of ASU No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, effective July 1, 2012.

Ernst & Young LLP

September 13, 2013

CHRISTUS Health

Consolidated Balance Sheets

	June 30	
	2013	2012
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 282,389	\$ 366,043
Short-term investments	1,043,273	529,738
Assets whose use is limited or restricted, required for current liabilities	59,960	56,903
Patient accounts receivable, net of allowance for doubtful accounts of \$93,426 and \$84,366 at June 30, 2013 and 2012, respectively	357,904	334,971
Notes and other receivables	183,994	57,499
Inventories	88,683	89,658
Securities pledged to creditors	8,858	46,518
Security lending collateral	9,204	46,257
Other current assets	65,226	51,784
Total current assets	2,099,491	1,579,371
Assets whose use is limited or restricted, less current portion	708,174	907,962
Property and equipment, net of accumulated depreciation	1,618,670	1,719,060
Other assets:		
Investments in unconsolidated organizations	37,302	209,938
Goodwill	89,730	101,858
Other assets	74,740	74,472
Beneficial interest in supporting organizations and other restricted assets	68,792	15,540
Total other assets	270,564	401,808
Total assets	\$ 4,696,899	\$ 4,608,201

CHRISTUS Health

Consolidated Balance Sheets (continued)

	June 30	
	2013	2012
	<i>(In Thousands)</i>	
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 409,675	\$ 358,097
Accrued employee compensation and benefits, including pension benefits, current portion	176,427	180,388
Estimated third-party settlements	33,017	33,267
Current portion of long-term debt	51,589	48,405
Payable under security lending agreement	9,210	47,288
Total current liabilities	679,918	667,445
Long-term debt, less current portion	1,071,943	1,124,556
Accrued pension benefits, long-term portion	75,435	197,177
Derivative financial instruments	92,624	136,786
Other long-term obligations – primarily related to self-funded liabilities, less current portion	169,613	176,799
Total liabilities	2,089,533	2,302,763
Net assets:		
Unrestricted:		
Attributable to CHRISTUS Health	2,356,267	2,115,411
Attributable to noncontrolling interest	120,356	119,299
Total unrestricted	2,476,623	2,234,710
Temporarily restricted	114,858	54,183
Permanently restricted	15,885	16,545
Total net assets	2,607,366	2,305,438
Total liabilities and net assets	\$ 4,696,899	\$ 4,608,201

See accompanying notes.

CHRISTUS Health

Consolidated Statements of Operations and Changes in Net Assets

	Year Ended June 30	
	2013	2012
	<i>(In Thousands)</i>	
Revenues:		
Patient service revenue (net of contractual allowances and discounts)	\$ 3,463,569	\$ 3,417,777
Provision for bad debts	(239,406)	(205,518)
Net patient service revenue less provision for bad debts	3,224,163	3,212,259
Premium revenue	182,893	174,283
Other revenue	182,854	181,955
Equity in income of unconsolidated organizations	111,362	27,539
Total revenues	3,701,272	3,596,036
Expenses:		
Employee compensation and benefits	1,609,714	1,623,487
Services and other	1,100,712	1,020,213
Supplies	612,132	638,104
Depreciation and amortization	271,965	218,007
Interest	33,697	42,166
Total expenses	3,628,220	3,541,977
Operating income	73,052	54,059
Nonoperating investment gain (loss)	88,212	(91,519)
Other nonoperating loss	(1,585)	(3,935)
Revenues in excess (deficit) of expenses	159,679	(41,395)
Less revenues in excess of expenses attributable to noncontrolling interest	17,171	12,601
Revenues in excess (deficit) of expenses attributable to CHRISTUS Health	142,508	(53,996)

CHRISTUS Health

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

	Year Ended June 30	
	2013	2012
	<i>(In Thousands)</i>	
Changes in unrestricted net assets:		
Revenues in excess (deficit) of expenses attributable to CHRISTUS Health	\$ 142,508	\$ (53,996)
Net change in unrealized gain (loss) on investments	3,320	(6,390)
Change in pension liabilities	95,141	(89,525)
Acquisition of noncontrolling interest	(3,380)	(2,610)
Change in noncontrolling interest	4,437	8,660
Other	(113)	3,478
Changes in unrestricted net assets	241,913	(140,383)
Temporarily restricted net assets:		
Net change in beneficial interest	24,712	-
Contributions	6,142	3,229
Unrealized gain (loss) on investments	453	(2,190)
Net assets released from restrictions and other	(5,992)	(8,252)
Changes in temporarily restricted net assets	25,315	(7,213)
Permanently restricted net assets:		
Net change in beneficial interest	(141)	-
Other	(6,000)	2,994
Changes in permanently restricted net assets	(6,141)	2,994
Change in net assets	261,087	(144,602)
Adjustment to beginning temporarily and permanently restricted net assets (<i>Note 16</i>)	40,841	-
Net assets – beginning of year	2,305,438	2,450,040
Net assets – end of year	\$ 2,607,366	\$ 2,305,438

See accompanying notes.

CHRISTUS Health

Consolidated Statements of Cash Flows

	Year Ended June 30	
	2013	2012
	<i>(In Thousands)</i>	
Operating activities		
Changes in net assets:	\$ 261,087	\$ (144,602)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Change in beneficial interest	(24,571)	—
Change in pension liabilities	(120,391)	81,559
Contributions of temporarily restricted net assets	(6,142)	(3,229)
Equity in income of unconsolidated organizations	(111,362)	(27,539)
Equity (earnings) losses on investments in managed funds	(37,436)	4,889
Depreciation and amortization	271,965	218,007
Provision for uncollectible accounts	239,406	205,518
Change in derivative fair value	(44,162)	76,813
Gain on disposal of property and equipment	(3,408)	(2,717)
Changes in operating assets and liabilities, net of acquisitions:		
Increase in net patient accounts receivable	(262,339)	(226,837)
(Increase) decrease in trading securities	(99,954)	1,084
(Increase) decrease in notes and other receivables	(126,495)	68,206
Decrease (increase) in inventories	975	(1,226)
Increase in accounts payable, accrued expenses, and accrued employee compensation and benefits	54,647	3,365
Decrease in net third-party payor settlements	(250)	(8,815)
(Decrease) increase in liability for self-funded liabilities	(1,110)	3,782
Net cash (used in) provided by operating activities	(9,540)	248,258
Investing activities		
Purchases of property and equipment	(166,199)	(166,264)
Proceeds from sale or disposal of property and equipment	15,278	8,633
Proceeds from sale of investment in Baptist St. Anthony, net	299,037	—
Increase in equity investments in managed funds	(179,414)	(70,629)
(Increase) decrease in investments in unconsolidated organizations	(15,038)	6,151
Decrease (increase) in securities pledged to creditors	37,660	(6,307)
Increase in other assets	(3,385)	(5,541)
Decrease (increase) in security lending collateral	37,053	(7,102)
Net cash provided by (used in) investing activities	24,991	(241,059)

CHRISTUS Health

Consolidated Statements of Cash Flows (continued)

	Year Ended June 30	
	2013	2012
	<i>(In Thousands)</i>	
Financing activities		
Contributions of temporarily restricted net assets	\$ 6,142	\$ 3,229
Other costs associated with debt refinancing/conversion	(1,244)	(859)
Payments on long-term debt	(65,925)	(69,728)
(Decrease) increase in payable under security lending agreements	(38,078)	7,826
Net cash used in financing activities	<u>(99,105)</u>	<u>(59,532)</u>
Net decrease in cash and cash equivalents	(83,654)	(52,333)
Cash and cash equivalents – beginning of year	366,043	418,376
Cash and cash equivalents – end of year	<u>\$ 282,389</u>	<u>\$ 366,043</u>
Noncash investing and financing transactions		
Capital lease obligations incurred for property and equipment	<u>\$ 3,171</u>	<u>\$ 1,064</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest (net of amount capitalized)	<u>\$ 36,969</u>	<u>\$ 45,372</u>

See accompanying notes.

CHRISTUS Health

Notes to Consolidated Financial Statements

June 30, 2013

1. Mission, Vision, and Organization of CHRISTUS Health

CHRISTUS Health was incorporated as a Texas nonprofit corporation on December 15, 1998. CHRISTUS Health (CHRISTUS or the System) is sponsored by the Congregation of the Sisters of Charity of the Incarnate Word of Houston, Texas, and the Congregation of the Sisters of the Charity of the Incarnate Word of San Antonio, Texas. The Congregation of the Sisters of Charity of the Incarnate Word of Houston, Texas, sponsors the Sisters of Charity Health Care System (SCH), and the Congregation of the Sisters of Charity of the Incarnate Word of San Antonio, Texas, sponsors the Incarnate Word Health System (IWHS). SCH and IWHS continue to exist and carry out their ministries.

The mission of CHRISTUS is to extend the healing ministry of Jesus Christ. The Gospel values underlying the mission statement challenge CHRISTUS to make choices that respond to the economically disadvantaged and the underserved with health care needs. The growth and development of CHRISTUS are determined by the health care needs of the communities that CHRISTUS serves, its available resources, and the interrelationship of those serving and those being served. Responsible stewardship mandates that CHRISTUS searches out new, effective means to deliver quality health care and to promote wholeness in the human person.

The vision of CHRISTUS is to be a leader, a partner, and an advocate in the creation of innovative health and wellness solutions that improve the lives of individuals and communities so that all may experience God's healing presence and love.

The consolidated financial statements of CHRISTUS include activities of its affiliated market-based organizations and other related entities, all of which are wholly or majority-owned and commonly referred to as regions or entities. For purposes of these consolidated financial statements, the "System" is defined as CHRISTUS's affiliated market-based organizations and other related entities. The other related entities include, but are not limited to, hospital foundations, professional office buildings, management services organizations, physician groups, outpatient surgery centers, a collection agency, self-insurance trusts, an offshore captive insurance company, health plans, integrated community health networks, and diagnostic imaging companies.

CHRISTUS controls or owns, directly or indirectly, or manages various nonprofit and for-profit corporations and other organizations that currently operate in the states of Texas, Arkansas, Georgia, Louisiana, Missouri, New Mexico, Iowa, the country of Chile, and in the Republic of Mexico.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

1. Mission, Vision, and Organization of CHRISTUS Health (continued)

CHRISTUS and certain affiliated nonprofit corporations are generally exempt from federal income taxes under Section 501(a) of the Internal Revenue Code, as organizations described in Section 501(c)(3).

2. Community Health

In accordance with its mission and philosophy, the System commits significant resources to improving the health of the communities it serves. In support of its mission, the System provides programs and services for entire communities, with a special consideration for those who are poor and underserved.

Programs and Services for the Poor and Underserved – These programs and services represent the financial commitment to serve those who have inadequate resources and/or are uninsured or underinsured. Services are offered with the conviction that health care is a basic human right and all deserve access. The categories included as programs and services for the poor and the underserved are as follows:

Charity Care – In accordance with the Catholic Health Association (CHA) guidelines, charity care represents the unpaid costs of free or discounted health services provided to persons who cannot afford to pay and who meet the organization's criteria for financial assistance. Traditional charity care is defined by the state of Texas as the unreimbursed costs of providing, funding, or otherwise financially supporting the health care services provided to a person with income at or below 200% of the federal poverty level. Charity care services provided to these patients are not reported as revenue in the consolidated statements of operations and changes in net assets as there is no expectation of payment. The amount of traditional charity care provided, determined on the basis of cost, excluding the provision for bad debt expense, was approximately \$195,839,000 and \$168,645,000 for the years ended June 30, 2013 and 2012, respectively.

Unpaid Costs of Medicaid and Other Public Programs for the Indigent – This category represents the cost of providing services to beneficiaries of public programs, including state Medicaid and indigent care programs, in excess of any payments received from all sources.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

2. Community Health (continued)

Community Services for the Poor and Underserved – This category represents the unpaid cost of services provided for which a patient is not billed, or for which a fee has been assessed that recovers only a portion of the cost of the rendered service. This category includes services to those in need through community health programs. The programs cover a broad spectrum of services, from community health centers to immunizations for children and seniors, Meals on Wheels, transportation services, home repair projects, and a variety of other social services. These programs may also seek justice for the vulnerable and work to bring about changes in political and economic systems.

Examples of CHRISTUS Community Benefits accounted for under Community Services for the Poor and Underserved include:

- The CHRISTUS Community Direct Investment (CDI) Program was established to support community-driven initiatives primarily for affordable housing and economic development by providing financing at below-market interest rates. The majority of the support is provided to programs in the CHRISTUS operating regions. The amount the System would have earned on these monies is the forgone income that is considered a community benefit.
- The CHRISTUS Fund was established for the purpose of providing grants to support community planning, healthy community initiatives, and community-based programs, with a focus on the poor and underserved areas where CHRISTUS ministries and sponsoring congregations are involved.

Community Services Provided for the Broader Community – This category represents the unpaid cost of services provided for the benefit of the entire community. The majority of these expenditures are for graduate medical education programs, either through CHRISTUS-sponsored or affiliated programs. Other benefits for the broader community include health promotion and wellness programs, health screenings, newsletters, and radio or television programs intended for health education. These programs are not intended to be financially self-supporting.

Education and Research – This category represents the direct costs associated with medical education and other health professional educational programs in excess of governmental payments.

Other Community Services – This category represents leadership activities, community planning, and advocacy.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

3. Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of all entities of the System (see Note 1). All significant inter-entity transactions and accounts have been eliminated in consolidation.

Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management of the System to make assumptions, estimates, and judgments that affect the amounts reported in the financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. The System considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its financial statements, including the following: recognition of net patient service revenues, which include contractual allowances and the provision for bad debt; reserves for losses and expenses related to health care professional and general liabilities; determination of fair values of certain financial instruments; determination of fair value of certain goodwill and long-lived assets; and risks and assumptions for measurement of pension and retiree medical liabilities. Management relies on historical experience and on other assumptions believed to be reasonable under the circumstances in making its judgments and estimates. Actual results could differ materially from these estimates.

Cash and Cash Equivalents

Cash equivalents include short-term, highly liquid investments with original maturities of three months or less.

Investments

The System's investment portfolio is classified as trading, with unrealized gains and losses included in revenues in excess of expenses. Investments in equity securities and funds with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investments also include equity investments in managed funds structured as limited liability corporations or partnerships. These investments are accounted for under the equity method. Investment income or loss (including equity investment

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

earnings (losses) on managed funds; realized and unrealized gains and losses, computed on the average-cost basis of the security at the time of sale; and interest and dividends) is included in revenues in excess (deficit) of expenses unless the income or loss is restricted by donor or law.

Investment income earned on assets held by trustees under bond indenture agreements, assets held by foundations, assets deposited in trust funds for self-insurance purposes, and funds held by insurance subsidiaries in accordance with industry practices are included in other revenue in the consolidated statements of operations and changes in net assets.

Derivative Financial Instruments

The System utilizes interest rate swaps to hedge interest rate exposures. Changes in the fair value of the System's interest rate swaps are recorded as a component of nonoperating investment gain (loss) in the accompanying consolidated statements of operations and changes in net assets. The expense representing the net of the payments made and received under the swap agreements is also recorded as a component of nonoperating investment gain (loss).

Inventories

The System values inventories, which consist principally of medical supplies and pharmaceuticals, at the lower of cost (first-in, first-out, or weighted-average cost valuation method) or market basis.

Property and Equipment

Property and equipment acquisitions are recorded at cost or, if donated, at fair value at the time of donation. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. Routine maintenance, repairs, and minor equipment replacement costs are charged against operations.

Depreciation is calculated and recorded over the estimated useful life of each class of depreciable assets using the straight-line method. The *American Hospital Association – Estimated Useful Lives of Depreciable Hospital Assets* is used as a general guide in establishing depreciable lives. Amortization of capital leases is included in depreciation expense.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

Asset Impairment

The System periodically evaluates the carrying value of its operating long-lived assets and assets held for sale for impairment when indicators of impairment are identified. These evaluations are primarily based on the estimated recoverability of the assets' carrying value. Impairment write-downs are recognized as a reduction in operating income for the operating long-lived assets and as a reduction in nonoperating gain for the assets held for sale at the time the impairment is identified.

In May 2013, the CHRISTUS board of directors approved a plan to consolidate the operations of two of its hospitals located in its Northern Louisiana Region, which will result in the closure of one of the facilities by the end of 2014. Accordingly, management evaluated the ongoing value of the long-lived assets and determined that the value of certain long-lived assets were no longer recoverable as their carrying value exceeded the expected cash flows. At June 30, 2013, the System wrote down the respective long-lived assets to their estimated fair value by recognizing an impairment loss of \$73,981,000, which is included in depreciation and amortization expense in the accompanying consolidated statements of operations and changes in net assets. In addition, an impairment loss of \$4,576,000 was recognized in fiscal year 2013 related to other long-lived assets. There were no impairments recognized in fiscal year 2012.

Investments in Unconsolidated Organizations and Noncontrolling Interest

The System has investments in certain organizations for which it does not have a majority ownership interest or significant control, and, therefore, these organizations are not consolidated. Generally, these investments are recorded using the equity method of accounting for those organizations in which the System owns greater than 20% and has significant influence over the organization. The cost method of accounting is used for organizations in which the System owns 20% or less.

The System attributed excess of revenue over expenses of \$17,171,000 and \$12,601,000 for the years ended June 30, 2013 and 2012, respectively, to the noncontrolling interest based on the contractual terms of joint ventures and the ownership percentage of the noncontrolling interests in certain of the consolidated subsidiaries. These amounts are reflected in unrestricted net assets in the consolidated balance sheets, net of distributions. As discussed below, the System acquired a portion of the noncontrolling interest in CHRISTUS Muguerza, S.A. de C.V., during fiscal years 2013 and 2012.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

Securities Lending

The System participates in securities lending transactions facilitated by the lending agent. Such loans are secured by collateral of 103% of the market value of domestic securities at the time of the loan. Per the securities lending agreement, such collateral will typically be cash or debt securities issued by the U.S. government or any of its agencies. Cash collateral received in connection with these loans is currently invested in a pooled fund of securities that mature in no more than 13 months and is maintained by the lending agent. The securities on loan and invested collateral are marked to market throughout the duration of the loan.

Goodwill

The System records goodwill arising from a business combination as the excess of purchase price over the fair value of identifiable tangible and intangible assets acquired and liabilities assumed. At June 30, 2013 and 2012, the System had goodwill of \$89,730,000 and \$101,858,000, respectively. During fiscal year 2013, the System wrote off goodwill of \$15,823,000 related to the sale of Baptist St. Anthony's Health System (BSAHS).

Goodwill is tested at least annually for impairment at the reporting unit level. Impairment is the condition that exists when the carrying amount of goodwill exceeds its implied fair value. Additional impairment assessments may be performed on an interim basis if the System encounters events or changes in circumstances that would indicate that it is more likely than not that the carrying value of goodwill has been impaired. The System has determined that its reporting units are the various geographic Regions of the System. The first step in the impairment process is to determine the fair value of the reporting unit and then compare it to the carrying value, including goodwill. If the fair value exceeds the carrying value, no further action is required and no impairment loss is recognized.

The System applied the optional provisions of ASU 2011-08, *Intangibles – Goodwill and Other: Testing Goodwill for Impairment*. A qualitative impairment analysis concluded that it was more likely than not that the fair value exceeded the carrying value of the applicable reporting units. Therefore, no two-step impairment analysis was required, and no impairment charges were recorded in fiscal year 2013 or 2012.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

Deferred Financing Costs

Deferred financing costs, net of accumulated amortization, included in other assets at June 30, 2013 and 2012, are \$17,181,000 and \$18,576,000, respectively, which are being amortized using the interest method over the terms of the indebtedness to which they relate.

Temporary and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the System has been limited by donors to a specific time period or purpose. Temporarily restricted net assets also include the System's beneficial interest in the net assets of affiliated and financially interrelated organizations, whose use has been limited by grant agreements and donors to a specific time period or use. Permanently restricted net assets have been restricted by donors to be maintained by the System in perpetuity.

Patient Accounts Receivable, Estimated Payables to Third-Party Payors, and Net Patient Service Revenue

The System has agreements with third-party payors that provide for payments to the System at amounts different from established rates. Patient accounts receivable and net patient service revenue are reported at the estimated net realizable amounts from third-party payors and others for services rendered. Estimated retroactive adjustments under reimbursement agreements with third-party payors are included in net patient service revenue and estimated third-party payor settlements. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

The System has adopted an uncompensated care policy whereby revenue from services provided to the uninsured is recognized at the time of payment, rather than at the time of service. This policy is a result of the lack of reasonable assurance of collection for services provided to the uninsured due to the System's historically low collection rate. Management has estimated that the difference between recording this revenue on the cash basis versus the accrual basis is immaterial to net patient service revenue for fiscal years 2013 and 2012. Accordingly, all accounts receivable from the uninsured have been fully reserved in the allowance for doubtful accounts. The resulting adjustment is recorded as revenue deductions from gross charges to arrive at net patient service revenue.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

Provision for Bad Debts

The System's recorded allowance for doubtful accounts is based on expected net collections, after contractual adjustments, primarily from patients. Management routinely assesses these recorded allowances relative to changes in payor mix, cash collections, write-offs, recoveries, and market dynamics.

A summary of activity in the System's allowance for doubtful accounts is as follows (in thousands):

	Balance at Beginning of Year	Provision for Bad Debts	Accounts Written Off, Net of Recoveries	Balance at End of Year
Year ended June 30, 2013	\$ 84,366	\$ 239,406	\$ (230,346)	\$ 93,426

Electronic Health Record Incentive Payments

The American Recovery and Reinvestment Act of 2009 (ARRA) included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement, or upgrade certified EHR technology. Providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments.

CHRISTUS accounts for HITECH incentive payments under the gain contingency model as grants related to income. Income from Medicare incentive payments is recognized as revenue after CHRISTUS has determined it is reasonably assured to comply with the meaningful use criteria over the entire applicable compliance period and the cost report period that will be used to determine the final incentive payment has ended. CHRISTUS recognized revenue from Medicaid incentive payments after it adopted certified EHR technology. Incentive payments

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

totaling \$25,109,000 and \$27,668,000 for the years ended June 30, 2013 and 2012, respectively, are included in other revenue in the accompanying consolidated statements of operations and changes in net assets. Income from incentive payments is subject to retrospective adjustment as the incentive payments are calculated using Medicare cost report data that is subject to audit. Additionally, CHRISTUS's compliance with the meaningful use criteria is subject to audit by the federal government.

Premium Revenue and Associated Costs

Premium revenue represents revenues derived under capitated arrangements with third parties. In return for these premiums, the contracting entity is responsible for providing essentially all health care services to enrolled participants. Costs for providing these services, including services provided by other health care providers, are included as operating expenses in the accompanying consolidated financial statements. At June 30, 2013 and 2012, the respective contracting entities have accrued expenses for incurred but not reported claims based upon claims experience. The contracting entities maintain stop-loss insurance coverage to limit exposure for certain catastrophic claims.

Other Revenue

Other revenue is derived from services other than providing health care services or coverage to patients, residents, or enrollees. This revenue typically includes investment income from all funds held by a trustee, malpractice funds, or other miscellaneous investment activities; rental of health care facility space; sales of medical and pharmaceutical supplies to employees, physicians, and others; proceeds from sales of cafeteria meals and guest trays to employees, medical staff, and visitors; and proceeds from sales at gift shops, snack bars, newsstands, parking lots, vending machines, or other service facilities operated by the health care organization.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

International Operations

CHRISTUS Mugerza

The System owns a 75.2% interest in CHRISTUS Mugerza, S.A. de C.V. (CHRISTUS Mugerza), headquartered in Monterrey, Mexico. CHRISTUS Mugerza is a private health care system and is subject to taxes in accordance with the regulations of the Republic of Mexico. The financial statements of CHRISTUS Mugerza are presented in accordance with accounting principles generally accepted in the United States and are consolidated in the CHRISTUS consolidated financial statements. CHRISTUS Mugerza has net assets of \$95,519,000 and \$72,909,000 at June 30, 2013 and 2012, respectively.

The System increased its ownership interest in CHRISTUS Mugerza from 64.6% to 75.2% by purchasing 6,982,327 additional shares from the noncontrolling interest holders in December 2012 for cash consideration in the amount of \$7,000,000 and 3,377,462 additional shares for cash consideration of \$3,500,000 in May 2013. Additionally, the System acquired newly issued shares of CHRISTUS Mugerza for \$11,079,000 in April 2013. During the year ended June 30, 2012, the System acquired 11,300,168 additional shares for cash consideration in the amount of \$6,000,000.

In November 2012, the System and certain noncontrolling interest holders entered into a revised shareholders agreement, whereby the noncontrolling interest holders of CHRISTUS Mugerza have a series of put options through December 31, 2028. These options will require the System to acquire shares, subject to an annual cap of either \$3,500,000 or \$2,000,000 depending on the year, at a formula price as defined. At June 30, 2013, the System had \$3,739,000 recorded as unrestricted net assets attributable to noncontrolling interest to reflect such obligation to the noncontrolling interest holders in connection with the agreement.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

Pontificia Universidad Católica de Chile

CHRISTUS has signed a memorandum of understanding with Pontificia Universidad Católica de Chile (PUC) in Santiago, Chile, to enter into a joint venture agreement for the ownership, operation, and expansion of PUC's health network. PUC is owned by the Catholic Church and operates one of the largest health systems in Chile for medical care and teaching. CHRISTUS and PUC will complete due diligence and negotiations over the coming months.

CHRISTUS and PUC have also entered into an interim management agreement under which CHRISTUS will provide management services to the PUC health network through the due diligence and negotiation period. This agreement commenced March 1, 2013.

Minimum Revenue Guarantees

CHRISTUS enters into agreements with non-employed physicians that include minimum revenue guarantees. These guarantees primarily arise through physician recruiting efforts and vary by physician specialty. Generally, the term of these guarantees ranges from one to two years, with the majority including a forgiveness period that begins during the second year of the guarantees. The estimated amount of the liability for CHRISTUS's obligation under these guarantees was \$8,755,000 and \$9,129,000 at June 30, 2013 and 2012, respectively, and is included in accrued expenses and other long-term obligations in the accompanying consolidated balance sheets.

The maximum amount of future payments that the System could be required to make under all existing guarantees is approximately \$21,398,000.

Uncertainty in Income Taxes

The authoritative guidance in Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, creates a single model to address uncertainty in tax positions and clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. Under the requirements of this guidance, tax-exempt organizations could be required to record an obligation as the result of a tax position they have historically taken on various tax exposure items. There are no material unrecorded tax liabilities as of June 30, 2013 and 2012.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

New and Pending Accounting Pronouncements

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS)*. The amendments in the ASU result in common fair value measurement and disclosure requirements in GAAP and IFRS. Additionally, the ASU changes the wording used to describe many of the requirements in GAAP for measuring fair value and for disclosing information about fair value measurements. This ASU was effective for the System on July 1, 2012. The adoption of this standard did not have an effect on the System's consolidated financial statements.

In July 2011, the FASB issued ASU 2011-07, *Health Care Entities (Topic 954): Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. The amendments in the ASU require the System to change the presentation of its consolidated statement of operations and changes in net assets by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, the ASU requires enhanced disclosure about the System's policies for recognizing revenue and assessing bad debts, patient service revenue (net of contractual allowances and discounts), and qualitative and quantitative information about changes in the allowance for doubtful accounts. This ASU was effective for the System on July 1, 2012. This amended presentation is reflected in the System's accompanying consolidated statements of operations and changes in net assets.

In December 2011, the FASB issued ASU 2011-11, *Disclosures about Offsetting Assets and Liabilities*, an amendment to the accounting guidance for disclosure of offsetting assets and liabilities. In January 2013, the FASB issued ASU 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*. These ASUs expand the disclosure requirements in that entities will be required to disclose both gross and net information about instruments and transactions eligible for offset in the balance sheet. This new guidance is effective for the System on July 1, 2013. The adoption of this standard will not have a material effect on the System's consolidated financial statements.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

3. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain prior-year amounts have been reclassified to conform to the current-year presentation. These include the presentation of investments (see Note 5) and the classification of certain activities as nonoperating.

4. Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Amounts subject to retroactive adjustments are estimated and recorded in the period the related services are rendered and adjusted in future periods as final settlements are determined. The estimated settlements recorded at June 30, 2013 and 2012 could differ from actual settlements. Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient diagnosis-related group classification system that is based on clinical, diagnostic, and other factors.

For fiscal years 2013 and 2012, net patient service revenue increased approximately \$7,153,000 and \$16,629,000, respectively, related to changes in estimates for cost report re-openings, appeals, and tentative and final cost report settlements on filed cost reports, of which some are still subject to audit, additional re-opening, and/or appeal.

Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid under cost reimbursement methodologies, prospectively determined rates per discharge, and prospectively determined or negotiated rates.

Revenue from the Medicare and Medicaid programs accounted for approximately 23% and 10%, respectively, of the System's net patient revenue for the fiscal year ended June 30, 2013, and 27% and 10%, respectively, of the System's net patient revenue for the fiscal year ended June 30, 2012. Laws and regulations governing the Medicare and Medicaid programs are extremely 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.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

4. Net Patient Service Revenue (continued)

The System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the System under these agreements includes prospectively determined rates per discharge, discounts from established charges, and negotiated daily rates.

Patient service revenue (in thousands), net of contractual allowances and discounts (but before the provision for bad debts) recognized for the year ended June 30, 2013, by payor, was:

	Patient Service Revenue	% of Total
Medicare	\$ 797,700	23%
Medicaid	328,332	10%
Managed care organizations	1,498,620	43%
Commercial payors	256,497	7%
Self-pay and other	582,420	17%
	<u>\$ 3,463,569</u>	<u>100%</u>

Federal law requires that state Medicaid programs make special payments to hospitals that serve a disproportionately large number of Medicaid and low-income patients. Such hospitals are called disproportionate share hospitals and receive disproportionate share funding under the program known as "DSH." DSH funds are different from most other Medicaid payments because they are not tied to specific services for Medicaid-eligible patients. There were 172 Texas hospitals that qualified to receive such payments in both 2013 and 2012. The state of Texas has been making DSH payments to providers since 1987.

Additionally, the federal Medicaid rules allow for hospitals to be reimbursed for some of the uncompensated cost of treating Medicaid and uninsured patients up to an Upper Payment Limit (UPL) as modified by the 1115(b) demonstration waiver. UPL programs act as mechanisms to draw federal Medicaid dollars into local communities. The Texas Medicaid program has chosen a county-specific UPL strategy to receive supplemental federal matching funds. Under these programs, various hospital participants in the respective counties have elected to provide health care services to the indigent population in the county as charity services and, as such, no third party has an obligation to pay for these services. Separately, and with no legal obligation or link to the hospitals' provision of charity services, the tax-supported governmental entity may choose,

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

4. Net Patient Service Revenue (continued)

entirely at its discretion, to contribute a portion of its tax revenues into the state's Medicaid program. The amounts transferred by the governmental entity to the state Medicaid program are then matched at the federal level, and the total amount (the amount transferred to the state Medicaid program by the governmental entity and the related federal match) is then paid to the hospital participants based upon each hospital's individual applicable funding entitlement. In addition to the allocations received by the Medicaid program, hospital participants in some communities may make charity community benefit transfers to each other throughout the year to reach a previously agreed-upon sharing ratio.

Medicaid supplemental payments, which include Medicaid DSH and UPL payments, net of settlements and amounts transferred between program participants, of approximately \$329,829,000 and \$252,756,000 were recorded in 2013 and 2012, respectively. Net patient service revenue in the accompanying consolidated statements of operations and changes in net assets includes all Medicaid supplemental funds.

The Texas Health and Human Services Commission (HHSC) filed an application with the Centers for Medicare and Medicaid Services (CMS) to approve an 1115(b) demonstration waiver (the 1115(b) waiver) from traditional Medicaid financial and eligibility rules. Texas is approaching the third demonstration year for the Texas 1115(b) waiver program; beginning October 1, 2013. While in its third year of implementation, the program has had a slow transition from a traditional UPL program to a pay-for-performance program. The pay-for-performance program provides payments to hospitals through two pools; the Uncompensated Care Pool and the Delivery System Reform Incentive Pool (DSRIP). Both pools replace the former UPL program and can cover the unreimbursed shortfall on Medicaid claims. CHRISTUS has operations in five different regional health partnerships (RHP) under this program and has approximately 40 DSRIP projects that are eligible for funding to our hospitals; the projects are currently under review by CMS. For fiscal year 2013, CHRISTUS has received \$9,713,000 in DSRIP funding, which is included in other revenue in the accompanying consolidated statement of operations and changes in net assets.

While DSH and UPL funds are separate, the implementation of the 1115(b) waiver created a disincentive for transferring hospitals to participate in the DSH program, jeopardizing the full funding of the program. These funds helped to offset the uncompensated cost of care due to the State of Texas's limited Medicaid funding and the growing uninsured population. In the Texas 83rd legislative session, lawmakers passed a budget rider that requires the Texas HHSC to work with both public and private providers, through the rule-making process, to maintain the supplemental program for program years 2014 and 2015.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

4. Net Patient Service Revenue (continued)

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, participation requirements of government health care programs, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. There are matters currently under audit and/or review by regulatory and government officials. These reviews and audits may or may not result in revisions to cost reports, resubmitted billings, unasserted possible claims that are probable of assertion, or loss contingencies. Compliance with such laws and regulations may be subject to future government review and interpretation, as well as regulatory actions.

5. Cash and Investments

Total cash and investments for the System at June 30, including assets whose use is limited, are as follows (in thousands):

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 430,663	\$ 549,591
Certificates of deposit	12,250	9,928
Domestic equities and equity funds	210,967	240,732
Preferred stocks	141	494
Fixed-income securities and fixed-income funds	665,211	614,801
International equities	73,666	97,290
U.S. government securities	269,568	115,257
Equity in managed funds:		
Fixed-income funds	193,695	90,429
Hedge funds	244,359	186,481
Private equity, real estate, and other	2,134	2,161
	<u>\$ 2,102,654</u>	<u>\$ 1,907,164</u>

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

5. Cash and Investments (continued)

Cash and cash equivalents include cash, money market bank accounts, interest-bearing bank accounts, and debt securities with original maturities of less than three months. United States government securities include debt securities issued by the U.S. government or a U.S. government agency. Fixed-income securities and fixed-income funds include corporate debt securities and common collective trusts. Domestic equities and equity funds, preferred stocks, and international equities include domestic and foreign stocks, as well as mutual funds and common collective trusts.

Equity in managed funds includes investments in limited liability partnerships or corporations and other alternative investments. The System's equity investments in managed funds are recorded based on the System's share of the underlying value of marketable securities and nonmarketable interests held by these funds, as reported to the System. Equity-method investments include reported changes in value as reported to the System by the fund custodians. These investments are recorded at amounts confirmed by fund custodians, and there can be no assurance such reported amounts will be ultimately realized.

The System's investments are subject to various types of risks, as explained below.

Fixed Income

This investment class includes investments in various fixed-income instruments that include investment-grade and high-yield domestic and international bonds, preferred stocks, mortgage pools, master limited partnership units, and bonds issued by U.S. government agencies. This investment class also includes investments in common trust funds, mutual funds, and exchange-traded funds that hold investments in fixed-income securities. The fixed-income investments are exposed to various kinds and levels of risk, including interest rate risk, credit risk, foreign exchange risk, and liquidity risk.

Equities

This investment class consists primarily of common and preferred equity securities of domestic and foreign companies. These securities trade through the major public domestic and international exchanges. This investment class also includes investments in common trust funds, mutual funds, and exchange-traded funds that hold investments in equity securities. The equity securities investments are exposed to various risks, including market risk, individual security risk, foreign exchange risk, and, for common equity of companies with a small market capitalization, liquidity risk.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

5. Cash and Investments (continued)

Equity Investments in Managed Funds

These funds are invested with external investment managers who invest primarily in various categories, including fixed income, long and short equity positions, managed futures, emerging markets, distressed enterprises, arbitrage, risk parity, private equity, and real estate positions. These investments are domestic and international in nature, are illiquid, and may not be realized for a period of several years after the investments are made. The risks associated with these investments are numerous, resulting in a greater likelihood of losing invested capital. The risks include the following:

Nonregulation Risk – Some of these funds are not required to register with the Securities and Exchange Commission (SEC) and are not subject to regulatory controls.

Managerial Risk – Fund managers may fail to produce the intended returns and are not subject to oversight.

Minimal Liquidity – Many funds impose lock-up periods that prevent investors from redeeming their shares or impose penalties to redeem.

Limited Transparency – As unregistered investment vehicles, funds are not required to disclose the holdings in their portfolios to investors.

Investment Strategy Risk – The funds often employ sophisticated, risky investment strategies, are speculative, and may use leverage, which could result in volatile returns.

The System has classified certain funds with underlying investments in fixed income securities under the caption “Equity in managed funds – fixed income funds” at June 30, 2013 and 2012. Previously, these funds totaling \$90,429,000 at June 30, 2012 were classified under the caption “Fixed-income securities and fixed-income funds.”

The System has no commitments for funding to equity investments in managed funds as of June 30, 2013.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

5. Cash and Investments (continued)

Assets whose use is limited or restricted consisted of the following at June 30 (in thousands):

	2013	2012
Assets whose use is limited or restricted, required for current bond indenture and self-insurance liabilities	\$ 58,578	\$ 56,903
Other investments, internally designated for capital expansion and other purposes	361,020	577,105
Under bond indenture agreement – held by trustee	83,077	83,555
Under liability retention and self-insurance funding arrangement – held by trustee	13,523	12,572
Under Emerald Assurance funding arrangements	193,386	177,423
Restricted cash and investments	58,550	57,307
Total assets whose use is limited or restricted	\$ 768,134	\$ 964,865

Investment returns and gains and (losses) for assets limited as to use, cash equivalents, and other unrestricted investments consisted of the following for the years ended June 30 (in thousands):

	2013	2012
Operating interest and dividend income	\$ 8,490	\$ 5,151
Operating (loss) gain, realized and unrealized	(1,948)	5,881
Equity investment earnings (loss) on managed funds	8,926	(894)
Total operating investment income	15,468	10,138
Nonoperating interest and dividend income	13,754	13,191
Nonoperating gain (loss), realized and unrealized	17,125	(14,327)
Equity investment earnings (loss) on managed funds	28,510	(3,994)
Net swap agreement activity	28,823	(86,389)
Total nonoperating investment gain (loss)	88,212	(91,519)
Total investment gain (loss)	\$ 103,680	\$ (81,381)

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

6. Fair Value Measurements

The three-level valuation hierarchy for disclosure of fair value measurements is based on the transparency of inputs to the valuation of an asset or liability as of the reporting date. The three levels are defined as follows:

- Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities at the reporting date.
- Level 2 – Inputs to the valuation methodology other than quoted market prices included in Level 1 that are observable for the asset or liability. Level 2 pricing inputs include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability.

A financial instrument's categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. There were no significant transfers between levels during the years ended June 30, 2013 and 2012.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

6. Fair Value Measurements (continued)

The following tables present the financial instruments carried at fair value as of June 30 (in thousands) by the valuation hierarchy (as described above):

	2013			Total
	Level 1	Level 2	Level 3	
Assets				
Investments:				
Cash and cash equivalents	\$ 430,663	\$ –	\$ –	\$ 430,663
Certificates of deposit	–	12,250	–	12,250
Domestic equities and equity funds	210,967	–	–	210,967
Preferred stocks	141	–	–	141
Fixed-income securities and fixed-income funds	20,947	644,264	–	665,211
International equities	73,666	–	–	73,666
U.S. government securities	–	269,568	–	269,568
Total investments				
Total assets at fair value	<u>\$ 736,384</u>	<u>\$ 926,082</u>	<u>\$ –</u>	<u>\$ 1,662,466</u>
Liabilities				
Interest rate swap agreements	\$ –	\$ 92,624	\$ –	\$ 92,264
Total liabilities at fair value	<u>\$ –</u>	<u>\$ 92,624</u>	<u>\$ –</u>	<u>\$ 92,264</u>

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

6. Fair Value Measurements (continued)

	2012			Total
	Level 1	Level 2	Level 3	
Assets				
Investments:				
Cash and cash equivalents	\$ 545,853	\$ 3,738	\$ –	\$ 549,591
Certificates of deposit	–	9,928	–	9,928
Domestic equities and equity funds	240,732	–	–	240,732
Preferred stocks	494	–	–	494
Fixed-income securities and fixed-income funds	–	614,801	–	614,801
International equities	97,290	–	–	97,290
U.S. government securities	–	115,257	–	115,257
Total investments	884,369	743,724	–	1,628,093
Total assets at fair value	\$ 884,369	\$ 743,724	\$ –	\$ 1,628,093
Liabilities				
Interest rate swap agreements	\$ –	\$ 136,786	\$ –	\$ 136,786
Total liabilities at fair value	\$ –	\$ 136,786	\$ –	\$ 136,786

Equity investments in managed funds of \$440,188,000 and \$279,071,000 at June 30, 2013 and 2012, respectively, are not included in this table since they are accounted for using the equity method of accounting.

The valuation methodologies used for instruments measured at fair value as presented in the tables above are as follows:

- *Investments* – Investments valued at quoted prices available in an active market are classified within Level 1 of the valuation hierarchy. Investments valued based on evaluated bid prices provided by third-party pricing services where quoted market prices are not available are classified within Level 2 of the valuation hierarchy.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

6. Fair Value Measurements (continued)

- *Interest rate swap agreements* – Interest rate swap agreements are valued using third-party models that use observable market conditions as their input and are classified within Level 2 of the valuation hierarchy.

At June 30, 2013 and 2012, the System's financial instruments included cash and cash equivalents, accounts receivable, assets limited as to use, accounts payable and accrued expenses, estimated third-party payor settlements, and long-term debt. The carrying amounts reported in the consolidated balance sheets for these financial instruments, except for long-term debt, approximate their fair values.

The System's fixed-rate debt is enhanced with bond insurance. The estimated fair value of the fixed-rate debt, if it were not enhanced by insurance, approximates \$585,862,000 at June 30, 2013, as compared to its carrying value of \$530,728,000. This fair value is based on a combination of quoted market prices for identical securities when available, a Level 1 input, and quoted market prices for similarly rated healthcare revenue bond issues, a Level 2 input.

At June 30, 2013, the System has several issues of variable-rate demand and auction-rate bonds outstanding. The System's continued participation in these debt programs depends on its ability to extend or replace the existing credit facilities supporting the respective standby purchase agreements. If these credit facilities are not available, the System will likely refund these outstanding series with available funds or funds derived from fixed-rate series proceeds. It is not practicable to estimate the fair value of the variable-rate demand and auction-rate bonds separate from the value supported by the credit facilities.

The fair values of nonrecurring impairment losses for long-lived assets in fiscal year 2013 totaling \$78,557,000 were estimated based on a sales comparison approach using Level 2 inputs.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

7. Property and Equipment

Property and equipment at June 30, consisted of the following (in thousands):

	2013	2012
Land	\$ 189,592	\$ 211,243
Land improvements	73,892	73,229
Buildings and fixed equipment	2,351,349	2,373,120
Major movable equipment	1,787,936	1,868,107
Accumulated depreciation	(2,851,335)	(2,861,319)
	1,551,434	1,664,380
Construction-in-progress (estimated cost to complete is \$163 million and \$82 million at June 30, 2013 and 2012, respectively)	67,236	54,680
Total	\$ 1,618,670	\$ 1,719,060

Depreciation expense for the System for fiscal years 2013 and 2012 totaled \$263,298,000 (inclusive of impairment charges of \$78,557,000) and \$209,672,000, respectively.

8. Investments in Unconsolidated Organizations

The System has unrestricted investments in unconsolidated organizations of \$37,302,000 and \$209,938,000 at June 30, 2013 and 2012, respectively. The following investments account for 63% and 93% of the System's total investments in unconsolidated organizations in both 2013 and 2012 respectively:

Baptist St. Anthony's Health System

CHRISTUS has a 50% membership interest in Baptist St. Anthony's Health System (BSAHS), a Texas nonprofit corporation. On January 2, 2013, BSAHS completed a transaction that resulted in the sale of substantially all the assets of BSAHS to a subsidiary of Ardent Health Services, based in Nashville, Tennessee. CHRISTUS recorded a gain of \$95,997,000 on the sale of BSAHS, which is included in equity in income of unconsolidated organizations in the accompanying consolidated statements of operations and changes in net assets. At June 30, 2013, CHRISTUS's portion of additional sales proceeds of \$20,963,000 have been placed in escrow for a period of up to 18 months to provide for certain contingencies existing or that may exist as of the date of the transaction.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

8. Investments in Unconsolidated Organizations (continued)

CHRISTUS's recorded investment in BSAHS, accounted for under the equity method, was \$193,376,000, including \$9,148,000 of restricted net assets that were recorded as other restricted assets at the time of the sale. At June 30, 2012, the investment in BSAHS was \$184,367,000, including \$15,823,000 of goodwill and \$11,592,000 of restricted net assets. The System also recorded its share of BSAHS's gains from operations through the date of the sale of \$8,624,000 and \$19,906,000 for the year ending June 30, 2012. The System recorded its share of unrealized losses on investments through the date of the sale of \$139,000 and \$538,000 during the year ended June 30, 2012, as changes in unrestricted net assets.

Preferred Professional Insurance Company

CHRISTUS has a 13.1% ownership interest in Preferred Professional Insurance Company (PPIC), a taxable Nebraska corporation. This corporation, formed in 1988, was established to provide excess professional and general liability insurance. CHRISTUS's recorded investment in PPIC, accounted for under the cost method, was \$17,059,000 at both June 30, 2013 and 2012. The System recorded income from its investment in PPIC in fiscal years 2013 and 2012 of \$320,000 and \$296,000, respectively.

CS/USP Surgery Centers, L.P.

CHRISTUS Spohn Health System Corporation has a 50% ownership interest in a Texas limited liability partnership with United Surgical Partners International, Inc. for the purpose of owning and operating ambulatory surgery centers in Corpus Christi, Texas. The venture consists of two surgery centers near the campus of Spohn Shoreline, specifically Corpus Christi Outpatient Surgery and SurgiCare. CHRISTUS's recorded investment, accounted for under the equity method, was \$5,594,000 and \$5,755,000 at June 30, 2013 and 2012, respectively. The System recorded its share of income from operations in fiscal years 2013 and 2012 of \$853,000 and \$754,000, respectively.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

9. Long-Term Debt

Long-term debt at June 30 consisted of the following (in thousands):

	2013	2012
Revenue bonds, in variable-rate demand mode, with weighted-average trading rates of 0.14% and 0.16% in fiscal 2013 and 2012, respectively, due in 2047	\$ 268,320	\$ 268,795
Revenue bonds, in auction mode, with weighted-average interest rates of 0.44% and 0.64% in fiscal 2013 and 2012, respectively, due in 2031	204,900	212,150
Revenue bonds, in fixed-rate mode, bearing interest from 3.00% to 6.50%	530,728	562,587
Capital leases for certain hospital facilities, bearing interest at fixed rates ranging from 6.0% to 6.9%, with annual principal payments through 2030, secured by the related assets	52,234	54,076
Nonobligated bank notes and capital leases related to CHRISTUS Muguierza	37,391	41,672
Other note and capital lease note obligations	29,959	33,681
	1,123,532	1,172,961
Less current portion	(51,589)	(48,405)
Total	\$ 1,071,943	\$ 1,124,556

According to the terms of the CHRISTUS Health Master Trust Indenture, the Obligated Group consists of CHRISTUS Health and eight of the System's regions as follows: CHRISTUS Spohn Health System, CHRISTUS Health Gulf Coast, CHRISTUS Health Southeast Texas, CHRISTUS Santa Rosa Health Care Corporation, CHRISTUS Health Ark-La-Tex, CHRISTUS Health Northern Louisiana, CHRISTUS Health Central Louisiana, and CHRISTUS Health Southwestern Louisiana.

Certain entities of CHRISTUS that are otherwise included in the consolidated financial statements of CHRISTUS are excluded from the CHRISTUS Health Obligated Group. These entities include, but are not limited to, the CHRISTUS Health Liability Retention Trust, Emerald Assurance, CHRISTUS St. Vincent Regional Medical Center, CHRISTUS Provider Network, CHRISTUS Continuing Care, CHRISTUS St. Michael Atlanta, CHRISTUS Muguierza, S.A. de C.V., and various philanthropic foundations.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

9. Long-Term Debt (continued)

Under the provisions of the Master Trust Indenture, the obligations of CHRISTUS and the other members of the Obligated Group are secured by a pledge of gross revenues. Additionally, each member of the Obligated Group has undertaken certain covenants, including the following: to ensure the payment of debt service; to ensure the payment of taxes and other claims; to deliver compliance statement(s); to preserve corporate existence; to maintain books and records subject to inspection by the Master Trustee; to maintain insurance; to conform to defined lien limitations; to establish adequate service rates; to maintain a sufficient debt service coverage and indebtedness ratio; to maintain a required aggregate amount of unrestricted cash and investments; and to adhere to certain defined conditions with respect to consolidation, merger, conveyance, or transfer, and admission or withdrawal of Obligated Group members pursuant to the Master Trust Indenture, insurer, and letter of credit bank agreements.

CHRISTUS has letter of credit bank agreements on Series 2008C and 2009B variable-rate demand bonds (VRDB). Effective October 3, 2012, the letters of credit supporting the outstanding Series 2008C bonds issued by Bank of America were substituted by: PNC Bank, NA for the Series 2008C-1 bonds that expire October 2, 2015, The Bank of New York Mellon for the 2008C-2 bonds that expire October 3, 2017, and Bank of Montreal, acting through its Chicago Branch, for the Series 2008C-3 and 2008C-4 bonds that expire October 2, 2017. The Series 2009B VRDBs are supported by letters of credit issued by The Bank of New York Mellon that expire on July 31, 2014. Based on the terms of the letter of credit bank agreements, the Series 2008C and 2009B Bonds are classified as long-term debt in the accompanying consolidated balance sheets.

In addition, the System was obligated on approximately \$119,584,000 and \$129,429,000 of additional long-term debt, which included capitalized leases and notes payable to others as of June 30, 2013 and 2012, respectively.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

9. Long-Term Debt (continued)

Principal payments for all long-term debt for the next five years and thereafter are as follows (in thousands):

2014	\$ 51,589
2015	66,127
2016	58,841
2017	58,855
2018	42,914
Thereafter	845,206
Total debt	<u>\$ 1,123,532</u>

10. Derivative Financial Instruments

Interest rate swap contracts between the System and third parties (counterparties) provide for the periodic exchange of payments between the parties based on changes in a defined index and a fixed rate. These swaps expose the System to market risk and credit risk. Credit risk is the risk that contractual obligations of the counterparties will not be fulfilled. Concentrations of credit risk relate to groups of counterparties that have similar economic or industry characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Counterparty credit risk is managed by requiring high credit standards for the System's counterparties. The counterparties to these contracts are financial institutions that carry investment-grade credit ratings.

Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degrees of market risk that may be undertaken. Management also mitigates risk through periodic reviews of their derivative positions in the context of their blended cost of capital. As of June 2013 and 2012, CHRISTUS has interest rate swap agreements to manage interest rate risk exposure, not designated as hedging instruments, with a total notional amount of \$954,185,000 and \$961,435,000, respectively.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

10. Derivative Financial Instruments (continued)

The following tables summarize the fair value at June 30, 2013 and 2012, and the income (loss) recorded related to the interest rate swap agreements as of and for the years ended June 30, 2013 and 2012, in thousands.

Counterparty	Description	Termination Date	Interest Rate Agreements	Notional Amount	Fair Value		Change in Fair Value		(Paid)/Received			
					6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012		
Merrill Lunch *Wells Fargo	Variable Basis Fixed	2012-2023	6	470,000	\$ (4,493)	\$ (7,910)	\$ 3,417	\$ (818)	\$ 82	\$ 197		
Citigroup	Payor	2022 and 2031	1/2	204,925/217,805	(23,991)	(35,107)	11,116	(12,022)	(6,267)	(13,649)		
	**Constant Maturity	2022	0/1	0 / 200,000	-	-	-	(12,375)	-	12,975		
Citigroup	Fixed Payor	2047	2	166,100	(38,490)	(56,095)	17,605	(30,681)	(5,467)	(5,435)		
	Fixed Payor	2047	1	113,160	(25,650)	(37,674)	12,024	(20,917)	(3,686)	(3,665)		
					12	954,185/961,435	\$ (92,624)	\$ (136,786)	\$ 44,162	\$ (76,813)	\$ (15,338)	\$ (9,577)

Interest rate swap contracts between the System and third parties (counterparties) provide for the periodic exchange of payments between the parties based on changes in a defined index and a fixed rate. These swaps expose the System to market risk and credit risk. Credit risk is the risk that contractual obligations of the counterparties will not be fulfilled. Concentrations of credit risk relate to groups of counterparties that have similar economic or industry characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Counterparty credit risk is managed by requiring high credit standards for the System's counterparties. The counterparties to these contracts are financial institutions that carry investment-grade credit ratings.

CHRISTUS is required to post collateral for negative valuations on each of its swaps according to the terms of (i) the swap insurance agreements, where applicable and (ii) the agreement with each counterparty. CHRISTUS has complied with this requirement. At June 30, 2013 and 2012, no collateral was posted. The System does not anticipate nonperformance by its counterparties. The fair value of these swap agreements was a liability of \$92,624,000 and \$136,786,000 at June 30, 2013 and 2012, respectively. The change in fair value of \$44,162,000 and (\$76,813,000) for the years ended June 30, 2013 and 2012, respectively, is combined with the payments, net of receipts made under the agreements, of \$15,338,000 and \$9,577,000 for the years ended June 30, 2013 and 2012, respectively. This total is included in nonoperating investment gain (loss) in the accompanying consolidated statements of operations and changes in net assets.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

10. Derivative Financial Instruments (continued)

On August 26, 2011, CHRISTUS terminated two swaps with counterparty Citigroup, N.A. CHRISTUS terminated one of the 2005 Fixed Payor Swaps with a notional amount of \$52,150,000 and a termination date of July 1, 2022, and the Constant Maturity Swap with a notional amount of \$200,000,000 and a termination date of June 1, 2022. CHRISTUS received net proceeds of \$5,785,000 as a result of the terminations.

On December 28, 2011, CHRISTUS entered into a swap novation with Citibank, N.A. as transferor and Wells Fargo Bank, N.A. as transferee of the Fixed Payor Swap with an original notional amount of \$212,175,000 and had an effective date of January 4, 2012. The original transaction with Citibank, N.A. had a notional amount of \$225,925,000, a trade date of July 13, 2005, and an effective date of November 8, 2005. The original transaction was insured by FSA (now – Assured Guaranty Municipal Corp.). The swap insurance was terminated in connection with the novation. The payment terms, expiration, events of default and termination events remain substantially the same. The collateral posting threshold under the novated swap increased from \$15 million to \$45 million.

The fixed payor swaps are insured by either AMBAC (terminated August 26, 2011), Assured Guaranty Municipal Corp, previously known as FSA (insurance terminated in connection with novation effective January 4, 2012), or MBIA.

CHRISTUS currently voluntarily posts, on a quarterly basis, selected information relating to its outstanding interest rate swap transactions on the Municipal Securities Rulemaking Board's (MSRB) Electronic Municipal Market Access system (EMMA) and the Texas State Repository – Texas Municipal Advisory Council (MAC). No assurances can be given that CHRISTUS will continue to post such information in the future.

11. Cash Balance Plan and Postretirement Health Care Benefits

Cash Balance Plan

The System has established a noncontributory, defined-benefit retirement plan that operates as a cash balance plan and covers substantially all CHRISTUS employees who meet age and service requirements. The plan benefits are calculated based on a cash balance formula wherein participants earn an annual accrual based on compensation and participant account balances accrue interest at a rate that tracks 10-year treasury notes; the maximum rate is 8%. On

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

11. Cash Balance Plan and Postretirement Health Care Benefits (continued)

October 22, 2012, the CHRISTUS board approved significant plan changes for the plan year starting January 1, 2013. These changes include closing the plan to new participants, reducing the annual accrual rate from 6% to 3%, and eliminating the minimum 2% interest accrual rate. The plan was remeasured effective November 1, 2012, due to the changes. The remeasurement resulted in an \$83,187,000 decrease in the projected benefit obligation of the plan.

Postretirement Health Care Benefits

Comprehensive medical benefits are provided to eligible active employees who, immediately upon retirement and attainment of the age of 55, will receive a pension under the CHRISTUS retirement plan. Postretirement benefits are also provided to former employees who are currently receiving pension benefits. The comprehensive medical program, which is self-insured, provides reimbursement benefits until the participant attains the age of 65. The program also covers dependents of retirees, in addition to former employees. Contributions are required. Retirees may choose one of two self-insured indemnity plan options. Effective February 1, 1999, the CHRISTUS postretirement benefit plan was curtailed prospectively. As of the effective date, new employees or employees that had not vested as of that date are not eligible for the postretirement health care benefits. The liability associated with the postretirement plan will be reduced as employee participation decreases.

Simplified Early Retirement Plan (SERP)

Prior to the formation of CHRISTUS, a plan for executives was curtailed prospectively. Under this plan, eligible participants receive a cash benefit payment until death and participate in the System's retiree health, dental and group term life program. Fewer than two dozen participating retirees currently maintain benefit payment status. Benefits are recalculated when participants attain the age of 65 and remain constant thereafter. At June 30, 2013 and 2012, the total liability recorded pertaining to this SERP was \$4,734,000 and \$5,215,000, respectively.

Restoration Plan

The restoration plan, a nonqualified, deferred compensation plan, was designed to restore benefits that are lost under the cash balance plan due to the statutory limit on recognizable compensation. Eligibility is limited to designated executives. The plan provides benefits upon termination of employment to qualifying participants. Plan benefits are calculated using the same methodology for the cash balance plan; vesting requirements are also the same. The restoration plan is unfunded.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

11. Cash Balance Plan and Postretirement Health Care Benefits (continued)

The measurement date for all plans is June 30. Components of net periodic benefit cost, recorded as a component of employee compensation and benefits, for the years ended June 30, consisted of the following (in thousands):

	Cash Balance Plan		Postretirement		SERP		Restoration Plan	
	2013	2012	2013	2012	2013	2012	2013	2012
Service cost	\$ 32,287	\$ 41,937	\$ 435	\$ 512	\$ -	\$ -	\$ 258	\$ 187
Interest cost	34,310	40,431	705	1,039	-	-	155	135
Expected return on assets	(47,549)	(41,929)	-	-	-	-	-	-
Amortization of prior service cost	(8,565)	(642)	-	(3)	-	-	103	103
Recognized net actuarial loss (gain)	23,076	7,897	(462)	-	(481)	41	61	-
Net benefit cost	\$ 33,559	\$ 47,694	\$ 678	\$ 1,548	\$ (481)	\$ 41	\$ 577	\$ 425

At June 30, 2013 and 2012, unrestricted net assets have been reduced by \$124,004,000 and \$223,045,000, respectively, of amounts arising from defined-benefit plans that have not yet been recognized in net periodic benefit cost. Amounts recognized in unrestricted net assets expected to be recognized in net periodic benefit cost during fiscal 2014 are \$3,930,000.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

11. Cash Balance Plan and Postretirement Health Care Benefits (continued)

The following table sets forth the changes in benefit obligations, changes in plan assets, and funded status of the plans measured as of June 30 (in thousands):

	Cash Balance Plan		Postretirement		SERP		Restoration Plan	
	2013	2012	2013	2012	2013	2012	2013	2012
Changes in benefit obligation:								
Benefit obligations – beginning of year	\$ 900,776	\$ 802,683	\$ 19,088	\$ 21,507	\$ 5,215	\$ 5,175	\$ 4,114	\$ 2,877
Service cost	32,287	41,937	435	512	–	–	258	187
Interest cost	34,310	40,431	705	1,039	–	–	155	135
Actuarial loss (gain)	7,656	49,357	(3,200)	(3,582)	(481)	40	768	1,076
Effect of remeasurement for plan amendment	(83,187)	–	–	–	–	–	(802)	–
Benefits paid	(40,736)	(33,632)	(547)	(388)	–	–	(577)	(161)
Benefit obligation – end of year	\$ 851,106	\$ 900,776	\$ 16,481	\$ 19,088	\$ 4,734	\$ 5,215	\$ 3,916	\$ 4,114
Change in plan assets:								
Fair value of plan assets – beginning of year	\$ 706,851	\$ 688,606	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Actual return on plan assets	56,349	(4,523)	–	–	–	–	–	–
Employer contributions	60,000	56,400	547	388	–	–	577	161
Benefits paid	(40,736)	(33,632)	(547)	(388)	–	–	(577)	(161)
Fair value of plan assets – end of year	\$ 782,464	\$ 706,851	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Funded status of the plans	\$ (68,642)	\$ (193,925)	\$ (16,481)	\$ (19,088)	\$ (4,734)	\$ (5,215)	\$ (3,916)	\$ (4,114)
Unrecognized net actuarial loss (gain)	\$ 199,229	\$ 223,449	\$ (8,497)	\$ (5,760)	\$ –	\$ –	\$ 1,547	\$ 841
Unrecognized prior service cost	(76,227)	(1,605)	–	–	–	–	(544)	360
Total	\$ 123,002	\$ 221,844	\$ (8,497)	\$ (5,760)	\$ –	\$ –	\$ 1,003	\$ 1,201

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

11. Cash Balance Plan and Postretirement Health Care Benefits (continued)

As of June 30, 2013 and 2012, the CHRISTUS cash balance plan had accumulated benefit obligations of \$847,269,000 and \$848,224,000, respectively. Assumptions used to determine benefit obligations and net periodic benefit cost for the fiscal years were as follows:

	Cash Balance Plan		Postretirement		SERP		Restoration Plan	
	2013	2012	2013	2012	2013	2012	2013	2012
Benefit obligations:								
Discount rate	4.75%	4.21%	3.88%	3.79%	4.75%	4.21%	4.75%	4.21%
Rate of compensation increase	4.09	4.09	N/A	N/A	N/A	N/A	4.09	4.09
Net periodic benefit cost:								
Discount rate	3.92	5.15	3.79	4.96	4.21	5.15	4.21	5.15
Expected long-term return on plan assets	6.50	6.00	N/A	N/A	N/A	N/A	N/A	N/A
Rate of compensation increase	4.09	4.09	N/A	N/A	N/A	N/A	4.09	4.09

The investment objective with regard to the plan assets is one of long-term capital appreciation and generation of a stream of current income. This balanced approach is expected to earn long-term total returns, consisting of capital appreciation and current income, which are commensurate with the expected rate of return used by the plans.

The following information pertains only to the CHRISTUS Health postretirement plan. The first table details information pertaining to assumed health care cost trend rates. The second table depicts the effect of a 1% point change in assumed health care cost trend rates.

	Postretirement			Postretirement	
	2013	2012		1% Point Increase	1% Point Decrease
Assumed health care cost trend rates at June 30	7.75%	8.5%			
Health care cost trend rate assumed for next year	7.0	7.75	Effect on total of service cost and interest cost components	\$ 98	\$ (87)
Ratio to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0	5.5			
Year that the rate reaches the ultimate trend rate	2017	2016	Effect on postretirement benefit obligation	1,309	(1,179)

(In Thousands)

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

11. Cash Balance Plan and Postretirement Health Care Benefits (continued)

Investment Policy and Asset Allocations

The investment policies and strategies for the assets of the cash balance plan incorporate a well-diversified approach that is expected to generate long-term returns from capital appreciation and a growing stream of current income. This approach recognizes that assets are exposed to risk and the market value of the plan assets may fluctuate from year to year. Risk tolerance is determined based on the plan's financial stability and the ability to withstand return volatility. In developing the expected return on plan assets, the System evaluates the historical performance of total plan assets, the relative weighting of plan assets, interest rates, economic indicators, and industry forecasts. In line with the investment return objective and risk parameters, the mix of assets includes a diversified portfolio of equity, fixed income, and alternative investments. Equity investments include international stocks and a blend of domestic growth and value stocks of various sizes of capitalization. The aggregate asset allocation is rebalanced as needed, but not less than on an annual basis.

The asset allocations for the cash balance plan at June 30, by asset category, are detailed below (in thousands). The postretirement plan, SERP, and restoration plan are unfunded.

	2013	2012
Cash and cash equivalents	\$ 15,812	\$ 86,985
Domestic common stocks	112,985	108,304
Fixed-income securities	163,672	158,555
International equities	54,650	66,015
Equity investments in managed funds:		
Fixed-income funds	148,208	52,158
Hedge funds	177,231	137,610
Private equity, real estate, and other	109,041	95,958
Other	865	1,266
Total	\$ 782,464	\$ 706,851

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

11. Cash Balance Plan and Postretirement Health Care Benefits (continued)

The allocation of plan assets by asset category for the cash balance plan as of June 30 is as follows:

	2013	2012
Allocation of plan assets by asset category:		
Cash and cash equivalents	2.0%	12.0%
Equity securities	21.4	25.0
Fixed-income securities	20.9	22.4
Equity investments in managed funds (Note 5)	55.7	40.6
Total	100.0%	100.0%

The value of the plan assets measured at fair value on a recurring basis was determined using the following inputs, as described in Note 6, at June 30, 2013 (in thousands):

	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Cash and cash equivalents	\$ 447	\$ 15,365	\$ –	\$ 15,812
Domestic common stocks	112,985	–	–	112,985
Fixed-income securities	–	163,672	–	163,672
International equities	54,650	–	–	54,650
Equity investments in managed funds:				
Fixed-income funds	–	69,901	78,307	148,208
Hedge funds	–	–	177,231	177,231
Private equity, real estate, and other funds	–	–	109,041	109,041
Other	865	–	–	865
Total investments	168,947	248,938	364,579	782,464
Total assets at fair value	\$ 168,947	\$ 248,938	\$ 364,579	\$ 782,464

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

11. Cash Balance Plan and Postretirement Health Care Benefits (continued)

The value of the plan assets measured at fair value on a recurring basis was determined using the following inputs, as described in Note 6, at June 30, 2012 (in thousands):

	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Cash and cash equivalents	\$ 416	\$ 86,569	\$ –	\$ 86,985
Domestic common stocks	108,304	–	–	108,304
Fixed income securities	–	158,555	–	158,555
International equities	66,015	–	–	66,015
Equity investments in managed funds:				
Fixed-income funds	–	52,158	–	52,158
Hedge funds	–	–	137,610	137,610
Private equity, real estate, and other funds	–	–	95,958	95,958
Other	1,266	–	–	1,266
Total investments	176,001	297,282	233,568	706,851
Total assets at fair value	\$ 176,001	\$ 297,282	\$ 233,568	\$ 706,851

The following table is a rollforward of the pension plan assets classified within Level 3 of the valuation hierarchy at June 30 (in thousands):

	Fixed- Income Funds	Hedge Funds	Private Equity, Real Estate, and Other Funds	Total
Fair value at June 30, 2011	\$ –	\$ 100,760	\$ 78,916	\$ 179,676
Purchases, issuances, and settlements	–	42,685	20,048	62,733
Actual return on plan assets	–	(5,835)	(3,006)	(8,841)
Fair value at June 30, 2012	–	137,610	95,958	233,568
Purchases, issuances, and settlements	78,307	19,131	23,554	120,992
Actual return on plan assets	–	20,490	(10,471)	10,019
Fair value at June 30, 2013	\$ 78,307	\$ 177,231	\$ 109,041	\$ 364,579

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

11. Cash Balance Plan and Postretirement Health Care Benefits (continued)

The cash balance plan has \$76,996,000 of funding commitments to equity investments in managed funds as of June 30, 2013.

Contributions

In fiscal year 2014, CHRISTUS expects to contribute \$30,000,000 to the cash balance plan based on asset values for the plan year beginning January 1, 2013. Contributions to the cash balance plan of \$60,000,000, and \$56,400,000 were made for plan years beginning January 1, 2012 and 2011, respectively. Since the postretirement plan, SERP, and restoration plan are unfunded, no cash contributions are expected.

Benefit Payments

The following benefit payments, which reflect expected future service relative to the cash balance plan and expected benefit payments for services previously rendered relative to the postretirement plan and the SERP, are expected to be paid as follows (in thousands):

	Cash Balance Plan	Post retirement	SERP	Restoration Plan
2014	\$ 43,083	\$ 865	\$ 570	\$ 1,047
2015	44,614	1,049	551	319
2016	46,593	1,192	530	345
2017	49,342	1,393	507	363
2018	52,238	1,448	482	369
Years 2019–2023	288,009	7,390	1,990	1,714

Defined-Contribution Plans

The System has a defined-contribution plan (the Matched Savings Plan) covering substantially all CHRISTUS employees. Annual employee contributions are limited to 50% of compensation, up to the Internal Revenue Service dollar limits. The System will match 50% of employee contributions, not to exceed 4% of annual compensation. Employer contributions vest to the employee over a five-year period. For the years ended June 30, 2013 and 2012, expenses attributable to the Matched Savings Plan amounted to \$8,097,000 and \$8,059,023, respectively.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

11. Cash Balance Plan and Postretirement Health Care Benefits (continued)

CHRISTUS St. Vincent Regional Medical Center (St. Vincent) has two 403(b) defined-contribution plans for union and nonunion employees. St. Vincent makes a set lump-sum contribution per year for nurse union employees and a contribution of 3.5% of gross salaries for nonunion employees, as defined by the plans' agreements. For fiscal years 2013 and 2012, St. Vincent has incurred approximately \$3,597,000 and \$3,885,000 in expenses related to the plans, respectively.

ExecuFLEX Benefit Plan

The System established an ExecuFLEX plan (ExecuFLEX), which is limited to designated executives. Plan participants receive an ExecuFLEX allowance to be allocated among four different components: CHRISTUS Health ExecuFLEX Individual Long-Term Disability Plan, CHRISTUS Health ExecuFLEX Supplemental Survivor Plan, CHRISTUS Health ExecuFLEX Spouse Survivor Plan, and CHRISTUS Health ExecuFLEX Deferred Income Account (DIA) Plan.

CHRISTUS maintains a collateral interest in the individual life insurance policies under the supplemental survivor plan and the spouse survivor plan to the extent of the cumulative advanced premiums paid on behalf of the participant(s). Upon termination of employment, a participant is required to surrender any policy with a cash surrender value less than the advanced premiums.

The DIA Plan is a nonqualified, deferred compensation plan; eligibility is limited to designated executives. Benefits vest based on certain qualifying events and are paid to participants when fully vested. The funds contributed by participants to this component of the ExecuFLEX Plan are held in a Rabbi Trust until vesting requirements have been satisfied. The System has an asset recorded for the investments in the Rabbi Trust with a corresponding liability. As of June 30, 2013 and 2012, the total asset and the corresponding liability were \$9,514,000 and \$6,717,000, respectively.

12. Self-Funded Liabilities

The System self-funds and insures for primary professional and general liability, workers' compensation, and employee medical benefits. A wholly owned, captive insurance company, Emerald Assurance Cayman Ltd. (Emerald), is used to fund primary professional and general liability. Additionally, the System internally sets aside funds for workers' compensation and employee medical benefits. Funding amounts are based on actuarial recommendations.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

12. Self-Funded Liabilities (continued)

The assets of the captive insurance company, internally designated funds, and the estimated liability for losses are reported in the consolidated balance sheets. Investment income from the assets and the provision for estimated self-funded losses and administrative costs are reported in the accompanying consolidated statements of operations and changes in net assets. The estimated self-funded losses include expected claim payments, including settlement costs for reported claims and an actuarial determination of expected losses related to claims that have been incurred but not reported.

Emerald was incorporated in the Cayman Islands on June 27, 2003, and operates subject to the provisions of the Companies Law (2003 Revision) of the Cayman Islands. Emerald was granted an Unrestricted Class “B” Insurer’s license on June 30, 2003, which it holds subject to the provisions of the Insurance Law (2003 Revision) of the Cayman Islands. Emerald has received an undertaking from the Cayman Islands government exempting it from local income, profits, and capital gains taxes until July 29, 2023. No such taxes are currently levied in the Cayman Islands.

13. Concentrations of Credit Risk

The System grants credit without collateral to its patients, most of who are local residents of the geographies of the various System health care centers and are insured under third-party payor agreements. The mix of accounts receivables from patients and third-party payors at June 30, was as follows:

	<u>2013</u>	<u>2012</u>
Medicare	24.6%	23.2%
Medicaid	6.1	6.1
Managed care organizations	37.4	37.3
Commercial insurance	6.1	6.2
Self-pay	15.3	16.9
Others	10.5	10.3
	<u>100.0%</u>	<u>100.0%</u>

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

14. Commitments and Contingencies

Operating Leases

The System leases various equipment and facilities under noncancelable operating leases expiring at various dates through May 20, 2045. Total rental expense in 2013 and 2012 for all operating leases was approximately \$56,336,000 and \$47,617,000, respectively.

The System's leases have varying terms, which may include renewal or purchase options and escalation clauses that are factored into determining minimum lease payments. The following is a schedule by year of future minimum lease payments under operating leases as of June 30, 2013, that have initial or remaining lease terms in excess of one year (in thousands):

2014	\$	38,017
2015		33,504
2016		26,959
2017		28,169
2018		22,442
Thereafter		61,494
Total	\$	<u>210,585</u>

From time to time, the System is subject to litigation in the ordinary course of operations. In management's opinion, any future settlements or judgments on asserted or unasserted claims will not have a material effect on the System's consolidated financial statements.

CHRISTUS has received notification that several regions have been identified as part of the nationwide Department of Justice (DOJ) investigation to determine whether, in certain cases, implantable cardioverter defibrillators (ICD) were provided to certain Medicare beneficiaries in accordance with national coverage criteria. Through September 13, 2013, the DOJ has not asserted any claims against the System. The System continues to fully cooperate with the DOJ in its investigation. While maximum penalties could have a material effect on CHRISTUS's financial condition, management anticipates that any final settlement will not have a material adverse effect on its financial condition.

Because the government's enforcement efforts presently are widespread within the industry and may vary from region to region, there can be no assurance that the compliance program will significantly reduce or eliminate the exposure of the System to civil or criminal sanctions or adverse administrative determinations.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

15. Functional Expenses

The System provides general health care services to residents throughout various geographic locations. Expenses related to providing these services at June 30 are as follows (in thousands):

	2013	2012
Health care services	\$ 2,566,807	\$ 2,515,189
Physician services	253,752	228,298
General and administrative	807,661	798,490
Total	<u>\$ 3,628,220</u>	<u>\$ 3,541,977</u>

16. Temporarily and Permanently Restricted Net Assets

During 2013, the System determined that in prior years it should have recorded a beneficial interest in the net assets of financially inter-related entities in the Santa Rosa Region, since those entities hold funds that are restricted for the benefit of Santa Rosa Children's Hospital. The System determined this amount was not material to the prior-year financial statements, and therefore recorded the beneficial interest in the current-year financial statements. The prior-year effect of recording the beneficial interest was \$40,841,000, which is included as an adjustment to beginning net assets in the accompanying consolidated statements of operations and changes in net assets.

Temporarily restricted net assets at June 30 are available for the following purposes (in thousands):

	2013	2012
Purchase of equipment/capital improvement	\$ 7,816	\$ 11,123
Indigent care	2,590	2,536
Health education	2,711	1,959
Health care services	64,889	4,413
Community outreach	13,880	13,057
Other	22,972	21,095
Total	<u>\$ 114,858</u>	<u>\$ 54,183</u>

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

16. Temporarily and Permanently Restricted Net Assets (continued)

Permanently restricted net assets at June 30 are restricted as follows (in thousands):

	2013	2012
Investments to be held in perpetuity, the income from which is expendable to support health care services (reported as operating income)	\$ 7,908	\$ 7,801
Endowment requiring income to be added to original gift	5,951	6,866
Other	2,026	1,878
Total	\$ 15,885	\$ 16,545

17. Changes in Consolidated Unrestricted Net Assets

Changes in consolidated unrestricted net assets that are attributable to the System and the noncontrolling interests in subsidiaries are as follows:

	Controlling Interest	Noncontrolling Interests	Total
Balance, June 30, 2011	\$ 2,261,844	\$ 113,249	\$ 2,375,093
Unrestricted revenues, gains, and other support in excess of expenses	(53,996)	12,601	(41,395)
Distributions	–	(5,858)	(5,858)
Acquisition of noncontrolling interest	780	(3,390)	(2,610)
Other activities	(93,217)	2,697	(90,520)
Balance, June 30, 2012	2,115,411	119,299	2,234,710
Unrestricted revenues, gains, and other support in excess of expenses	142,508	17,171	159,679
Distributions	–	(7,323)	(7,323)
Acquisition of noncontrolling interest	2,146	(5,526)	(3,380)
Other activities	96,202	(3,265)	92,937
Balance, June 30, 2013	\$ 2,356,267	\$ 120,356	\$ 2,476,623

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

18. Significant Events

Baptist St. Anthony

On January 2, 2013, BSAHS completed a transaction that resulted in the transfer of substantially all the assets of BSAHS to a subsidiary of Ardent Health Services, based in Nashville, Tennessee. CHRISTUS recorded a gain of \$95,997,000 on the sale of BSAHS, which is included in the accompanying consolidated statements of operations and changes in net assets in equity in income of unconsolidated organizations. For additional details regarding this transaction refer to Note 8, Investments in Unconsolidated Organizations.

Atlanta Memorial Hospital

Effective January 1, 2013, Atlanta Memorial Hospital in Atlanta, Texas, began operating as CHRISTUS St. Michael Hospital – Atlanta. Through an agreement finalized on August 31, 2013, CHRISTUS St. Michael Health System will lease the hospital for 10 years.

Santa Rosa City Center

In July 2012, the CHRISTUS Santa Rosa City Center campus ceased adult services and began implementation of a plan to transition the campus to a free-standing pediatric facility, CHRISTUS Santa Rosa Children's Hospital. The facility expansion and renovation project is expected to cost \$135,000,000, and is expected to be completed within 24 months. The pediatric services will continue operation throughout the project. Once completed, the CHRISTUS Santa Rosa Children's Hospital will be licensed for 275 beds.

CHRISTUS Spohn and Nueces County Hospital District Relationship

On October 1, 2012, CHRISTUS Spohn Health System Corporation (Spohn) entered into a membership agreement with Nueces County Hospital District (the District) for the purpose of ensuring the continued operation of Spohn as the public safety-net hospital in Nueces County. Under the terms of the agreement, the District will provide Spohn with the right to use and operate the facilities at the CHRISTUS Spohn Hospital Corpus Christi – Memorial location. As under the terms of the agreement, Spohn will provide to the District a pro rata share, to be determined annually, of the non-federal patient collections. For the period October 1, 2012, to September 30, 2013, the pro rata share is 35.5%. Through June 30, 2013, Spohn has recorded transfers of \$67,481,000 in revenue to the District under this term of agreement, reflected as expenses within operating income in the accompanying consolidated statements of operations and changes in net assets.

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

19. Subsequent Events

The System evaluated events and transactions occurring subsequent to June 30, 2013, and through September 13, 2013, the date of issuance of the accompanying consolidated financial statements. During this period, there were no subsequent events requiring recognition in the consolidated financial statements.

Supplementary Information

Independent Auditors' Report on Supplementary Information

The Board of Directors
CHRISTUS Health

We have audited the consolidated financial statements of CHRISTUS Health as of and for the year ended June 30, 2013, and have issued our report thereon dated September 13, 2013 which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying community benefit information and accompanying consolidating information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for that portion marked "unaudited," on which we express no opinion, is fairly stated in all material respects in relation to the financial statements as a whole.

Ernst & Young LLP

September 13, 2013

CHRISTUS Health

Community Benefit (Unaudited)

CHRISTUS Health (CHRISTUS or the System) complies with the Catholic Health Association's (CHA), *A Guide for Planning and Reporting Community Benefits*, ©2008, and the state of Texas reporting requirements. CHA guidelines have adopted the instructions for IRS Form 990, Schedule H.

Following is a summary of the System's quantifiable costs of community benefits provided for the years ended June 30 (in thousands):

	2013	2012
	<i>(Unaudited)</i>	
Programs and services for the poor and underserved:		
Charity care at unpaid cost	\$ 195,839	\$ 168,645
Unpaid cost of Medicaid and other public programs	(112,653)	(60,976)
Community services for the poor and underserved	76,776	135,145
Total for the poor and underserved	159,962	242,814
Community services for the broader community:		
Education and research	10,661	11,378
Other community services	6,001	5,555
Total for the broader community	16,662	16,933
Total community benefits	\$ 176,624	\$ 259,747

The totals are calculated following CHA guidelines and adhere to IRS Form 990, Schedule H methodology. CHRISTUS has multiple reporting requirements of charity care and community benefit, which vary based on the definitional and timing requirements of each requesting organization.

In addition to the community benefits reported above, the state of Texas requires that the unpaid costs of Medicare and other government-sponsored programs be reported. For the fiscal years ended June 30, 2013 and 2012, the unpaid costs of these programs were \$125,732,000 and \$163,223,000, respectively. The unpaid costs of the Medicare program represent the cost of providing services to primarily elderly beneficiaries of the Medicare program, in excess of governmental and managed care contract payments. The unpaid costs of other government-sponsored programs represent the cost for providing health care services to the beneficiaries of the Department of Defense (DOD) civilian care, included as per the State of Texas guidelines.

CHRISTUS Health

Community Benefit (Unaudited) (continued)

As noted, the CHRISTUS Community Direct Investment (CDI) Program was established to support community-driven initiatives, primarily for affordable housing and economic development, by providing financing at below-market interest rates. At June 30, 2013 and 2012, the CDI Program had \$5,727,000 and \$5,881,000, respectively, in outstanding loans; in both years approximately 83% of these loans relate to projects in CHRISTUS regions. The difference between the interest rates charged on the loans and the amount that the System would have earned on these monies is the forgone interest that is considered a community benefit. In fiscal years 2013 and 2012, the amount recognized as a community benefit related to this program was \$154,000 and \$171,000, respectively.

As noted, the CHRISTUS Fund was established for the purpose of providing grants to support community planning, healthy community initiatives, and community-based programs, with a focus on the poor and underserved areas where CHRISTUS ministries and sponsoring congregations are involved. During fiscal years 2013 and 2012, the CHRISTUS Fund provided grants of \$1,017,000 and \$1,237,000, respectively; approximately 100% and 95% of the grants relate to programs in CHRISTUS regions in 2013 and 2012, respectively.

CHRISTUS Health

Consolidated Balance Sheet Combined Group and Non-Combined Group

As of June 30, 2013
(In Thousands)

	CHRISTUS System Total	CHRISTUS Combined Group Total	CHRISTUS Non- Combined Group Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 282,389	\$ 196,653	\$ 85,736
Short-term investments	1,043,273	960,603	82,670
Assets whose use is limited, required for current liabilities	59,960	40,041	19,919
Patient accounts receivable, net of allowance for doubtful accounts	357,904	260,985	96,919
Notes and other receivables	183,994	166,538	17,456
Inventories	88,683	75,865	12,818
Security pledged to creditors	8,858	8,858	–
Security lending collateral	9,204	9,204	–
Other current assets	65,226	56,471	8,755
Total current assets	2,099,491	1,775,218	324,273
Assets whose use is limited or restricted, less current portion	708,174	424,247	283,927
Property, plant, and equipment, net of accumulated depreciation	1,618,670	1,374,182	244,488
Other assets:			
Investments in unconsolidated organizations	37,302	27,639	9,663
Goodwill	89,730	69,190	20,540
Other assets	74,740	177,075	(102,335)
Beneficial interest in unconsolidated organizations and other restricted assets	68,792	66,954	1,838
Total other assets	270,564	340,858	(70,294)
Total assets	\$ 4,696,899	\$ 3,914,505	\$ 782,394

CHRISTUS Health

Consolidated Balance Sheet Combined Group and Non-Combined Group (continued)

As of June 30, 2013
(In Thousands)

	CHRISTUS System Total	CHRISTUS Combined Group Total	CHRISTUS Non- Combined Group Total
Liabilities and net assets			
Current liabilities:			
Accounts payable and accrued expenses	\$ 409,675	\$ 237,460	\$ 172,215
Accrued employee compensation and benefits, including pension benefits, current portion	176,427	132,903	43,524
Estimated third-party settlements	33,017	24,469	8,548
Current portion of long-term debt	51,589	43,952	7,637
Payable under security lending agreements	9,210	9,210	–
Total current liabilities	<u>679,918</u>	<u>447,994</u>	<u>231,924</u>
Long-term debt, less current portion	1,071,943	1,025,924	46,019
Accrued pension benefits, long-term portion	75,435	75,435	–
Derivative financial instruments	92,624	92,624	–
Other long-term obligations – primarily related to self- funded liabilities, less current portion	169,613	93,634	75,979
Total liabilities	<u>2,089,533</u>	<u>1,735,611</u>	<u>353,922</u>
Net assets:			
Unrestricted:			
Attributable to CHRISTUS Health	2,356,267	2,095,576	260,691
Attributable to noncontrolling interest	120,356	11,003	109,353
Total unrestricted	<u>2,476,623</u>	<u>2,106,579</u>	<u>370,044</u>
Temporarily restricted	114,858	65,779	49,079
Permanently restricted	15,885	6,536	9,349
Total net assets	<u>2,607,366</u>	<u>2,178,894</u>	<u>428,472</u>
Total liabilities and net assets	<u>\$ 4,696,899</u>	<u>\$ 3,914,505</u>	<u>\$ 782,394</u>

CHRISTUS Health

Combined Group and Non-Combined Group Consolidated of Operations and Changes in Net Assets

As of June 30, 2013
(In Thousands)

	CHRISTUS System Total	CHRISTUS Combined Group Total	CHRISTUS Non- Combined Group Total
Revenues:			
Patient service revenue (net of contractual allowance and discounts)	\$ 3,463,569	\$ 2,695,468	\$ 768,101
Provision for bad debts	(239,406)	(201,097)	(38,309)
Net patient service revenue, less provision for bad debts	3,224,163	2,494,371	729,792
Premium revenue	182,893	155,589	27,304
Other revenue	182,854	140,215	42,639
Equity in income of unconsolidated organizations	111,362	109,745	1,617
Total revenues	3,701,272	2,899,920	801,352
Expenses:			
Employee compensation and benefits	1,609,714	1,190,614	419,100
Services and other	1,100,712	858,293	242,419
Supplies	612,132	480,710	131,422
Depreciation and amortization	271,965	242,644	29,321
Interest	33,697	30,559	3,138
Total expenses	3,628,220	2,802,820	825,400
Operating income (loss)	73,052	97,100	(24,048)
Nonoperating investment gain (loss)	88,212	79,738	8,474
Other nonoperating (loss) gain	(1,585)	2,012	(3,597)
Revenues in excess (deficit) of expenses	159,679	178,850	(19,171)
Less revenues in excess of expenses attributable to noncontrolling interest	17,171	(9)	17,180
Revenues in excess (deficit) of expenses attributable to CHRISTUS Health	142,508	178,859	(36,351)

CHRISTUS Health

Combined Group and Non-Combined Group Consolidated of Operations and Changes in Net Assets (continued)

As of June 30, 2013
(In Thousands)

	CHRISTUS System Total	CHRISTUS Combined Group Total	CHRISTUS Non- Combined Group Total
Changes in unrestricted net assets:			
Revenues in excess (deficit of expenses attributable to CHRISTUS Health)	\$ 142,508	\$ 178,859	\$ (36,351)
Net change in unrealized gain (loss) on investments	3,320	(515)	3,835
Change in pension liabilities	95,141	95,141	–
Acquisition of noncontrolling interest	(3,380)	–	(3,380)
Change in noncontrolling interest	4,437	(9)	4,446
Other	(113)	(148,450)	148,337
Changes in unrestricted net assets	<u>241,913</u>	<u>125,026</u>	<u>116,887</u>
Temporarily restricted net assets:			
Net change in beneficial interest	24,712	24,712	–
Contributions	6,142	1,602	4,540
Unrealized gain on investments	453	–	453
Net assets released from restrictions and other	(5,992)	(1,870)	(4,122)
Changes in temporarily restricted net assets	<u>25,315</u>	<u>24,444</u>	<u>871</u>
Permanently restricted net assets:			
Net change in beneficial interest	(141)	(141)	–
Other	(6,000)	(6,253)	253
Changes in permanently restricted net assets	<u>(6,141)</u>	<u>(6,394)</u>	<u>253</u>
Changes in net assets	261,087	143,076	118,011
Adjustment to beginning temporarily and permanently restricted net assets	40,841	40,841	–
Net assets – beginning of period	2,305,438	1,994,977	310,461
Net assets – end of period	<u>\$ 2,607,366</u>	<u>\$ 2,178,894</u>	<u>\$ 428,472</u>

CHRISTUS Health

Consolidating Financial Statements

June 30, 2013
(In Thousands)

	CHRISTUS Health Consolidated	CHRISTUS Health Non- Obligated Entities	CHRISTUS Health Obligated Entities	Southeast Texas Region	St Elizabeth Hospital	St Mary Hospital	Jasper Memorial Hospital	Southeast Texas Service Center
Assets								
Current assets:								
Cash and cash equivalents	\$ 282,389	\$ 85,736	\$ 196,653	\$ 339,317	\$ 334,255	\$ 22,135	\$ (17,073)	\$ -
Short-term investments	1,043,273	82,670	960,603	-	-	-	-	-
Assets whose use is limited, required for current liabilities	59,960	19,919	40,041	-	-	-	-	-
Patient accounts receivable, net of allowance for uncollectible accounts	357,904	96,919	260,985	36,740	27,379	7,339	2,022	-
Notes and other receivables	183,994	17,456	166,538	1,253	900	378	(25)	-
Inventories	88,683	12,818	75,865	9,338	6,565	2,089	684	-
Security pledge to creditors	8,858	-	8,858	-	-	-	-	-
Security lending collateral	9,204	-	9,204	-	-	-	-	-
Other current assets	65,226	8,755	56,471	1,048	500	167	381	-
Total current assets	2,099,491	324,273	1,775,218	387,696	369,599	32,109	(14,012)	-
Assets whose use is limited or restricted, less current portion	708,174	283,927	424,247	-	-	-	-	-
Property, plant, and equipment, net of accumulated depreciation	1,618,670	244,488	1,374,182	157,279	130,268	20,897	6,115	-
Other assets								
Investment in unconsolidated organizations	37,302	9,663	27,639	1,775	1,775	-	-	-
Goodwill	89,730	20,540	69,190	-	-	-	-	-
Other assets	74,740	(102,335)	177,075	714	685	22	7	117
Beneficial interest in unconsolidated organizations and other restricted assets	68,792	1,838	66,954	-	-	-	-	-
Total other assets	270,564	(70,294)	340,858	2,489	2,460	22	7	117
Total assets	\$ 4,696,899	\$ 782,394	\$ 3,914,505	\$ 547,463	\$ 502,327	\$ 53,027	\$ (7,890)	\$ 117

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	SETX Obligated Eliminations	Gulf Coast Texas Region	St John Hospital	St Catherine Health and Wellness Center	St Joseph Hospital – Houston	Regional Development Projects	Gulf Coast Service Center	Gulf Coast Texas Obligated Eliminations
Assets								
Current assets:								
Cash and cash equivalents	\$ –	\$ 121,476	\$ 71,122	\$ (86,788)	\$ 110,181	\$ –	\$ 26,961	\$ –
Short-term investments	–	–	–	–	–	–	–	–
Assets whose use is limited, required for current liabilities	–	–	–	–	–	–	–	–
Patient accounts receivable, net of allowance for uncollectible accounts	–	11,697	7,895	3,803	(2)	–	1	–
Notes and other receivables	–	27,889	1,963	3,823	(151)	–	22,324	(70)
Inventories	–	4,109	2,254	1,855	–	–	–	–
Security pledge to creditors	–	–	–	–	–	–	–	–
Security lending collateral	–	–	–	–	–	–	–	–
Other current assets	–	540	210	299	–	–	31	–
Total current assets	–	165,711	83,444	(77,007)	110,028	–	49,316	(70)
Assets whose use is limited or restricted, less current portion	–	–	–	–	–	–	–	–
Property, plant, and equipment, net of accumulated depreciation	–	140,883	45,104	77,766	–	–	18,013	–
Other assets								
Investment in unconsolidated subsidiaries	–	–	–	–	–	–	–	–
Goodwill	–	–	–	–	–	–	–	–
Other assets	(117)	9,637	404	412	–	–	8,875	(54)
Beneficial interest in supporting organizations and other restricted assets	–	–	–	–	–	–	–	–
Total other assets	(117)	9,637	404	412	–	–	8,875	(54)
Total assets	\$ (117)	\$ 316,231	\$ 128,952	\$ 1,171	\$ 110,028	\$ –	\$ 76,204	\$ (124)

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	Ark-La-Tex Region	St Michael Healthcare Center	St Michael Rehabilitation Hospital	Alt Obligated Eliminations	Spohn Region	Spohn Shoreline	Spohn Memorial	Spohn South
Assets								
Current assets:								
Cash and cash equivalents	\$ 127,215	\$ 126,518	\$ 697	\$ –	\$ 401,355	\$ 234,119	\$ (184,420)	\$ 177,664
Short-term investments	–	–	–	–	–	–	–	–
Assets whose use is limited, required for current liabilities	–	–	–	–	–	–	–	–
Patient accounts receivable, net of allowance for uncollectible accounts	23,970	21,550	2,420	–	63,126	32,451	10,041	9,336
Notes and other receivables	593	317	276	–	107,479	2,874	104,377	17
Inventories	5,349	5,325	24	–	20,955	8,101	7,241	2,877
Security pledge to creditors	–	–	–	–	–	–	–	–
Security lending collateral	–	–	–	–	–	–	–	–
Other current assets	668	664	3	–	235	(776)	256	237
Total current assets	157,794	154,374	3,420	–	593,149	276,770	(62,506)	190,130
Assets whose use is limited or restricted, less current portion	2,000	2,000	–	–	44	16	–	–
Property, plant, and equipment, net of accumulated depreciation	124,821	118,656	6,165	–	271,258	136,914	36,063	40,785
Other assets								
Investment in unconsolidated subsidiaries	763	763	–	–	6,424	6,424	–	–
Goodwill	–	–	–	–	–	–	–	–
Other assets	1,141	1,141	–	–	40,998	40,708	9	64
Beneficial interest in supporting organizations and other restricted assets	–	–	–	–	–	–	–	–
Total other assets	1,904	1,904	–	–	47,422	47,132	9	64
Total assets	\$ 286,519	\$ 276,934	\$ 9,585	\$ –	\$ 911,873	\$ 460,832	\$ (26,433)	\$ 230,979

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	Spohn Kleberg Memorial	Spohn Beeville	Spohn Alice	Spohn Shared Services	Spohn Membership Agreement	Spohn Health System Payroll	Spohn Obligated Eliminations	Santa Rosa Region
Assets								
Current assets:								
Cash and cash equivalents	\$ 67,008	\$ 16,870	\$ 2,757	\$ (102,376)	\$ 189,733	\$ -	\$ -	\$ 62,230
Short-term investments	-	-	-	-	-	-	-	-
Assets whose use is limited, required for current liabilities	-	-	-	-	-	-	-	-
Patient accounts receivable, net of allowance for uncollectible accounts	4,073	2,580	4,644	-	-	-	-	61,571
Notes and other receivables	24	6	90	95	-	(4)	-	12,141
Inventories	815	523	1,398	-	-	-	-	19,250
Security pledge to creditors	-	-	-	-	-	-	-	-
Security lending collateral	-	-	-	-	-	-	-	-
Other current assets	63	41	41	372	-	-	-	2,164
Total current assets	71,984	20,019	8,931	(101,909)	189,733	(4)	-	157,356
Assets whose use is limited or restricted, less current portion	-	-	-	29	-	-	-	375
Property, plant, and equipment, net of accumulated depreciation	20,233	10,785	22,290	4,188	-	-	-	330,323
Other assets								
Investment in unconsolidated subsidiaries	-	-	-	-	-	-	-	545
Goodwill	-	-	-	-	-	-	-	37,247
Other assets	26	156	34	11,071	-	-	(11,071)	30,103
Beneficial interest in supporting organizations and other restricted assets	-	-	-	-	-	-	-	65,411
Total other assets	26	156	34	11,071	-	-	(11,071)	133,307
Total assets	\$ 92,243	\$ 30,960	\$ 31,256	(86,621)	189,733	(4)	(11,071)	621,361

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	Santa Rosa General Hospital	Santa Rosa Children's Hospital	Santa Rosa Medical Center	Santa Rosa Support Services	Santa Rosa Boerne	Santa Rosa Westover Hills	Santa Rosa New Braunfels	SR Alamo Heights Surgical Hospital
Assets								
Current assets:								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 62,231	\$ -	\$ -	\$ -	\$ -
Short-term investments	-	-	-	-	-	-	-	-
Assets whose use is limited, required for current liabilities	-	-	-	-	-	-	-	-
Patient accounts receivable, net of allowance for uncollectible accounts	(175)	27,219	8,894	(1,081)	-	14,473	10,605	579
Notes and other receivables	(2)	4,157	1,420	1,606	-	2,406	2,093	-
Inventories	1,519	5,845	3,724	411	-	3,898	2,900	892
Security pledge to creditors	-	-	-	-	-	-	-	-
Security lending collateral	-	-	-	-	-	-	-	-
Other current assets	-	857	610	652	-	3	42	-
Total current assets	1,341	38,078	14,648	63,819	-	20,781	15,640	1,470
Assets whose use is limited or restricted, less current portion	-	-	-	375	-	-	-	-
Property, plant, and equipment, net of accumulated depreciation	1,651	76,821	10,748	16,529	5,470	109,998	64,541	34,779
Other assets								
Investment in unconsolidated subsidiaries	-	-	-	545	-	-	-	-
Goodwill	-	-	-	14,623	-	-	-	-
Other assets	-	-	-	28,311	-	-	-	-
Beneficial interest in supporting organizations and other restricted assets	-	65,411	-	-	-	-	-	-
Total other assets	-	65,411	-	43,479	-	-	-	-
Total assets	\$ 2,993	\$ 180,310	\$ 25,396	\$ 124,202	\$ 5,470	\$ 130,779	\$ 80,181	\$ 36,249

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	Santa Rosa Rehabilitation Hospital	Santa Rosa Foundation	Santa Rosa Partnership Management Services	Santa Rosa Alon	Santa Rosa Creekside	Santa Rosa Real Estate	Santa Rosa Villa Rosa Hospital	Sr Obligated Eliminations
Assets								
Current assets:								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Short-term investments	-	-	-	-	-	-	-	-
Assets whose use is limited, required for current liabilities	-	-	-	-	-	-	-	-
Patient accounts receivable, net of allowance for uncollectible accounts	(3)	-	-	382	678	-	-	-
Notes and other receivables	-	-	461	-	-	-	-	-
Inventories	1	-	-	22	37	-	-	-
Security pledge to creditors	-	-	-	-	-	-	-	-
Security lending collateral	-	-	-	-	-	-	-	-
Other current assets	-	-	-	-	-	-	-	-
Total current assets	(2)	-	461	405	715	-	-	-
Assets whose use is limited or restricted, less current portion	-	-	-	-	-	-	-	-
Property, plant, and equipment, net of accumulated depreciation	(421)	3	-	4,323	6,041	(162)	-	-
Other assets								
Investment in unconsolidated subsidiaries	-	-	-	-	-	-	-	-
Goodwill	-	-	22,624	-	-	-	-	-
Other assets	-	-	1,792	-	-	-	-	-
Beneficial interest in supporting organizations and other restricted assets	-	-	-	-	-	-	-	-
Total other assets	-	-	24,416	-	-	-	-	-
Total assets	\$ (422)	\$ 3	\$ 24,878	\$ 4,728	\$ 6,756	\$ (162)	\$ -	\$ -

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	Northern Louisiana Region	Schumpert Health System	Schumpert Highland Hospital	Schumpert Bossier Medical Center	NOLA Obligated Eliminations	Southwestern Louisiana Region	St Patrick Hospital	CHRISTUS Village – Lake Charles
Assets								
Current assets:								
Cash and cash equivalents	\$ 33,765	\$ 33,765	\$ -	\$ -	\$ -	\$ 46,607	\$ 46,586	\$ 21
Short-term investments	413	413	-	-	-	-	-	-
Assets whose use is limited, required for current liabilities	-	-	-	-	-	-	-	-
Patient accounts receivable, net of allowance for uncollectible accounts	25,566	(423,130)	448,696	-	-	16,002	16,002	-
Notes and other receivables	3,908	3,908	-	-	-	562	562	-
Inventories	7,554	5,136	2,418	-	-	3,906	3,906	-
Security pledge to creditors	-	-	-	-	-	-	-	-
Security lending collateral	-	-	-	-	-	-	-	-
Other current assets	2,002	2,002	-	-	-	486	486	-
Total current assets	73,209	(377,906)	451,115	-	-	67,563	67,541	21
Assets whose use is limited or restricted, less current portion	-	-	-	-	-	17	17	-
Property, plant, and equipment, net of accumulated depreciation	68,908	20,222	48,687	-	-	49,235	49,235	-
Other assets								
Investment in unconsolidated subsidiaries	15	15	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-	-
Other assets	469	469	-	-	-	4,055	4,055	-
Beneficial interest in supporting organizations and other restricted assets	-	-	-	-	-	-	-	-
Total other assets	483	483	-	-	-	4,055	4,055	-
Total assets	\$ 142,600	\$ (357,202)	\$ 499,802	\$ -	\$ -	\$ 120,869	\$ 120,848	\$ 21

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	SWLA Obligated Eliminations	Central Louisiana Region	St Frances Cabrini Hospital	Coushatta Healthcare	St Joseph Nursing Home	CHRISTUS Health Louisiana Ministries	Heart Center of Louisiana	CLA Obligated Eliminations
Assets								
Current assets:								
Cash and cash equivalents	\$ -	\$ 64,786	\$ 73,560	\$ (11,690)	\$ 1,768	\$ 1,087	\$ 61	\$ -
Short-term investments	-	3	3	-	-	-	-	-
Assets whose use is limited, required for current liabilities	-	-	-	-	-	-	-	-
Patient accounts receivable, net of allowance for uncollectible accounts	-	23,046	18,268	4,083	721	-	(26)	-
Notes and other receivables	-	640	630	10	-	-	-	-
Inventories	-	4,604	4,482	122	-	-	-	-
Security pledge to creditors	-	-	-	-	-	-	-	-
Security lending collateral	-	-	-	-	-	-	-	-
Other current assets	-	452	416	22	9	-	5	-
Total current assets	-	93,532	97,359	(7,452)	2,498	1,087	41	-
Assets whose use is limited or restricted, less current portion	-	225	227	(2)	-	-	-	-
Property, plant, and equipment, net of accumulated depreciation	-	138,964	128,693	6,476	3,676	-	118	-
Other assets								
Investment in unconsolidated subsidiaries	-	1,060	1,060	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-	-
Other assets	-	1,249	1,203	-	-	-	-	46
Beneficial interest in supporting organizations and other restricted assets	-	-	-	-	-	-	-	-
Total other assets	-	2,309	2,263	-	-	-	-	46
Total assets	\$ -	\$ 235,030	\$ 228,542	\$ (978)	\$ 6,174	\$ 1,087	\$ 159	\$ 46

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	Corporate and Eliminations	St Joseph Village	Uniformed Services Family Health Plan	TLRA	Revenue Cycle Business Services	Supply Chain Management	Corporate Office	Grants and Loans
Assets								
Current assets:								
Cash and cash equivalents	\$ (1,000,099)	\$ 1,576	\$ 234,099	\$ 6,900	\$ (2,887)	\$ 3,953	\$ (1,201,509)	\$ 18,902
Short-term investments	960,187	-	-	-	-	-	960,187	-
Assets whose use is limited, required for current liabilities	40,041	-	-	-	-	-	1	-
Patient accounts receivable, net of allowance for uncollectible accounts	(734)	-	-	(18)	-	-	-	-
Notes and other receivables	12,073	60	-	-	-	240	5,580	95
Inventories	801	-	-	-	-	-	-	-
Security pledge to creditors	8,858	-	-	-	-	-	8,858	-
Security lending collateral	9,204	-	-	-	-	-	9,204	-
Other current assets	48,875	-	242	88	10	-	2,391	-
Total current assets	79,208	1,636	234,342	6,971	(2,877)	4,193	(215,287)	18,996
Assets whose use is limited or restricted, less current portion	421,587	124	-	-	-	-	338,385	-
Property, plant, and equipment, net of accumulated depreciation	92,511	25,100	252	37	617	-	59,117	-
Other assets								
Investment in unconsolidated subsidiaries	17,059	-	-	-	-	-	17,059	-
Goodwill	31,943	-	-	-	-	-	31,943	-
Other assets	88,708	-	-	-	-	-	136,014	5,727
Beneficial interest in supporting organizations and other restricted assets	1,543	1,209	-	-	-	-	333	-
Total other assets	139,253	1,209	-	-	-	-	185,350	5,727
Total assets	\$ 732,559	\$ 28,070	\$ 234,594	\$ 7,008	\$ (2,260)	\$ 4,193	\$ 367,564	\$ 24,723

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	Workers Compensation	CHRISTUS Health Unemployment Fund	Insurance Fund
Assets			
Current assets:			
Cash and cash equivalents	\$ 21,368	\$ -	\$ (19,423)
Short-term investments	-	-	-
Assets whose use is limited, required for current liabilities	-	-	-
Patient accounts receivable, net of allowance for uncollectible accounts	-	-	-
Notes and other receivables	97	-	1,509
Inventories	-	-	-
Security pledge to creditors	-	-	-
Security lending collateral	-	-	-
Other current assets	31	-	13,444
Total current assets	21,495	-	(4,469)
Assets whose use is limited or restricted, less current portion	-	-	-
Property, plant, and equipment, net of accumulated depreciation	-	-	-
Other assets			
Investment in unconsolidated subsidiaries	-	-	-
Goodwill	-	-	-
Other assets	576	-	-
Beneficial interest in supporting organizations and other restricted assets	-	-	-
Total other assets	576	-	-
Total assets	\$ 22,072	\$ -	\$ (4,469)

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	CHRISTUS Health Consolidated	CHRISTUS Health Non- Obligated Entities	CHRISTUS Health Obligated Entities	Southeast Texas Region	St Elizabeth Hospital	St Mary Hospital	Jasper Memorial Hospital	Southeast Texas Service Center
Liabilities and net assets								
Current liabilities:								
Accounts payable and accrued expenses	\$ 409,675	\$ 172,215	\$ 237,460	\$ 32,345	\$ 26,506	\$ 2,698	\$ 3,024	\$ 117
Accrued employee compensation and benefits, including pension benefits, current portion	176,427	43,524	132,903	7,279	5,513	1,308	458	-
Estimated third-party settlements	33,017	8,548	24,469	(1,664)	(927)	245	(982)	-
Current portion of long-term debt	51,589	7,637	43,952	2,461	1,954	507	-	-
Payable under security lending agreement	9,210	-	9,210	-	-	-	-	-
Total current liabilities	<u>679,918</u>	<u>231,924</u>	<u>447,994</u>	<u>40,420</u>	<u>33,045</u>	<u>4,759</u>	<u>2,499</u>	<u>117</u>
Long-term debt, less current portion:	1,071,943	46,019	1,025,924	75,632	59,465	16,167	-	-
Accrued pension benefits, long-term portion	75,435	-	75,435	-	-	-	-	-
Derivative financial instruments	92,624	-	92,624	-	-	-	-	-
Other long-term obligations –primarily related to self-funded liabilities, less current portion	169,613	75,979	93,634	1,860	901	959	-	-
Total liabilities	<u>2,089,533</u>	<u>353,922</u>	<u>1,735,611</u>	<u>117,912</u>	<u>93,412</u>	<u>21,885</u>	<u>2,499</u>	<u>117</u>
Net assets:								
Unrestricted:								
Attributable to CHRISTUS Health	2,356,267	260,691	2,095,576	429,312	408,688	31,138	(10,397)	-
Attributable to noncontrolling interest	120,356	109,353	11,003	-	-	-	-	-
Total unrestricted	<u>2,476,623</u>	<u>370,044</u>	<u>2,106,579</u>	<u>429,312</u>	<u>408,688</u>	<u>31,138</u>	<u>(10,397)</u>	<u>-</u>
Temporarily restricted	114,858	49,079	65,779	239	227	4	7	-
Permanently restricted	15,885	9,349	6,536	-	-	-	-	-
Total net assets	<u>2,607,366</u>	<u>428,472</u>	<u>2,178,894</u>	<u>429,551</u>	<u>408,915</u>	<u>31,143</u>	<u>(10,390)</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 4,696,899</u>	<u>\$ 782,394</u>	<u>\$ 3,914,505</u>	<u>\$ 547,463</u>	<u>\$ 502,327</u>	<u>\$ 53,027</u>	<u>\$ (7,890)</u>	<u>\$ 117</u>

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	SETX Obligated Eliminations	Gulf Coast Texas Region	St John Hospital	St Catherine Health and Wellness Center	St Joseph Hospital – Houston	Regional Development Projects	Gulf Coast Service Center	Gulf Coast Texas Obligated Eliminations
Liabilities and net assets								
Current liabilities:								
Accounts payable and accrued expenses	–	17,697	13,953	7,586	598	–	(4,440)	–
Accrued employee compensation and benefits, including pension benefits, current portion	–	3,684	1,990	1,315	–	–	379	–
Estimated third-party settlements	–	1,274	742	61	470	–	–	–
Current portion of long-term debt	–	11,946	1,655	10,361	–	–	–	(70)
Payable under security lending agreement	–	–	–	–	–	–	–	–
Total current liabilities	–	34,601	18,340	19,324	1,068	–	(4,061)	(70)
Long-term debt, less current portion:	–	68,718	17,794	50,978	–	–	–	(54)
Accrued pension benefits, long-term portion	–	–	–	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–	–	–
Other long-term obligations –primarily related to self-funded liabilities, less current portion	–	1,571	1,052	519	–	–	–	–
Total liabilities	–	104,890	37,186	70,821	1,068	–	(4,061)	(124)
Net assets:								
Unrestricted:								
Attributable to CHRISTUS Health	(117)	211,341	91,765	(69,650)	108,960	–	80,266	–
Attributable to noncontrolling interest	–	–	–	–	–	–	–	–
Total unrestricted	(117)	211,341	91,765	(69,650)	108,960	–	80,266	–
Temporarily restricted	–	0	0	–	–	–	–	–
Permanently restricted	–	–	–	–	–	–	–	–
Total net assets	(117)	211,341	91,766	(69,650)	108,960	–	80,266	–
Total liabilities and net assets	\$ (117)	\$ 316,231	\$ 128,952	\$ 1,171	\$ 110,028	\$ –	\$ 76,204	\$ (124)

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	Ark-La-Tex Region	St Michael Healthcare Center	St Michael Rehabilitation Hospital	Alt Obligated Eliminations	Spohn Region	Spohn Shoreline	Spohn Memorial	Spohn South
Liabilities and net assets								
Current liabilities:								
Accounts payable and accrued expenses	\$ 24,315	\$ 12,627	\$ 11,688	\$ –	\$ 16,647	\$ (230,107)	\$ (61,227)	\$ 154,156
Accrued employee compensation and benefits, including pension benefits, current portion	5,142	4,560	582	–	11,431	3,310	2,347	1,372
Estimated third-party settlements	(3,384)	(3,740)	356	–	7,131	1,925	234	552
Current portion of long-term debt	2,603	2,603	–	–	7,011	4,716	1,918	–
Payable under security lending agreement	–	–	–	–	–	–	–	–
Total current liabilities	28,676	16,050	12,626	–	42,220	(220,155)	(56,727)	156,080
Long-term debt, less current portion:	69,620	69,620	–	–	215,484	84,292	61,491	51,316
Accrued pension benefits, long-term portion	–	–	–	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–	–	–
Other long-term obligations –primarily related to self-funded liabilities, less current portion	–	–	–	–	10	–	10	–
Total liabilities	98,296	85,670	12,626	–	257,714	(135,863)	4,774	207,395
Net assets:								
Unrestricted:								
Attributable to CHRISTUS Health	186,799	189,839	(3,041)	–	654,116	596,679	(31,207)	23,584
Attributable to noncontrolling interest	–	–	–	–	–	–	–	–
Total unrestricted	186,799	189,839	(3,041)	–	654,116	596,679	(31,207)	23,584
Temporarily restricted	1,425	1,425	–	–	44	16	–	–
Permanently restricted	–	–	–	–	–	–	–	–
Total net assets	188,223	191,264	(3,041)	–	654,160	596,695	(31,207)	23,584
Total liabilities and net assets	\$ 286,519	\$ 276,934	\$ 9,585	\$ –	\$ 911,873	\$ 460,832	\$ (26,433)	\$ 230,979

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	Spohn Kleberg Memorial	Spohn Beeville	Spohn Alice	Spohn Shared Services	Spohn Membership Agreement	Spohn Health System Payroll	Spohn Obligated Eliminations	Santa Rosa Region
Liabilities and net assets								
Current liabilities:								
Accounts payable and accrued expenses	\$ 13,272	\$ (505)	\$ 53,432	\$ (100,960)	\$ 189,733	\$ (1,147)	\$ –	\$ 24,120
Accrued employee compensation and benefits, including pension benefits, current portion	546	436	617	1,659	–	1,143	–	8,283
Estimated third-party settlements	288	612	3,520	–	–	–	–	8,347
Current portion of long-term debt	–	376	–	–	–	–	–	3,153
Payable under security lending agreement	–	–	–	–	–	–	–	–
Total current liabilities	14,106	919	57,569	(99,301)	189,733	(4)	–	43,903
Long-term debt, less current portion:	5,712	9,716	–	2,958	–	–	–	277,537
Accrued pension benefits, long-term portion	–	–	–	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–	–	–
Other long-term obligations –primarily related to self-funded liabilities, less current portion	–	–	–	–	–	–	–	1,988
Total liabilities	19,818	10,635	57,569	(96,343)	189,733	(4)	–	323,427
Net assets:								
Unrestricted:								
Attributable to CHRISTUS Health	72,425	20,326	(26,314)	9,693	–	–	(11,071)	221,186
Attributable to noncontrolling interest	–	–	–	–	–	–	–	10,931
Total unrestricted	72,425	20,326	(26,314)	9,693	–	–	(11,071)	232,117
Temporarily restricted	–	–	–	29	–	–	–	60,478
Permanently restricted	–	–	–	–	–	–	–	5,338
Total net assets	72,425	20,326	(26,314)	9,722	–	–	(11,071)	297,933
Total liabilities and net assets	\$ 92,243	\$ 30,960	\$ 31,256	\$ (86,621)	\$ 189,733	\$ (4)	\$ (11,071)	\$ 621,361

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	Santa Rosa General Hospital	Santa Rosa Children's Hospital	Santa Rosa Medical Center	Santa Rosa Support Services	Santa Rosa Boerne	Santa Rosa Westover Hills	Santa Rosa New Braunfels	SR Alamo Heights Surgical Hospital
Liabilities and net assets								
Current liabilities:								
Accounts payable and accrued expenses	\$ (47,630)	\$ 44,756	\$ (3,429)	\$ 47,758	\$ 434	\$ (9,959)	\$ (33,030)	\$ 38,615
Accrued employee compensation and benefits, including pension benefits, current portion	-	2,874	1,094	1,535	-	1,267	1,186	107
Estimated third-party settlements	20,121	(4,088)	(4,088)	1,309	-	(818)	(4,088)	-
Current portion of long-term debt	-	160	-	2,638	-	124	428	(197)
Payable under security lending agreement	-	-	-	-	-	-	-	-
Total current liabilities	(27,510)	43,702	(6,424)	53,240	434	(9,385)	(35,504)	38,525
Long-term debt, less current portion:	-	7,389	-	77,480	-	103,174	76,229	13,265
Accrued pension benefits, long-term portion	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
Other long-term obligations –primarily related to self-funded liabilities, less current portion	-	-	-	1,988	-	-	-	-
Total liabilities	(27,510)	51,091	(6,424)	132,707	434	93,788	40,725	51,791
Net assets:								
Unrestricted:								
Attributable to CHRISTUS Health	30,502	63,506	31,813	(8,601)	5,036	36,991	39,456	(15,542)
Attributable to noncontrolling interest	-	-	-	-	-	-	-	-
Total unrestricted	30,502	63,506	31,813	(8,601)	5,036	36,991	39,456	(15,542)
Temporarily restricted	-	60,375	7	96	-	-	-	-
Permanently restricted	-	5,338	-	-	-	-	-	-
Total net assets	30,502	129,219	31,820	(8,505)	5,036	36,991	39,456	(15,542)
Total liabilities and net assets	\$ 2,993	\$ 180,310	\$ 25,396	\$ 124,202	\$ 5,470	\$ 130,779	\$ 80,181	\$ 36,249

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	Santa Rosa Rehabilitation Hospital	Santa Rosa Foundation	Santa Rosa Partnership Management Services	Santa Rosa Alon	Santa Rosa Creekside	Santa Rosa Real Estate	Santa Rosa Villa Rosa Hospital	Sr Obligated Eliminations
Liabilities and net assets								
Current liabilities:								
Accounts payable and accrued expenses	\$ (2,702)	\$ (45)	\$ (19,233)	\$ 2,475	\$ 5,521	\$ 589	\$ -	-
Accrued employee compensation and benefits, including pension benefits, current portion	-	46	-	121	53	-	-	-
Estimated third-party settlements	-	-	-	-	-	-	-	-
Current portion of long-term debt	-	-	-	-	-	-	-	-
Payable under security lending agreement	-	-	-	-	-	-	-	-
Total current liabilities	(2,702)	1	(19,234)	2,596	5,574	589	-	-
Long-term debt, less current portion:	-	-	-	-	-	-	-	-
Accrued pension benefits, long-term portion	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
Other long-term obligations –primarily related to self-funded liabilities, less current portion	-	-	-	-	-	-	-	-
Total liabilities	(2,702)	1	(19,234)	2,596	5,574	589	-	-
Net assets:								
Unrestricted:								
Attributable to CHRISTUS Health	2,279	2	33,180	2,132	1,182	(751)	-	-
Attributable to noncontrolling interest	-	-	10,931	-	-	-	-	-
Total unrestricted	2,279	2	44,111	2,132	1,182	(751)	-	-
Temporarily restricted	-	-	-	-	-	-	-	-
Permanently restricted	-	-	-	-	-	-	-	-
Total net assets	2,279	2	44,111	2,132	1,182	(751)	-	-
Total liabilities and net assets	\$ (422)	\$ 3	\$ 24,878	\$ 4,728	\$ 6,756	\$ (162)	\$ -	-

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	Northern Louisiana Region	Schumpert Health System	Schumpert Highland Hospital	Schumpert Bossier Medical Center	NOLA Obligated Eliminations	Southwestern Louisiana Region	St Patrick Hospital	CHRISTUS Village – Lake Charles
Liabilities and net assets								
Current liabilities:								
Accounts payable and accrued expenses	\$ 21,051	\$ (379,712)	\$ 400,763	\$ –	\$ –	\$ 18,627	\$ 20,656	\$ (2,029)
Accrued employee compensation and benefits, including pension benefits, current portion	2,631	2,200	431	–	–	1,365	1,365	–
Estimated third-party settlements	15	15	–	–	–	496	496	–
Current portion of long-term debt	8,542	8,542	–	–	–	4,725	4,725	–
Payable under security lending agreement	–	–	–	–	–	–	–	–
Total current liabilities	32,239	(368,955)	401,193	–	–	25,213	27,242	(2,029)
Long-term debt, less current portion:	59,747	59,747	–	–	–	30,252	30,252	–
Accrued pension benefits, long-term portion	–	–	–	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–	–	–
Other long-term obligations –primarily related to self-funded liabilities, less current portion	–	–	–	–	–	153	153	–
Total liabilities	91,986	(309,208)	401,193	–	–	55,618	57,647	(2,029)
Net assets:								
Unrestricted:								
Attributable to CHRISTUS Health	50,095	(48,488)	98,583	–	–	63,464	61,413	2,050
Attributable to noncontrolling interest	–	–	–	–	–	–	–	–
Total unrestricted	50,095	(48,488)	98,583	–	–	63,464	61,413	2,050
Temporarily restricted	519	494	25	–	–	1,788	1,788	–
Permanently restricted	–	–	–	–	–	–	–	–
Total net assets	50,615	(47,994)	98,608	–	–	65,251	63,201	2,050
Total liabilities and net assets	\$ 142,600	\$ (357,202)	\$ 499,802	\$ –	\$ –	\$ 120,869	\$ 120,848	\$ 21

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	SWLA Obligated Eliminations	Central Louisiana Region	St Frances Cabrini Hospital	Coushatta Healthcare	St Joseph Nursing Home	CHRISTUS Health Louisiana Ministries	Heart Center of Louisiana	CLA Obligated Eliminations
Liabilities and net assets								
Current liabilities:								
Accounts payable and accrued expenses	\$ -	\$ 16,096	\$ 13,462	\$ 561	\$ 1,625	\$ 253	\$ 195	\$ -
Accrued employee compensation and benefits, including pension benefits, current portion	-	3,747	3,022	248	138	338	-	-
Estimated third-party settlements	-	2,254	2,391	180	(317)	-	-	-
Current portion of long-term debt	-	5,752	5,752	-	-	-	-	-
Payable under security lending agreement	-	-	-	-	-	-	-	-
Total current liabilities	-	27,849	24,628	989	1,446	591	195	-
Long-term debt, less current portion:	-	104,754	104,754	-	-	-	-	-
Accrued pension benefits, long-term portion	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
Other long-term obligations –primarily related to self-funded liabilities, less current portion	-	1,026	1,026	-	-	-	-	-
Total liabilities	-	133,629	130,408	989	1,446	591	195	-
Net assets:								
Unrestricted:								
Attributable to CHRISTUS Health	-	100,202	97,101	(2,057)	4,725	496	(109)	46
Attributable to noncontrolling interest	-	72	-	-	-	-	72	-
Total unrestricted	-	100,274	97,101	(2,057)	4,725	496	(36)	46
Temporarily restricted	-	1,131	1,033	95	3	-	-	-
Permanently restricted	-	(5)	-	(5)	-	-	-	-
Total net assets	-	101,400	98,134	(1,967)	4,728	496	(36)	46
Total liabilities and net assets	\$ -	\$ 235,030	\$ 228,542	\$ (978)	\$ 6,174	\$ 1,087	\$ 159	\$ 46

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	Corporate and Eliminations	St Joseph Village	Uniformed Services Family Health Plan	TLRA	Revenue Cycle Business Services	Supply Chain Management	Corporate Office	Grants and Loans
Liabilities and net assets								
Current liabilities:								
Accounts payable and accrued expenses	\$ 66,563	\$ 1,879	\$ 26,268	\$ 2,403	\$ 2,007	\$ 997	\$ 8,759	\$ (340)
Accrued employee compensation and benefits, including pension benefits, current portion	89,341	113	48	663	1,478	-	69,730	-
Estimated third-party settlements	10,000	-	-	-	-	-	10,000	-
Current portion of long-term debt	(2,241)	719	7	-	-	-	-	-
Payable under security lending agreement	9,210	-	-	-	-	-	9,210	-
Total current liabilities	172,874	2,710	26,324	3,066	3,485	997	97,699	(340)
Long-term debt, less current portion:	124,181	23,346	9	-	-	-	-	-
Accrued pension benefits, long-term portion	75,435	-	-	-	-	-	75,435	-
Derivative financial instruments	92,624	-	-	-	-	-	-	-
Other long-term obligations –primarily related to self-funded liabilities, less current portion	87,025	5,993	-	-	407	-	48,387	-
Total liabilities	552,139	32,049	26,332	3,066	3,892	997	221,521	(340)
Net assets:								
Unrestricted:								
Attributable to CHRISTUS Health	179,063	(5,306)	208,262	3,942	(6,152)	3,196	146,013	25,063
Attributable to noncontrolling interest	-	-	-	-	-	-	-	-
Total unrestricted	179,063	(5,306)	208,262	3,942	(6,152)	3,196	146,013	25,063
Temporarily restricted	154	124	-	-	-	-	30	-
Permanently restricted	1,202	1,202	-	-	-	-	-	-
Total net assets	180,420	(3,979)	208,262	3,942	(6,152)	3,196	146,043	25,063
Total liabilities and net assets	\$ 732,559	\$ 28,070	\$ 234,594	\$ 7,008	\$ (2,260)	\$ 4,193	\$ 367,564	\$ 24,723

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	Workers Compensation	CHRISTUS Health Unemployment Fund	Insurance Fund
Liabilities and net assets			
Current liabilities:			
Accounts payable and accrued expenses	\$ 355	\$ -	\$ (4,567)
Accrued employee compensation and benefits, including pension benefits, current portion	3,509	-	-
Estimated third-party settlements	-	-	-
Current portion of long-term debt	-	-	-
Payable under security lending agreement	-	-	-
Total current liabilities	3,864	-	(4,567)
Long-term debt, less current portion:	-	-	-
Accrued pension benefits, long-term portion	-	-	-
Derivative financial instruments	-	-	-
Other long-term obligations –primarily related to self-funded liabilities, less current portion	9,456	-	-
Total liabilities	13,320	-	(4,567)
Net assets:			
Unrestricted:			
Attributable to CHRISTUS Health	8,751	-	98
Attributable to noncontrolling interest	-	-	-
Total unrestricted	8,751	-	98
Temporarily restricted	-	-	-
Permanently restricted	-	-	-
Total net assets	8,751	-	98
Total liabilities and net assets	\$ 22,072	\$ -	\$ (4,469)

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	CHRISTUS Health Consolidated	CHRISTUS Health Non- Obligated Entities	CHRISTUS Health Obligated Entities	Southeast Texas Region	St Elizabeth Hospital	St Mary Hospital	Jasper Memorial Hospital	Southeast Texas Service Center
Revenues:								
Patient service revenue (net of contractual allowances and discounts)	\$ 3,463,569	\$ 768,101	\$ 2,695,468	\$ 381,106	\$ 272,136	\$ 78,737	\$ 30,695	\$ -
Provision for bad debts	(239,406)	(38,309)	(201,097)	(35,942)	(25,616)	(6,666)	(3,660)	-
Net patient service revenue less provision for bad debts	3,224,163	729,792	2,494,371	345,164	246,520	72,071	27,036	-
Premium revenue	182,893	27,304	155,589	-	-	-	-	-
Other revenue	182,854	42,639	140,215	11,404	9,789	1,437	434	-
Equity in income of unconsolidated organizations	111,362	1,617	109,745	112	112	-	-	-
Total revenues	3,701,272	801,352	2,899,920	356,680	256,420	73,508	27,469	-
Expenses:								
Employee compensation and benefits	1,609,714	419,100	1,190,614	147,587	101,407	32,231	13,949	-
Services and other	1,100,712	242,419	858,293	103,996	68,859	27,204	8,650	-
Supplies	612,132	131,422	480,710	70,279	53,673	13,725	2,881	-
Depreciation and amortization	271,965	29,321	242,644	18,948	13,950	3,926	1,073	-
Interest	33,697	3,138	30,559	4,629	3,647	982	-	-
Total expenses	3,628,220	825,400	2,802,820	345,438	241,535	78,068	26,552	-
Operating income (loss)	73,052	(24,048)	97,100	11,242	14,885	(4,560)	917	-
Nonoperating investment gain (loss)	88,212	8,474	79,738	-	-	-	-	-
Other nonoperating (loss) gain	(1,585)	(3,597)	2,012	(24)	(20)	-	(4)	-
Revenues in excess (deficit) of expenses	159,679	(19,171)	178,850	11,219	14,866	(4,560)	913	-
Less revenues in excess of expenses attributable to noncontrolling interest	17,171	17,180	(9)	-	-	-	-	-
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	142,508	(36,351)	178,859	11,219	14,866	(4,560)	913	-

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	CHRISTUS Health Consolidated	CHRISTUS Health Non- Obligated Entities	CHRISTUS Health Obligated Entities	Southeast Texas Region	St Elizabeth Hospital	St Mary Hospital	Jasper Memorial Hospital	Southeast Texas Service Center
Changes in unrestricted net assets:								
Revenue in excess of expenses attributable to CHRISTUS Health	\$ 142,508	\$ (36,351)	\$ 178,859	\$ 11,219	\$ 14,866	\$ (4,560)	\$ 913	\$ -
Net change in unrealized gain (loss) on investments	3,320	3,835	(515)	-	-	-	-	-
Change in pension liabilities	95,141	-	95,141	-	-	-	-	-
Acquisition of noncontrolling interest	(3,380)	(3,380)	-	-	-	-	-	-
Change in noncontrolling interest	4,437	4,446	(9)	-	-	-	-	-
Other	(113)	148,337	(148,450)	1,142	1,246	(68)	(35)	-
Changes in unrestricted net assets	241,913	116,887	125,026	12,361	16,111	(4,628)	878	-
Temporarily restricted net assets:								
Net change in beneficial interest	24,712	-	24,712	-	-	-	-	-
Contributions	6,142	4,540	1,602	79	33	35	11	-
Net change in unrealized gain (loss) on investments	453	453	-	-	-	-	-	-
Net assets released from restriction and other	(5,992)	(4,122)	(1,870)	(155)	(113)	(36)	(7)	-
Changes in temporarily restricted assets	25,315	871	24,444	(76)	(80)	(1)	5	-
Permanently restricted net assets:								
Net change in beneficial interest	(141)	-	(141)	-	-	-	-	-
Other	(6,000)	253	(6,253)	-	-	-	-	-
Changes in permanently restricted net assets	(6,141)	253	(6,394)	-	-	-	-	-
Changes in net assets	261,087	118,011	143,076	12,285	16,032	(4,629)	882	-
Adjustment to beginning temporarily and permanently restricted net assets								
Net assets – beginning of year	40,841	-	40,841	-	-	-	-	-
Net assets – end of year	2,305,438	310,461	1,994,977	417,266	392,883	35,772	(11,272)	-
Net assets – end of year	\$ 2,607,366	\$ 428,472	\$ 2,178,894	\$ 429,551	\$ 408,915	\$ 31,143	\$ (10,390)	\$ -

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	SETX Obligated Eliminations	Gulf Coast Texas Region	St John Hospital	St Catherine Health and Wellness Center	St Joseph Hospital – Houston	Regional Development Projects	Gulf Coast Service Center	Gulf Coast Texas Obligated Eliminations
Revenues:								
Patient service revenue (net of contractual allowances and discounts)	\$ (462)	\$ 223,853	\$ 114,538	\$ 67,321	\$ 19	\$ –	\$ 41,975	\$ –
Provision for bad debts	–	(16,175)	(8,348)	(7,828)	0	–	1	–
Net patient service revenue less provision for bad debts	(462)	207,678	106,190	59,493	19	–	41,977	–
Premium revenue	–	–	–	–	–	–	–	–
Other revenue	(255)	8,048	2,464	1,511	162	–	3,910	–
Equity in income of unconsolidated organizations	–	–	–	–	–	–	–	–
Total revenues	(717)	215,726	108,653	61,004	181	–	45,887	–
Expenses:								
Employee compensation and benefits	–	85,170	49,554	34,616	36	–	963	–
Services and other	(717)	83,469	27,031	25,863	1	–	30,574	–
Supplies	–	27,513	18,939	8,448	–	–	127	–
Depreciation and amortization	–	11,576	5,451	5,430	–	–	695	–
Interest	–	3,903	1,206	2,696	–	–	–	–
Total expenses	(717)	211,630	102,181	77,053	37	–	32,359	–
Operating income (loss)	–	4,095	6,472	(16,049)	145	–	13,527	–
Nonoperating investment gain (loss)	–	–	–	–	–	–	–	–
Other nonoperating (loss) gain	–	2,902	(57)	–	–	–	2,959	–
Revenues in excess (deficit) of expenses	–	6,997	6,415	(16,049)	145	–	16,487	–
Less revenues in excess of expenses attributable to noncontrolling interest	–	–	–	–	–	–	–	–
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	–	6,997	6,415	(16,049)	145	–	16,487	–

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	SETX Obligated Eliminations	Gulf Coast Texas Region	St John Hospital	St Catherine Health and Wellness Center	St Joseph Hospital – Houston	Regional Development Projects	Gulf Coast Service Center	Gulf Coast Texas Obligated Eliminations
Changes in unrestricted net assets:								
Revenue in excess of expenses attributable to CHRISTUS Health	\$ –	\$ 6,997	\$ 6,415	\$ (16,049)	\$ 145	\$ –	\$ 16,487	\$ –
Net change in unrealized gain (loss) on investments	–	–	–	–	–	–	–	–
Change in pension liabilities	–	–	–	–	–	–	–	–
Acquisition of noncontrolling Interest	–	–	–	–	–	–	–	–
Change in noncontrolling interest	–	–	–	–	–	–	–	–
Other	–	197	208	(117)	–	12,147	(12,042)	–
Changes in unrestricted net assets	–	7,194	6,624	(16,166)	145	12,147	4,445	–
Temporarily restricted net assets:								
Net change in beneficial interest	–	–	–	–	–	–	–	–
Contributions	–	–	–	–	–	–	–	–
Net change in unrealized gain (loss) on investments	–	–	–	–	–	–	–	–
Net assets released from restriction and other	–	(14)	(13)	(1)	–	–	–	–
Changes in temporarily restricted assets	–	(14)	(13)	(1)	–	–	–	–
Permanently restricted net assets:								
Net change in beneficial interest	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
Changes in permanently restricted net assets	–	–	–	–	–	–	–	–
Changes in net assets	–	7,180	6,611	(16,167)	145	12,147	4,445	–
Adjustment to beginning temporarily and permanently restricted net assets								
Net assets – beginning of year	(117)	204,161	85,155	(53,484)	108,815	(12,147)	75,821	–
Net assets – end of year	\$ (117)	\$ 211,341	\$ 91,766	\$ (69,650)	\$ 108,960	\$ –	\$ 80,266	\$ –

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	Ark-La-Tex Region	St Michael Healthcare Center	St Michael Rehabilitation Hospital	Alt Obligated Eliminations	Spohn Region	Spohn Shoreline	Spohn Memorial	Spohn South
Revenues:								
Patient service revenue (net of contractual allowances and discounts)	\$ 238,545	\$ 217,189	\$ 21,356	\$ –	\$ 726,871	\$ 316,488	\$ 166,319	\$ 104,677
Provision for bad debts	(7,805)	(7,639)	(166)	–	(58,975)	(14,238)	(20,565)	(8,873)
Net patient service revenue less provision for bad debts	230,740	209,550	21,190	–	667,896	302,250	145,754	95,804
Premium revenue	–	–	–	–	–	–	–	–
Other revenue	12,480	11,686	795	–	24,671	4,862	13,233	3,568
Equity in income of unconsolidated organizations	360	360	0	–	2,311	2,311	–	–
Total revenues	243,581	221,595	21,985	–	694,878	309,423	158,987	99,373
Expenses:								
Employee compensation and benefits	97,589	86,322	11,267	–	288,868	113,230	73,517	44,698
Services and other	62,072	55,547	6,525	–	207,240	71,604	74,422	26,263
Supplies	46,126	44,847	1,278	–	132,585	73,861	26,264	16,528
Depreciation and amortization	12,562	12,258	304	–	32,733	13,476	5,033	4,357
Interest	4,521	4,521	–	–	7,898	4,281	464	2,273
Total expenses	222,870	203,494	19,375	–	669,323	276,452	179,699	94,119
Operating income (loss)	20,711	18,101	2,610	–	25,555	32,970	(20,712)	5,254
Nonoperating investment gain (loss)	80	80	–	–	–	–	–	–
Other nonoperating (loss) gain	2	2	–	–	(129)	9	16	5
Revenues in excess (deficit) of expenses	20,793	18,183	2,610	–	25,426	32,979	(20,696)	5,259
Less revenues in excess of expenses attributable to noncontrolling interest	–	–	–	–	–	–	–	–
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	20,793	18,183	2,610	–	25,426	32,979	(20,696)	5,259

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	Ark-La-Tex Region	St Michael Healthcare Center	St Michael Rehabilitation Hospital	Alt Obligated Eliminations	Spohn Region	Spohn Shoreline	Spohn Memorial	Spohn South
Changes in unrestricted net assets:								
Revenue in excess of expenses attributable to CHRISTUS Health	\$ 20,793	\$ 18,183	\$ 2,610	\$ —	\$ 25,426	\$ 32,979	\$ (20,696)	\$ 5,259
Net change in unrealized gain (loss) on investments	—	—	—	—	—	—	—	—
Change in pension liabilities	—	—	—	—	—	—	—	—
Acquisition of noncontrolling Interest	—	—	—	—	—	—	—	—
Change in noncontrolling interest	—	—	—	—	—	—	—	—
Other	(176)	(146)	(30)	—	5,967	3,541	(23)	75
Changes in unrestricted net assets	20,618	18,037	2,581	—	31,393	36,520	(20,720)	5,334
Temporarily restricted net assets:								
Net change in beneficial interest	—	—	—	—	—	—	—	—
Contributions	573	573	—	—	(9)	(9)	—	—
Net change in unrealized gain (loss) on investments	—	—	—	—	—	—	—	—
Net assets released from restriction and other	(730)	(730)	—	—	—	—	—	—
Changes in temporarily restricted assets	(157)	(157)	—	—	(9)	(9)	—	—
Permanently restricted net assets:								
Net change in beneficial interest	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—
Changes in permanently restricted net assets	—	—	—	—	—	—	—	—
Changes in net assets	20,460	17,880	2,581	—	31,384	36,511	(20,720)	5,334
Adjustment to beginning temporarily and permanently restricted net assets								
Net assets – beginning of year	167,763	173,384	(5,621)	—	622,775	560,183	(10,487)	18,250
Net assets – end of year	\$ 188,223	\$ 191,264	\$ (3,041)	\$ —	\$ 654,160	\$ 596,695	\$ (31,207)	\$ 23,584

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	Spohn Kleberg Memorial	Spohn Beeville	Spohn Alice	Spohn Shared Services	Spohn Membership Agreement	Spohn Health System Payroll	Spohn Obligated Eliminations	Santa Rosa Region
Revenues:								
Patient service revenue (net of contractual allowances and discounts)	\$ 47,777	\$ 31,999	\$ 59,611	\$ -	\$ -	\$ -	\$ -	\$ 595,655
Provision for bad debts	(4,123)	(4,557)	(6,620)	-	-	-	-	(53,155)
Net patient service revenue less provision for bad debts	43,654	27,443	52,991	-	-	-	-	542,500
Premium revenue	-	-	-	-	-	-	-	-
Other revenue	926	804	1,278	(215)	-	-	215	15,570
Equity in income of unconsolidated organizations	-	-	-	-	-	-	-	-
Total revenues	44,579	28,247	54,270	(215)	-	-	215	558,070
Expenses:								
Employee compensation and benefits	20,689	14,857	21,877	-	-	-	-	218,540
Services and other	11,299	7,643	16,009	-	-	-	-	193,357
Supplies	5,327	2,919	7,685	-	-	-	-	89,945
Depreciation and amortization	2,028	1,436	6,404	-	-	-	-	36,494
Interest	262	606	12	-	-	-	-	17,453
Total expenses	39,605	27,460	51,986	-	-	-	-	555,789
Operating income (loss)	4,974	786	2,283	(215)	-	-	215	2,281
Nonoperating investment gain (loss)	-	-	-	-	-	-	-	31
Other nonoperating (loss) gain	-	-	-	(159)	-	-	-	197
Revenues in excess (deficit) of expenses	4,974	786	2,283	(375)	-	-	215	2,509
Less revenues in excess of expenses attributable to noncontrolling interest	-	-	-	-	-	-	-	-
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	4,974	786	2,283	(375)	-	-	215	2,509

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	Spohn Kleberg Memorial	Spohn Beeville	Spohn Alice	Spohn Shared Services	Spohn Membership Agreement	Spohn Health System Payroll	Spohn Obligated Eliminations	Santa Rosa Region
Changes in unrestricted net assets:								
Revenue in excess of expenses attributable to CHRISTUS Health	\$ 4,974	\$ 786	\$ 2,283	\$ (375)	\$ –	\$ –	\$ 215	\$ 2,509
Net change in unrealized gain (loss) on investments	–	–	–	–	–	–	–	–
Change in pension liabilities	–	–	–	–	–	–	–	–
Acquisition of noncontrolling Interest	–	–	–	–	–	–	–	–
Change in noncontrolling interest	–	–	–	–	–	–	–	–
Other	2,087	(8)	(42)	337	–	–	1	6,435
Changes in unrestricted net assets	<u>7,061</u>	<u>779</u>	<u>2,241</u>	<u>(37)</u>	<u>–</u>	<u>–</u>	<u>216</u>	8,944
Temporarily restricted net assets:								
Net change in beneficial interest	–	–	–	–	–	–	–	24,712
Contributions	–	–	–	–	–	–	–	24
Net change in unrealized gain (loss) on investments	–	–	–	–	–	–	–	–
Net assets released from restriction and other	–	–	–	–	–	–	–	6
Changes in temporarily restricted assets	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	24,742
Permanently restricted net assets:								
Net change in beneficial interest	–	–	–	–	–	–	–	(141)
Other	–	–	–	–	–	–	–	–
Changes in permanently restricted net assets	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	(141)
Changes in net assets	7,061	779	2,241	(37)	–	–	216	33,545
Adjustment to beginning temporarily and permanently restricted net assets								
Net assets – beginning of year	65,364	19,547	(28,555)	9,759	–	–	(11,287)	223,548
Net assets – end of year	<u>\$ 72,425</u>	<u>\$ 20,326</u>	<u>\$ (26,314)</u>	<u>\$ 9,722</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ (11,071)</u>	\$ 297,933

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	Santa Rosa General Hospital	Santa Rosa Children's Hospital	Santa Rosa Medical Center	Santa Rosa Support Services	Santa Rosa Boerne	Santa Rosa Westover Hills	Santa Rosa New Braunfels	SR Alamo Heights Surgical Hospital
Revenues:								
Patient service revenue (net of contractual allowances and discounts)	\$ 5,914	\$ 183,849	\$ 107,413	\$ –	\$ –	\$ 152,034	\$ 129,703	\$ 7,006
Provision for bad debts	(405)	(13,867)	(7,536)	–	–	(18,198)	(11,208)	(544)
Net patient service revenue less provision for bad debts	5,509	169,981	99,876	–	–	133,837	118,495	6,463
Premium revenue	–	–	–	–	–	–	–	–
Other revenue	86	9,514	724	–	–	1,128	1,150	41
Equity in income of unconsolidated organizations	–	–	–	–	–	–	–	–
Total revenues	5,596	179,495	100,601	–	–	134,965	119,644	6,504
Expenses:								
Employee compensation and benefits	2,707	80,199	37,880	–	–	49,224	39,295	3,579
Services and other	2,249	72,571	36,714	(57)	128	37,668	37,512	4,786
Supplies	618	25,707	19,079	–	–	20,074	20,959	2,520
Depreciation and amortization	2,742	8,330	4,129	–	143	11,737	6,154	2,293
Interest	116	3,018	1,790	57	–	5,977	4,874	1,581
Total expenses	8,432	189,826	99,592	–	271	124,680	108,794	14,759
Operating income (loss)	(2,836)	(10,331)	1,008	–	(271)	10,285	10,850	(8,255)
Nonoperating investment gain (loss)	–	12	5	–	–	7	6	–
Other nonoperating (loss) gain	(86)	4	14	–	–	–	1	–
Revenues in excess (deficit) of expenses	(2,922)	(10,315)	1,028	–	(271)	10,292	10,857	(8,255)
Less revenues in excess of expenses attributable to noncontrolling interest	–	–	–	–	–	–	–	–
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	\$ (2,922)	\$ (10,315)	\$ 1,028	\$ –	\$ (271)	\$ 10,292	\$ 10,857	\$ (8,255)

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	Santa Rosa General Hospital	Santa Rosa Children's Hospital	Santa Rosa Medical Center	Santa Rosa Support Services	Santa Rosa Boerne	Santa Rosa Westover Hills	Santa Rosa New Braunfels	SR Alamo Heights Surgical Hospital
Changes in unrestricted net assets:								
Revenue in excess of expenses attributable to CHRISTUS Health	\$ (2,922)	\$ (10,315)	\$ 1,028	\$ –	\$ (271)	\$ 10,292	\$ 10,857	\$ (8,255)
Net change in unrealized gain (loss) on investments	–	–	–	–	–	–	–	–
Change in pension liabilities	–	–	–	–	–	–	–	–
Acquisition of noncontrolling Interest	–	–	–	–	–	–	–	–
Change in noncontrolling interest	–	–	–	–	–	–	–	–
Other	–	–	207	(527)	–	–	–	–
Changes in unrestricted net assets	(2,922)	(10,315)	1,234	(527)	(271)	10,292	10,857	(8,255)
Temporarily restricted net assets:								
Net change in beneficial interest	–	24,712	–	–	–	–	–	–
Contributions	–	24	–	–	–	–	–	–
Net change in unrealized gain (loss) on investments	–	–	–	–	–	–	–	–
Net assets released from restriction and other	–	–	–	6	–	–	–	–
Changes in temporarily restricted assets	–	24,736	–	6	–	–	–	–
Permanently restricted net assets:								
Net change in beneficial interest	–	(141)	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
Changes in permanently restricted net assets	–	(141)	–	–	–	–	–	–
Changes in net assets	(2,922)	14,280	1,234	(521)	(271)	10,292	10,857	(8,255)
Adjustment to beginning temporarily and permanently restricted net assets	–	40,841	–	–	–	–	–	–
Net assets – beginning of year	33,424	74,099	30,586	(7,985)	5,307	26,699	28,599	(7,287)
Net assets – end of year	\$ 30,502	\$ 129,219	\$ 31,820	\$ (8,505)	\$ 5,036	\$ 36,991	\$ 39,456	\$ (15,542)

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	Santa Rosa Rehabilitation Hospital	Santa Rosa Foundation	Santa Rosa Partnership Management Services	Santa Rosa Alon	Santa Rosa Creekside	Santa Rosa Real Estate	Santa Rosa Villa Rosa Hospital	Sr Obligated Eliminations
Revenues:								
Patient service revenue (net of contractual allowances and discounts)	\$ (371)	\$ –	\$ –	\$ 5,464	\$ 4,643	\$ –	\$ –	\$ –
Provision for bad debts	(164)	–	–	(434)	(800)	–	–	–
Net patient service revenue less provision for bad debts	(535)	–	–	5,031	3,843	–	–	–
Premium revenue	–	–	–	–	–	–	–	–
Other revenue	3	–	2,388	0	–	536	–	–
Equity in income of unconsolidated organizations	–	–	–	–	–	–	–	–
Total revenues	(532)	–	2,388	5,031	3,843	536	–	–
Expenses:								
Employee compensation and benefits	310	1,016	636	2,226	1,467	–	–	–
Services and other	111	(1,045)	99	1,184	589	848	–	–
Supplies	8	29	9	468	463	11	–	–
Depreciation and amortization	124	0	518	192	129	3	–	–
Interest	39	–	–	–	–	–	–	–
Total expenses	592	–	1,263	4,070	2,648	862	–	–
Operating income (loss)	(1,124)	–	1,125	960	1,195	(326)	–	–
Nonoperating investment gain (loss)	0	–	–	–	–	–	–	–
Other nonoperating (loss) gain	264	–	–	–	–	–	–	–
Revenues in excess (deficit) of expenses	(859)	–	1,125	960	1,195	(326)	–	–
Less revenues in excess of expenses attributable to noncontrolling interest	–	–	–	–	–	–	–	–
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	\$ (859)	\$ –	\$ 1,125	\$ 960	\$ 1,195	\$ (326)	\$ –	\$ –

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	Santa Rosa Rehabilitation Hospital	Santa Rosa Foundation	Santa Rosa Partnership Management Services	Santa Rosa Alon	Santa Rosa Creekside	Santa Rosa Real Estate	Santa Rosa Villa Rosa Hospital	Sr Obligated Eliminations
Changes in unrestricted net assets:								
Revenue in excess of expenses attributable to CHRISTUS Health	\$ (859)	\$ —	\$ 1,125	\$ 960	\$ 1,195	\$ (326)	\$ —	\$ —
Net change in unrealized gain (loss) on investments	—	—	—	—	—	—	—	—
Change in pension liabilities	—	—	—	—	—	—	—	—
Acquisition of noncontrolling Interest	—	—	—	—	—	—	—	—
Change in noncontrolling interest	—	—	—	—	—	—	—	—
Other	—	—	5,579	1,176	—	—	—	—
Changes in unrestricted net assets	(859)	—	6,704	2,137	1,195	(326)	—	—
Temporarily restricted net assets:								
Net change in beneficial interest	—	—	—	—	—	—	—	—
Contributions	—	—	—	—	—	—	—	—
Net change in unrealized gain (loss) on investments	—	—	—	—	—	—	—	—
Net assets released from restriction and other	—	—	—	—	—	—	—	—
Changes in temporarily restricted assets	—	—	—	—	—	—	—	—
Permanently restricted net assets:								
Net change in beneficial interest	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—
Changes in permanently restricted net assets	—	—	—	—	—	—	—	—
Changes in net assets	(859)	—	6,704	2,137	1,195	(326)	—	—
Adjustment to beginning temporarily and permanently restricted net assets	—	—	—	—	—	—	—	—
Net assets – beginning of year	3,139	2	37,408	(5)	(14)	(425)	—	—
Net assets – end of year	\$ 2,279	\$ 2	\$ 44,111	\$ 2,132	\$ 1,182	\$ (751)	\$ —	\$ —

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	Northern Louisiana Region	Schumpert Health System	Schumpert Highland Hospital	Schumpert Bossier Medical Center	NOLA Obligated Eliminations	Southwestern Louisiana Region	St Patrick Hospital	CHRISTUS Village – Lake Charles
Revenues:								
Patient service revenue (net of contractual allowances and discounts)	\$ 217,280	\$ 128,852	\$ 88,428	\$ –	\$ –	\$ 122,035	\$ 122,035	\$ –
Provision for bad debts	(10,437)	(6,212)	(4,225)	–	–	(7,556)	(7,556)	–
Net patient service revenue less provision for bad debts	206,842	122,640	84,203	–	–	114,480	114,480	–
Premium revenue	–	–	–	–	–	–	–	–
Other revenue	11,963	8,176	3,786	–	–	4,268	4,268	–
Equity in income of unconsolidated organizations	–	–	–	–	–	–	–	–
Total revenues	218,805	130,816	87,989	–	–	118,748	118,748	–
Expenses:								
Employee compensation and benefits	87,937	55,536	32,401	–	–	47,693	47,693	–
Services and other	60,095	33,262	26,833	–	–	36,788	36,788	–
Supplies	43,130	27,008	16,122	–	–	29,085	29,085	–
Depreciation and amortization	92,293	88,349	3,945	–	–	6,097	6,097	–
Interest	5,301	3,399	1,903	–	–	2,725	2,725	–
Total expenses	288,756	207,553	81,203	–	–	122,388	122,388	–
Operating income (loss)	(69,952)	(76,737)	6,785	–	–	(3,640)	(3,640)	–
Nonoperating investment gain (loss)	65	65	–	–	–	35	35	–
Other nonoperating (loss) gain	(37)	(37)	(1)	–	–	192	192	–
Revenues in excess (deficit) of expenses	(69,924)	(76,708)	6,785	–	–	(3,413)	(3,413)	–
Less revenues in excess of expenses attributable to noncontrolling interest	–	–	–	–	–	–	–	–
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	\$ (69,924)	\$ (76,708)	\$ 6,785	\$ –	\$ –	\$ (3,413)	\$ (3,413)	\$ –

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	Northern Louisiana Region	Schumpert Health System	Schumpert Highland Hospital	Schumpert Bossier Medical Center	NOLA Obligated Eliminations	Southwestern Louisiana Region	St Patrick Hospital	CHRISTUS Village – Lake Charles
Changes in unrestricted net assets:								
Revenue in excess of expenses attributable to CHRISTUS Health	\$ (69,924)	\$ (76,708)	\$ 6,785	\$ –	\$ –	\$ (3,413)	\$ (3,413)	\$ –
Net change in unrealized gain (loss) on investments	–	–	–	–	–	–	–	–
Change in pension liabilities	–	–	–	–	–	–	–	–
Acquisition of noncontrolling Interest	–	–	–	–	–	–	–	–
Change in noncontrolling interest	–	–	–	–	–	–	–	–
Other	816	(1,296)	19	2,093	–	(14)	(14)	–
Changes in unrestricted net assets	(69,108)	(78,005)	6,804	2,093	–	(3,427)	(3,427)	–
Temporarily restricted net assets:								
Net change in beneficial interest	–	–	–	–	–	–	–	–
Contributions	984	959	25	–	–	(51)	(51)	–
Net change in unrealized gain (loss) on investments	–	–	–	–	–	–	–	–
Net assets released from restriction and other	(936)	(936)	–	–	–	–	–	–
Changes in temporarily restricted assets	49	23	25	–	–	(51)	(51)	–
Permanently restricted net assets:								
Net change in beneficial interest	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
Changes in permanently restricted net assets	–	–	–	–	–	–	–	–
Changes in net assets	(69,059)	(77,981)	6,829	2,093	–	(3,478)	(3,478)	–
Adjustment to beginning temporarily and permanently restricted net assets	–	–	–	–	–	–	–	–
Net assets – beginning of year	119,674	29,987	91,779	(2,093)	–	68,729	66,679	2,050
Net assets – end of year	\$ 50,615	\$ (47,994)	\$ 98,608	\$ –	\$ –	\$ 65,251	\$ 63,201	\$ 2,050

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	SWLA Obligated Eliminations	Central Louisiana Region	St Frances Cabrini Hospital	Coushatta Healthcare	St Joseph Nursing Home	CHRISTUS Health Louisiana Ministries	Heart Center of Louisiana	CLA Obligated Eliminations
Revenues:								
Patient service revenue (net of contractual allowances and discounts)	\$ -	\$ 213,932	\$ 192,357	\$ 13,476	\$ 8,123	\$ -	\$ (24)	\$ -
Provision for bad debts	-	(11,053)	(9,234)	(1,375)	(443)	-	0	-
Net patient service revenue less provision for bad debts	-	202,879	183,122	12,101	7,680	-	(24)	-
Premium revenue	-	-	-	-	-	-	-	-
Other revenue	-	7,076	6,816	207	28	25	-	-
Equity in income of unconsolidated organizations	-	1,338	1,338	-	-	-	-	-
Total revenues	-	211,293	191,276	12,308	7,708	25	(24)	-
Expenses:								
Employee compensation and benefits	-	93,168	82,080	7,052	4,035	-	-	-
Services and other	-	50,204	43,559	4,359	2,267	20	(1)	-
Supplies	-	40,095	38,175	957	963	-	-	-
Depreciation and amortization	-	15,428	14,326	795	303	4	-	-
Interest	-	7,347	7,347	-	-	-	-	-
Total expenses	-	206,243	185,487	13,163	7,568	25	(1)	-
Operating income (loss)	-	5,050	5,789	(855)	140	-	(23)	-
Nonoperating investment gain (loss)	-	-	-	-	-	-	-	-
Other nonoperating (loss) gain	-	(1)	-	(1)	-	-	-	-
Revenues in excess (deficit) of expenses	-	5,050	5,789	(856)	140	-	(23)	-
Less revenues in excess of expenses attributable to noncontrolling interest	-	(9)	-	-	-	-	(9)	-
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	\$ -	\$ 5,059	\$ 5,789	\$ (856)	\$ 140	\$ -	\$ (14)	\$ -

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	SWLA Obligated Eliminations	Central Louisiana Region	St Frances Cabrin Hospital	Coushatta Healthcare	St Joseph Nursing Home	CHRISTUS Health Louisiana Ministries	Heart Center of Louisiana	CLA Obligated Eliminations
Changes in unrestricted net assets:								
Revenue in excess of expenses attributable to CHRISTUS Health	\$ -	\$ 5,059	\$ 5,789	\$ (856)	\$ 140	\$ -	\$ (14)	\$ -
Net change in unrealized gain (loss) on investments	-	-	-	-	-	-	-	-
Change in pension liabilities	-	-	-	-	-	-	-	-
Acquisition of noncontrolling Interest	-	-	-	-	-	-	-	-
Change in noncontrolling interest	-	(9)	-	-	-	-	(9)	-
Other	-	(133)	(338)	(33)	(22)	259	-	-
Changes in unrestricted net assets	-	4,916	5,451	(889)	118	259	(23)	-
Temporarily restricted net assets:								
Net change in beneficial interest	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Net change in unrealized gain (loss) on investments	-	-	-	-	-	-	-	-
Net assets released from restriction and other	-	(40)	(26)	(2)	(13)	-	-	-
Changes in temporarily restricted assets	-	(40)	(26)	(2)	(13)	-	-	-
Permanently restricted net assets:								
Net change in beneficial interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Changes in permanently restricted net assets	-	-	-	-	-	-	-	-
Changes in net assets	-	4,876	5,426	(891)	105	259	(23)	-
Adjustment to beginning temporarily and permanently restricted net assets	-	-	-	-	-	-	-	-
Net assets – beginning of year	-	96,524	92,708	(1,076)	4,623	236	(13)	46
Net assets – end of year	\$ -	\$ 101,400	\$ 98,134	\$ (1,967)	\$ 4,728	\$ 496	\$ (36)	\$ 46

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	Corporate and Eliminations	St Joseph Village	Uniformed Services Family Health Plan	TLRA	Revenue Cycle Business Services	Supply Chain Management	Corporate Office	Grants and Loans
Revenues:								
Patient service revenue (net of contractual allowances and discounts)	\$ (23,808)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,000	\$ -
Provision for bad debts	-	-	-	-	-	-	-	-
Net patient service revenue less provision for bad debts	(23,808)	-	-	-	-	-	2,000	-
Premium revenue	155,589	-	155,589	-	-	-	-	-
Other revenue	44,736	5,628	1,000	10,225	-	-	70,193	-
Equity in income of unconsolidated organizations	105,624	-	-	-	-	-	105,624	-
Total revenues	282,140	5,628	156,589	10,225	-	-	177,817	-
Expenses:								
Employee compensation and benefits	124,063	1,915	7,886	6,411	15,590	2,809	60,556	-
Services and other	61,072	1,255	128,559	3,746	(9,895)	2,333	50,492	24
Supplies	1,952	613	519	22	188	(8,052)	1,737	-
Depreciation and amortization	16,513	1,137	475	46	81	-	9,800	-
Interest	(23,217)	1,469	4	-	-	-	-	-
Total expenses	180,383	6,389	137,443	10,225	5,964	(2,910)	122,585	24
Operating income (loss)	101,757	(762)	19,146	-	(5,964)	2,910	55,232	(24)
Nonoperating investment gain (loss)	79,526	-	-	-	-	-	49,018	1,685
Other nonoperating (loss) gain	(1,091)	-	-	-	-	-	-	(1,661)
Revenues in excess (deficit) of expenses	180,193	(762)	19,146	-	(5,964)	2,910	104,249	-
Less revenues in excess of expenses attributable to noncontrolling interest	-	-	-	-	-	-	-	-
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	\$ 180,193	\$ (762)	\$ 19,146	\$ -	\$ (5,964)	\$ 2,910	\$ 104,249	\$ -

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	Corporate and Eliminations	St Joseph Village	Uniformed Services Family Health Plan	TLRA	Revenue Cycle Business Services	Supply Chain Management	Corporate Office	Grants and Loans
Changes in unrestricted net assets:								
Revenue in excess of expenses attributable to CHRISTUS Health	\$ 180,193	\$ (762)	\$ 19,146	\$ —	\$ (5,964)	\$ 2,910	\$ 104,249	\$ —
Net change in unrealized gain (loss) on investments	(515)	—	—	—	—	—	(515)	—
Change in pension liabilities	95,141	—	—	—	—	—	95,141	—
Acquisition of noncontrolling Interest	—	—	—	—	—	—	—	—
Change in noncontrolling interest	—	—	—	—	—	—	—	—
Other	(162,683)	—	(16)	(3)	22	1	(157,845)	(4,000)
Changes in unrestricted net assets	112,135	(762)	19,129	(3)	(5,942)	2,911	41,029	(4,000)
Temporarily restricted net assets:								
Net change in beneficial interest	—	—	—	—	—	—	—	—
Contributions	1	—	—	—	—	—	1	—
Net change in unrealized gain (loss) on investments	—	—	—	—	—	—	—	—
Net assets released from restriction and other	—	—	—	—	—	—	—	—
Changes in temporarily restricted assets	1	—	—	—	—	—	1	—
Permanently restricted net assets:								
Net change in beneficial interest	—	—	—	—	—	—	—	—
Other	(6,253)	—	—	—	—	—	(6,253)	—
Changes in permanently restricted net assets	(6,253)	—	—	—	—	—	(6,253)	—
Changes in net assets	105,883	(762)	19,129	(3)	(5,942)	2,911	34,777	(4,000)
Adjustment to beginning temporarily and permanently restricted net assets								
Net assets – beginning of year	74,537	(3,218)	189,132	3,945	(210)	285	111,266	29,063
Net assets – end of year	\$ 180,420	\$ (3,979)	\$ 208,262	\$ 3,942	\$ (6,152)	\$ 3,196	\$ 146,043	\$ 25,063

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	Workers Compensation	CHRISTUS Health Unemployment Fund	Insurance Fund
Revenues:			
Patient service revenue (net of contractual allowances and discounts)	\$ —	\$ —	\$ —
Provision for bad debts	—	—	—
Net patient service revenue less provision for bad debts	—	—	—
Premium revenue	—	—	—
Other revenue	285	—	829
Equity in income of unconsolidated organizations	—	—	—
Total revenues	285	—	829
Expenses:			
Employee compensation and benefits	(464)	—	1,594
Services and other	533	—	(1,324)
Supplies	28	—	57
Depreciation and amortization	—	—	—
Interest	—	—	—
Total expenses	98	—	327
Operating income (loss)	188	—	502
Nonoperating investment gain (loss)	—	—	—
Other nonoperating (loss) gain	—	—	—
Revenues in excess (deficit) of expenses	188	—	502
Less revenues in excess of expenses attributable to noncontrolling interest	—	—	—
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	\$ 188	\$ —	\$ 502

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2013
(In Thousands)

	Workers Compensation	CHRISTUS Health Unemployment Fund	Insurance Fund
Changes in unrestricted net assets:			
Revenue in excess of expenses attributable to CHRISTUS Health	\$ 188	\$ —	\$ 502
Net change in unrealized gain (loss) on investments	—	—	—
Change in pension liabilities	—	—	—
Acquisition of noncontrolling Interest	—	—	—
Change in noncontrolling interest	—	—	—
Other	—	—	—
Changes in unrestricted net assets	188	—	502
Temporarily restricted net assets:			
Net change in beneficial interest	—	—	—
Contributions	—	—	—
Net change in unrealized gain (loss) on investments	—	—	—
Net assets released from restriction and other	—	—	—
Changes in temporarily restricted assets	—	—	—
Permanently restricted net assets:			
Net change in beneficial interest	—	—	—
Other	—	—	—
Changes in permanently restricted net assets	—	—	—
Changes in net assets	188	—	502
Adjustment to beginning temporarily and permanently restricted net assets	—	—	—
Net assets – beginning of year	8,564	—	(404)
Net assets – end of year	\$ 8,751	\$ —	\$ 98

CHRISTUS Health

Consolidated Balance Sheet Combined Group and Non-Combined Group

As of June 30, 2012
(In Thousands)

	CHRISTUS System Total	CHRISTUS Combined Group Total	CHRISTUS Non- Combined Group Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 366,043	\$ 351,473	\$ 14,570
Short-term investments	529,738	458,104	71,634
Assets whose use is limited, required for current liabilities	56,903	38,341	18,562
Patient accounts receivable, net of allowance for doubtful accounts	334,971	246,935	88,036
Notes and other receivables	57,499	29,458	28,041
Inventories	89,658	78,558	11,100
Security pledged to creditors	46,518	46,518	–
Security lending collateral	46,257	46,257	–
Other current assets	51,784	41,688	10,096
Total current assets	<u>1,579,371</u>	<u>1,337,332</u>	<u>242,039</u>
Assets whose use is limited or restricted, less current portion	907,962	629,790	278,172
Property, plant, and equipment, net of accumulated depreciation	1,719,060	1,484,919	234,141
Other assets:			
Investments in unconsolidated organizations	209,938	199,847	10,091
Goodwill	101,858	86,377	15,481
Other assets	74,472	210,073	(135,601)
Beneficial interest in unconsolidated organizations and other restricted assets	15,540	13,468	2,072
Total other assets	<u>401,808</u>	<u>509,765</u>	<u>(107,957)</u>
Total assets	<u>\$ 4,608,201</u>	<u>\$ 3,961,806</u>	<u>\$ 646,395</u>

CHRISTUS Health

Consolidated Balance Sheet Combined Group and Non-Combined Group (continued)

As of June 30, 2012
(In Thousands)

	CHRISTUS System Total	CHRISTUS Combined Group Total	CHRISTUS Non- Combined Group Total
Liabilities and net assets			
Current liabilities:			
Accounts payable and accrued expenses	\$ 358,097	\$ 216,867	\$ 141,230
Accrued employee compensation and benefits, including pension benefits, current portion	180,388	140,588	39,800
Estimated third-party settlements			
Current portion of long-term debt	33,267	26,226	7,041
Payable under security lending agreements	48,405	42,642	5,763
Total current liabilities	<u>667,445</u>	<u>473,611</u>	<u>193,834</u>
Long-term debt, less current portion	1,124,556	1,069,094	55,462
Accrued pension benefits, long-term portion	197,177	197,177	–
Derivative financial instruments	136,786	136,786	–
Other long-term obligations – primarily related to self- funded liabilities, less current portion	176,799	90,161	86,638
Total liabilities	<u>2,302,763</u>	<u>1,966,829</u>	<u>335,934</u>
Net assets:			
Unrestricted:			
Attributable to CHRISTUS Health	2,115,411	1,970,540	144,871
Attributable to noncontrolling interest	119,299	11,013	108,286
Total unrestricted	<u>2,234,710</u>	<u>1,981,553</u>	<u>253,157</u>
Temporarily restricted	54,183	5,974	48,209
Permanently restricted	16,545	7,450	9,095
Total net assets	<u>2,305,438</u>	<u>1,994,977</u>	<u>310,461</u>
Total liabilities and net assets	<u>\$ 4,608,201</u>	<u>\$ 3,961,806</u>	<u>\$ 646,395</u>

CHRISTUS Health

Combined Group and Non-Combined Group Consolidated of Operations and Changes in Net Assets

As of June 30, 2012
(In Thousands)

	CHRISTUS System Total	CHRISTUS Combined Group Total	CHRISTUS Non- Combined Group Total
Revenues:			
Patient service revenue (net of contractual allowances and discounts)	\$ 3,417,777	\$ 2,731,500	\$ 686,277
Provision for bad debts	(205,518)	(174,503)	(31,015)
Net patient service revenue, less provision for bad debts	3,212,259	2,556,997	655,262
Premium revenue	174,283	166,136	8,147
Other revenue	181,955	147,537	34,418
Equity in income of unconsolidated organizations	27,539	24,586	2,953
Total revenues	3,596,036	2,895,256	700,780
Expenses:			
Employee compensation and benefits	1,623,487	1,226,882	396,605
Services and other	1,020,213	845,722	174,491
Supplies	638,104	524,550	113,554
Depreciation and amortization	218,007	188,317	29,690
Interest	42,166	36,561	5,605
Total expenses	3,541,977	2,822,032	719,945
Operating income (loss)	54,059	73,224	(19,165)
Nonoperating investment gain (loss)	(91,519)	(90,345)	(1,174)
Other nonoperating (loss) gain	(3,935)	440	(4,375)
Revenues in excess (deficit) of expenses	(41,395)	(16,681)	(24,714)
Less revenues in excess of expenses attributable to noncontrolling interest	12,601	4,134	8,467
Revenues in excess (deficit) of expenses attributable to CHRISTUS Health	(53,996)	(20,815)	(33,181)

CHRISTUS Health

Combined Group and Non-Combined Group
Consolidated of Operations and Changes in Net Assets (continued)

As of June 30, 2012
(In Thousands)

	CHRISTUS System Total	CHRISTUS Combined Group Total	CHRISTUS Non- Combined Group Total
Changes in unrestricted net assets:			
Revenues in (deficit) excess of expenses attributable to CHRISTUS Health	\$ (53,996)	\$ (20,815)	\$ (33,181)
Net change in unrealized loss on investments	(6,390)	(538)	(5,852)
Change in pension liabilities	(89,525)	(89,525)	-
Acquisition of noncontrolling interest	(2,610)	-	(2,610)
Change in noncontrolling interest	8,660	4,134	4,526
Other	3,478	(66,513)	69,991
Changes in unrestricted net assets	(140,383)	(173,257)	32,874
Temporarily restricted net assets:			
Net change in beneficial interest	-	-	-
Contributions	3,229	(838)	4,067
Unrealized (loss) on investments	(2,190)	-	(2,190)
Net assets released from restrictions and other	(8,252)	(1,764)	(6,488)
Changes in temporarily restricted net assets	(7,213)	(2,602)	(4,611)
Permanently restricted net assets:			
Net change in beneficial interest	-	-	-
Other	2,994	2,944	50
Changes in permanently restricted net assets	2,994	2,944	50
Changes in net assets	(144,602)	(172,915)	28,313
Adjustment to beginning temporarily and permanently restricted net assets			
	-	-	-
Net assets – beginning of period	2,450,040	2,167,892	282,148
Net assets – end of period	\$ 2,305,438	\$ 1,994,977	\$ 310,461

CHRISTUS Health

Consolidating Financial Statements (In Thousands)

June 30, 2012

	CHRISTUS Health Consolidated	CHRISTUS Health Non- Obligated Entities	CHRISTUS Health Obligated Entities	Southeast Texas Region	St Elizabeth Hospital	St Mary Hospital	Jasper Memorial Hospital	Southeast Texas Service Center
Assets								
Current assets:								
Cash and cash equivalents	\$ 366,043	\$ 14,568	\$ 351,473	\$ 311,744	\$ 311,236	\$ 17,777	\$ (17,269)	\$ -
Short-term investments	529,738	71,633	458,104	-	-	-	-	-
Assets whose use is limited, required for current liabilities	56,903	18,562	38,341	-	-	-	-	-
Patient accounts receivable, net of allowance for uncollectible accounts	334,971	88,035	246,935	36,695	27,828	6,835	2,033	-
Notes and other receivables	57,499	28,040	29,458	2,188	512	1,638	38	-
Inventories	89,658	11,100	78,558	9,642	6,757	2,173	713	-
Security pledge to creditors	46,518	-	46,518	-	-	-	-	-
Security lending collateral	46,257	-	46,257	-	-	-	-	-
Other current assets	51,784	10,096	41,689	1,158	555	191	413	-
Total current assets	<u>1,579,371</u>	<u>242,036</u>	<u>1,337,332</u>	<u>361,428</u>	<u>346,887</u>	<u>28,613</u>	<u>(14,072)</u>	<u>-</u>
Assets whose use is limited or restricted, less current portion	907,962	278,171	629,790	-	-	-	-	-
Property, plant, and equipment, net of accumulated depreciation	1,719,060	234,141	1,484,919	165,355	137,244	23,054	5,056	-
Other assets								
Investment in unconsolidated organizations	209,938	10,092	199,847	1,720	1,720	-	-	-
Goodwill	101,858	15,482	86,377	-	-	-	-	-
Other assets	74,472	(135,602)	210,073	564	347	210	7	117
Beneficial interest in unconsolidated organizations and other restricted assets	15,540	2,072	13,468	-	-	-	-	-
Total other assets	<u>401,808</u>	<u>(107,956)</u>	<u>509,765</u>	<u>2,284</u>	<u>2,066</u>	<u>210</u>	<u>7</u>	<u>117</u>
Total assets	<u>\$ 4,608,201</u>	<u>\$ 646,392</u>	<u>\$ 3,961,806</u>	<u>\$ 529,066</u>	<u>\$ 486,197</u>	<u>\$ 51,877</u>	<u>\$ (9,008)</u>	<u>\$ 117</u>

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	SETX Obligated Eliminations	Gulf Coast Texas Region	St John Hospital	St Catherine Health and Wellness Center	St Joseph Hospital – Houston	Regional Development Projects	Gulf Coast Service Center	Gulf Coast Texas Obligated Eliminations
Assets								
Current assets:								
Cash and cash equivalents	\$ –	\$ 118,186	\$ 58,933	\$ (61,515)	\$ 108,629	\$ (11,916)	\$ 24,055	\$ –
Short-term investments	–	–	–	–	–	–	–	–
Assets whose use is limited, required for current liabilities	–	–	–	–	–	–	–	–
Patient accounts receivable, net of allowance for uncollectible accounts	–	5,656	3,374	2,282	–	–	–	–
Notes and other receivables	–	8,597	172	269	(151)	–	8,376	(70)
Inventories	–	4,380	2,275	2,105	–	–	–	–
Security pledge to creditors	–	–	–	–	–	–	–	–
Security lending collateral	–	–	–	–	–	–	–	–
Other current assets	–	661	235	349	–	62	15	–
Total current assets	–	137,480	64,988	(56,509)	108,478	(11,853)	32,446	(70)
Assets whose use is limited or restricted, less current portion	–	–	–	–	–	–	–	–
Property, plant, and equipment, net of accumulated depreciation	–	158,771	46,610	81,325	–	–	30,836	–
Other assets								
Investment in unconsolidated subsidiaries	–	–	–	–	–	–	–	–
Goodwill	–	–	–	–	–	–	–	–
Other assets	(117)	10,174	468	955	–	–	8,875	(124)
Beneficial interest in supporting organizations and other restricted assets	–	–	–	–	–	–	–	–
Total other assets	(117)	10,174	468	955	–	–	8,875	(124)
Total assets	\$ (117)	\$ 306,425	\$ 112,066	\$ 25,771	\$ 108,478	\$ (11,853)	\$ 72,157	\$ (194)

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	Ark-La-Tex Region	St Michael Healthcare Center	St Michael Rehabilitation Hospital	Alt Obligated Eliminations	Spohn Region	Spohn Shoreline	Spohn Memorial	Spohn South
Assets								
Current assets:								
Cash and cash equivalents	\$ 109,244	\$ 108,170	\$ 1,074	\$ -	\$ 487,811	\$ 327,844	\$ (60,828)	\$ 212,115
Short-term investments	-	-	-	-	-	-	-	-
Assets whose use is limited, required for current liabilities	-	-	-	-	-	-	-	-
Patient accounts receivable, net of allowance for uncollectible accounts	21,512	19,334	2,178	-	60,097	33,000	7,515	9,358
Notes and other receivables	700	395	305	-	1,188	2,012	(1,043)	7
Inventories	5,241	5,224	18	-	21,419	7,965	7,830	2,846
Security pledge to creditors	-	-	-	-	-	-	-	-
Security lending collateral	-	-	-	-	-	-	-	-
Other current assets	596	594	2	-	583	(209)	128	163
Total current assets	137,294	133,717	3,577	-	571,098	370,612	(46,398)	224,489
Assets whose use is limited or restricted, less current portion	2,447	2,447	-	-	88	59	-	-
Property, plant, and equipment, net of accumulated depreciation	121,868	116,142	5,726	-	271,984	133,635	36,723	41,974
Other assets								
Investment in unconsolidated subsidiaries	740	740	-	-	6,211	6,211	-	-
Goodwill	-	-	-	-	-	-	-	-
Other assets	1,519	1,519	-	-	42,320	41,742	41	356
Beneficial interest in supporting organizations and other restricted assets	-	-	-	-	-	-	-	-
Total other assets	2,259	2,259	-	-	48,531	47,953	41	356
Total assets	\$ 263,869	\$ 254,566	\$ 9,303	\$ -	\$ 891,702	\$ 552,258	\$ (9,634)	\$ 266,818

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	Spohn Kleberg Memorial	Spohn Beeville	Spohn Alice	Spohn Shared Services	Spohn Membership Agreement	Spohn Health System Payroll	Spohn Obligated Eliminations	Santa Rosa Region
Assets								
Current assets:								
Cash and cash equivalents	\$ 76,562	\$ 21,892	\$ 8,023	\$ (97,797)	\$ –	\$ –	\$ –	\$ 38,161
Short-term investments	–	–	–	–	–	–	–	–
Assets whose use is limited, required for current liabilities	–	–	–	–	–	–	–	–
Patient accounts receivable, net of allowance for uncollectible accounts	3,999	2,067	4,158	–	–	–	–	64,216
Notes and other receivables	(7)	50	49	117	–	3	–	1,657
Inventories	912	499	1,367	–	–	–	–	18,595
Security pledge to creditors	–	–	–	–	–	–	–	–
Security lending collateral	–	–	–	–	–	–	–	–
Other current assets	56	117	39	290	–	–	–	1,186
Total current assets	81,522	24,625	13,636	(97,390)	–	3	–	123,815
Assets whose use is limited or restricted, less current portion	–	–	–	29	–	–	–	375
Property, plant, and equipment, net of accumulated depreciation	17,285	10,732	27,152	4,484	–	–	–	327,212
Other assets								
Investment in unconsolidated subsidiaries	–	–	–	–	–	–	–	553
Goodwill	–	–	–	–	–	–	–	37,335
Other assets	45	22	114	11,287	–	–	(11,287)	31,535
Beneficial interest in supporting organizations and other restricted assets	–	–	–	–	–	–	–	–
Total other assets	45	22	114	11,287	–	–	(11,287)	69,424
Total assets	\$ 98,852	\$ 35,379	\$ 40,902	\$ (81,591)	\$ –	\$ 3	\$ (11,287)	\$ 520,827

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	Santa Rosa General Hospital	Santa Rosa Children's Hospital	Santa Rosa Medical Center	Santa Rosa Support Services	Santa Rosa Boerne	Santa Rosa Westover Hills	Santa Rosa New Braunfels	SR Alamo Heights Surgical Hospital
Assets								
Current assets:								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 38,161	\$ -	\$ -	\$ (1)	\$ -
Short-term investments	-	-	-	-	-	-	-	-
Assets whose use is limited, required for current liabilities	-	-	-	-	-	-	-	-
Patient accounts receivable, net of allowance for uncollectible accounts	8,764	24,041	7,473	21	-	10,825	11,317	543
Notes and other receivables	(2)	279	-	554	-	-	1	-
Inventories	8,368	70	3,108	495	-	3,317	2,741	494
Security pledge to creditors	-	-	-	-	-	-	-	-
Security lending collateral	-	-	-	-	-	-	-	-
Other current assets	-	38	656	449	-	6	31	-
Total current assets	17,130	24,428	11,237	39,681	-	14,149	14,090	1,037
Assets whose use is limited or restricted, less current portion	-	-	-	375	-	-	-	-
Property, plant, and equipment, net of accumulated depreciation	43,607	32,881	8,707	16,851	5,613	116,130	66,909	36,256
Other assets								
Investment in unconsolidated subsidiaries	-	-	-	553	-	-	-	-
Goodwill	-	-	-	14,623	-	-	-	-
Other assets	-	-	-	28,645	-	-	-	-
Beneficial interest in supporting organizations and other restricted assets	-	-	-	-	-	-	-	-
Total other assets	-	-	-	43,821	-	-	-	-
Total assets	\$ 60,737	\$ 57,309	\$ 19,944	\$ 100,728	\$ 5,613	\$ 130,279	\$ 80,999	\$ 37,294

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	Santa Rosa Rehabilitation Hospital	Santa Rosa Foundation	Santa Rosa Partnership Management Services	Santa Rosa Alon	Santa Rosa Creekside	Santa Rosa Real Estate	Santa Rosa Villa Rosa Hospital	SR Obligated Eliminations
Assets								
Current assets:								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Short-term investments	-	-	-	-	-	-	-	-
Assets whose use is limited, required for current liabilities	-	-	-	-	-	-	-	-
Patient accounts receivable, net of allowance for uncollectible accounts	1,232	-	-	-	-	-	-	-
Notes and other receivables	-	-	825	-	-	-	-	-
Inventories	1	-	-	-	-	-	-	-
Security pledge to creditors	-	-	-	-	-	-	-	-
Security lending collateral	-	-	-	-	-	-	-	-
Other current assets	5	-	-	-	-	-	-	-
Total current assets	1,238	-	825	-	-	-	-	-
Assets whose use is limited or restricted, less current portion	-	-	-	-	-	-	-	-
Property, plant, and equipment, net of accumulated depreciation	(456)	4	-	609	260	(159)	-	-
Other assets								
Investment in unconsolidated subsidiaries	-	-	-	-	-	-	-	-
Goodwill	-	-	22,712	-	-	-	-	-
Other assets	-	-	2,891	-	-	-	-	-
Beneficial interest in supporting organizations and other restricted assets	-	-	-	-	-	-	-	-
Total other assets	-	-	25,603	-	-	-	-	-
Total assets	\$ 783	\$ 4	\$ 26,428	\$ 609	\$ 260	\$ (159)	\$ -	\$ -

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	Northern Louisiana Region	Schumpert Health System	Schumpert Highland Hospital	Schumpert Bossier Medical Center	NOLA Obligated Eliminations	Southwestern Louisiana Region	St Patrick Hospital	CHRISTUS Village – Lake Charles
Assets								
Current assets:								
Cash and cash equivalents	\$ 19,604	\$ 19,603	\$ –	\$ –	\$ –	\$ 49,022	\$ 49,001	\$ 21
Short-term investments	392	392	–	–	–	–	–	–
Assets whose use is limited, required for current liabilities	–	–	–	–	–	–	–	–
Patient accounts receivable, net of allowance for uncollectible accounts	23,449	(340,381)	363,830	–	–	14,305	14,305	–
Notes and other receivables	3,948	3,948	–	–	–	242	242	–
Inventories	9,698	6,951	2,747	–	–	3,884	3,884	–
Security pledge to creditors	–	–	–	–	–	–	–	–
Security lending collateral	–	–	–	–	–	–	–	–
Other current assets	1,554	1,554	–	–	–	511	511	–
Total current assets	58,645	(307,932)	366,577	–	–	67,964	67,943	21
Assets whose use is limited or restricted, less current portion	–	–	–	–	–	17	17	–
Property, plant, and equipment, net of accumulated depreciation	152,449	105,342	47,107	–	–	50,624	50,624	–
Other assets								
Investment in unconsolidated subsidiaries	15	15	–	–	–	–	–	–
Goodwill	–	–	–	–	–	–	–	–
Other assets	534	534	–	–	–	5,842	5,842	–
Beneficial interest in supporting organizations and other restricted assets	–	–	–	–	–	–	–	–
Total other assets	548	548	–	–	–	5,842	5,842	–
Total assets	\$ 211,642	\$ (202,042)	\$ 413,684	\$ –	\$ –	\$ 124,447	\$ 124,426	\$ 21

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	SWLA Obligated Eliminations	Central Louisiana Region	St Frances Cabrini Hospital	Coushatta Healthcare	St Joseph Nursing Home	CHRISTUS Health Louisiana Ministries	CLA Obligated Eliminations	Corporate and Eliminations
Assets								
Current assets:								
Cash and cash equivalents	\$ -	\$ 48,421	\$ 56,310	\$ (9,539)	\$ 1,578	\$ 15	\$ -	\$ (830,719)
Short-term investments	-	3	3	-	-	-	-	457,709
Assets whose use is limited, required for current liabilities	-	-	-	-	-	-	-	38,341
Patient accounts receivable, net of allowance for uncollectible accounts	-	21,387	18,826	1,741	819	-	-	(383)
Notes and other receivables	-	464	461	3	-	-	-	10,473
Inventories	-	4,783	4,659	124	-	-	-	916
Security pledge to creditors	-	-	-	-	-	-	-	46,518
Security lending collateral	-	-	-	-	-	-	-	46,257
Other current assets	-	428	394	19	10	-	-	35,009
Total current assets	-	75,487	80,653	(7,652)	2,407	15	-	(195,878)
Assets whose use is limited or restricted, less current portion	-	229	230	(1)	-	-	-	626,634
Property, plant, and equipment, net of accumulated depreciation	-	147,042	136,189	6,774	3,962	-	-	89,614
Other assets								
Investment in unconsolidated subsidiaries	-	775	775	-	-	-	-	189,833
Goodwill	-	-	-	-	-	-	-	49,041
Other assets	-	1,832	1,786	-	-	-	46	115,752
Beneficial interest in supporting organizations and other restricted assets	-	-	-	-	-	-	-	13,468
Total other assets	-	2,607	2,561	-	-	-	46	368,095
Total assets	\$ -	\$ 225,365	\$ 219,632	\$ (879)	\$ 6,369	\$ 15	\$ 46	\$ 888,465

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	St Joseph Village	Uniformed Services Family Health Plan	TLRA	Revenue Cycle Business Services	Supply Chain Management	Corporate Office	Heart Center of Louisiana	Grants and Loans
Assets								
Current assets:								
Cash and cash equivalents	\$ 521	\$ 228,602	\$ 7,476	\$ 269	\$ 283	\$ (1,087,128)	\$ 58	\$ 22,726
Short-term investments	-	-	-	-	-	457,709	-	-
Assets whose use is limited, required for current liabilities	-	-	-	-	-	1	-	-
Patient accounts receivable, net of allowance for uncollectible accounts	-	-	(36)	-	-	-	1	-
Notes and other receivables	63	3	-	-	-	3,023	-	62
Inventories	-	-	-	-	-	-	-	-
Security pledge to creditors	-	-	-	-	-	46,518	-	-
Security lending collateral	-	-	-	-	-	46,257	-	-
Other current assets	-	2	88	10	-	2,426	5	-
Total current assets	584	228,607	7,528	279	283	(531,193)	64	22,787
Assets whose use is limited or restricted, less current portion	124	-	-	-	-	542,954	-	-
Property, plant, and equipment, net of accumulated depreciation	26,207	790	84	698	-	48,018	118	-
Other assets								
Investment in unconsolidated subsidiaries	-	-	-	-	-	189,833	-	-
Goodwill	-	-	-	-	-	49,041	-	-
Other assets	-	-	-	-	-	166,296	-	5,881
Beneficial interest in supporting organizations and other restricted assets	1,209	-	-	-	-	12,259	-	-
Total other assets	1,209	-	-	-	-	417,430	-	5,881
Total assets	\$ 28,125	\$ 229,397	\$ 7,612	\$ 977	\$ 283	\$ 477,209	\$ 182	\$ 28,668

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	Workers Compensation	CHRISTUS Health Unemployment Fund	Insurance Fund	Information Management	CHRISTUS Tech Source	CHRISTUS Health Equip Maint System	CHRISTUS Retail Services	Clinical Engineering
Assets								
Current assets:								
Cash and cash equivalents	\$ 20,098	\$ -	\$ (3,198)	\$ (65,675)	\$ (10,866)	\$ -	\$ (9,493)	\$ 1,192
Short-term investments	-	-	-	-	-	-	-	-
Assets whose use is limited, required for current liabilities	-	-	-	-	-	-	-	-
Patient accounts receivable, net of allowance for uncollectible accounts	-	-	-	-	-	-	-	-
Notes and other receivables	97	-	1,394	48	318	-	-	-
Inventories	-	-	-	-	-	-	916	-
Security pledge to creditors	-	-	-	-	-	-	-	-
Security lending collateral	-	-	-	-	-	-	-	-
Other current assets	28	-	1,657	22,046	200	-	-	8,476
Total current assets	20,223	-	(148)	(43,582)	(10,348)	-	(8,578)	9,668
Assets whose use is limited or restricted, less current portion	-	-	-	-	-	-	-	-
Property, plant, and equipment, net of accumulated depreciation	-	-	-	12,039	137	-	45	-
Other assets								
Investment in unconsolidated subsidiaries	-	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-	-
Other assets	648	-	-	-	-	-	-	-
Beneficial interest in supporting organizations and other restricted assets	-	-	-	-	-	-	-	-
Total other assets	648	-	-	-	-	-	-	-
Total assets	\$ 20,871	\$ -	\$ (148)	\$ (31,542)	\$ (10,211)	\$ -	\$ (8,533)	\$ 9,668

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	Benefits– Benefits	Bond Fund	CHRISTUS Corporate Obligated Eliminations
Assets			
Current assets:			
Cash and cash equivalents	\$ 42,561	\$ 21,916	\$ –
Short-term investments	–	–	–
Assets whose use is limited, required for current liabilities	–	38,340	–
Patient accounts receivable, net of allowance for uncollectible accounts	–	–	(347)
Notes and other receivables	6,907	21	(1,461)
Inventories	–	–	–
Security pledge to creditors	–	–	–
Security lending collateral	–	–	–
Other current assets	–	76	–
Total current assets	49,468	60,352	(1,808)
Assets whose use is limited or restricted, less current portion	–	83,555	–
Property, plant, and equipment, net of accumulated depreciation	–	1,595	–
Other assets			
Investment in unconsolidated subsidiaries	–	–	–
Goodwill	–	–	–
Other assets	143	926,016	(983,232)
Beneficial interest in supporting organizations and other restricted assets	–	–	–
Total other assets	143	926,016	(983,232)
Total assets	\$ 49,611	\$ 1,071,518	\$ (985,040)

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	CHRISTUS Health Consolidated	CHRISTUS Health Non- Obligated Entities	CHRISTUS Health Obligated Entities	Southeast Texas Region	St Elizabeth Hospital	St Mary Hospital	Jasper Memorial Hospital	Southeast Texas Service Center
Liabilities and net assets								
Current liabilities:								
Accounts payable and accrued expenses	\$ 358,097	\$ 141,229	\$ 216,867	\$ 15,938	\$ 19,901	\$ (5,353)	\$ 1,274	\$ 117
Accrued employee compensation and benefits, including pension benefits, current portion	180,388	39,800	140,588	13,620	9,646	2,947	1,027	-
Estimated third-party settlements	33,267	7,041	26,226	(213)	(445)	269	(37)	-
Current portion of long-term debt	48,405	5,763	42,642	2,386	1,897	489	-	-
Payable under security lending agreement	47,288	-	47,288	-	-	-	-	-
Total current liabilities	667,445	193,832	473,611	31,731	30,999	(1,649)	2,264	117
Long-term debt, less current portion:	1,124,556	55,462	1,069,094	78,093	61,419	16,674	-	-
Accrued pension benefits, long-term portion	197,177	-	197,177	-	-	-	-	-
Derivative financial instruments	136,786	-	136,786	-	-	-	-	-
Other long-term obligations – primarily related to self-funded liabilities, less current portion	176,799	86,638	90,161	1,977	896	1,081	-	-
Total liabilities	2,302,763	335,934	1,966,829	111,800	93,314	16,105	2,264	117
Net assets:								
Unrestricted:								
Attributable to CHRISTUS Health	2,115,411	144,869	1,970,540	416,951	392,576	35,766	(11,275)	-
Attributable to noncontrolling interest	119,299	108,287	11,013	-	-	-	-	-
Total unrestricted	2,234,709	253,156	1,981,553	416,951	392,576	35,766	(11,275)	-
Temporarily restricted	54,183	48,210	5,974	315	307	5	3	-
Permanently restricted	16,545	9,095	7,450	-	-	-	-	-
Total net assets	2,305,438	310,461	1,994,977	417,266	392,883	35,772	(11,272)	-
Total liabilities and net assets	\$ 4,608,201	\$ 646,392	\$ 3,961,806	\$ 529,066	\$ 486,197	\$ 51,877	\$ (9,008)	\$ 117

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	SETX Obligated Eliminations	Gulf Coast Texas Region	St John Hospital	St Catherine Health and Wellness Center	St Joseph Hospital – Houston	Regional Development Projects	Gulf Coast Service Center	Gulf Coast Texas Obligated Eliminations
Liabilities and net assets								
Current liabilities:								
Accounts payable and accrued expenses	\$ –	\$ (149)	\$ 1,001	\$ 3,473	\$ (807)	\$ 293	\$ (4,109)	\$ –
Accrued employee compensation and benefits, including pension benefits, current portion	–	7,067	3,887	2,734	–	–	445	–
Estimated third-party settlements	–	2,034	702	862	470	–	–	–
Current portion of long-term debt	–	11,811	1,631	10,250	–	–	–	(70)
Payable under security lending agreement	–	–	–	–	–	–	–	–
Total current liabilities	–	20,763	7,222	17,318	(337)	293	(3,664)	(70)
Long-term debt, less current portion:	–	80,664	19,448	61,339	–	–	–	(124)
Accrued pension benefits, long-term portion	–	–	–	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–	–	–
Other long-term obligations – primarily related to self-funded liabilities, less current portion	–	838	241	597	–	–	–	–
Total liabilities	–	102,264	26,911	79,255	(337)	293	(3,664)	(194)
Net assets:								
Unrestricted:								
Attributable to CHRISTUS Health	(117)	204,147	85,142	(53,485)	108,815	(12,147)	75,821	–
Attributable to noncontrolling interest	–	–	–	–	–	–	–	–
Total unrestricted	(117)	204,147	85,142	(53,485)	108,815	(12,147)	75,821	–
Temporarily restricted	–	14	13	1	–	–	–	–
Permanently restricted	–	–	–	–	–	–	–	–
Total net assets	(117)	204,161	85,155	(53,484)	108,815	(12,147)	75,821	–
Total liabilities and net assets	\$ (117)	\$ 306,425	\$ 112,066	\$ 25,771	\$ 108,478	\$ (11,853)	\$ 72,157	\$ (194)

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	Ark-La-Tex Region	St Michael Healthcare Center	St Michael Rehabilitation Hospital	Alt Obligated Eliminations	Spohn Region	Spohn Shoreline	Spohn Memorial	Spohn South
Liabilities and net assets								
Current liabilities:								
Accounts payable and accrued expenses	\$ 13,220	\$ (564)	\$ 13,785	\$ –	\$ 14,077	\$ (107,278)	\$ (67,118)	\$ 195,480
Accrued employee compensation and benefits, including pension benefits, current portion	9,606	8,870	736	–	22,271	3,534	2,440	1,495
Estimated third-party settlements	(1,809)	(2,213)	404	–	3,632	2,201	635	277
Current portion of long-term debt	2,703	2,703	–	–	6,956	4,606	1,995	–
Payable under security lending agreement	–	–	–	–	–	–	–	–
Total current liabilities	23,721	8,796	14,924	–	46,936	(96,936)	(62,048)	197,252
Long-term debt, less current portion:	72,223	72,223	–	–	221,988	89,008	62,902	51,316
Accrued pension benefits, long-term portion	–	–	–	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–	–	–
Other long-term obligations – primarily related to self-funded liabilities, less current portion	162	162	–	–	3	3	–	–
Total liabilities	96,106	81,182	14,924	–	268,926	(7,925)	854	248,568
Net assets:								
Unrestricted:								
Attributable to CHRISTUS Health	166,181	171,802	(5,621)	–	622,722	560,159	(10,487)	18,250
Attributable to noncontrolling interest	–	–	–	–	–	–	–	–
Total unrestricted	166,181	171,802	(5,621)	–	622,722	560,159	(10,487)	18,250
Temporarily restricted	1,582	1,582	–	–	53	25	–	–
Permanently restricted	–	–	–	–	–	–	–	–
Total net assets	167,763	173,384	(5,621)	–	622,775	560,183	(10,487)	18,250
Total liabilities and net assets	\$ 263,869	\$ 254,566	\$ 9,303	\$ –	\$ 891,702	\$ 552,258	\$ (9,634)	\$ 266,818

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	Spohn Kleberg Memorial	Spohn Beeville	Spohn Alice	Spohn Shared Services	Spohn Membership Agreement	Spohn Health System Payroll	Spohn Obligated Eliminations	Santa Rosa Region
Liabilities and net assets								
Current liabilities:								
Accounts payable and accrued expenses	\$ 27,558	\$ 5,608	\$ 67,017	\$ (96,401)	\$ –	\$ (10,791)	\$ –	\$ (8,579)
Accrued employee compensation and benefits, including pension benefits, current portion	725	461	729	2,092	–	10,794	–	18,758
Estimated third-party settlements	(509)	(685)	1,711	–	–	–	–	10,239
Current portion of long-term debt	–	355	–	–	–	–	–	2,615
Payable under security lending agreement	–	–	–	–	–	–	–	–
Total current liabilities	27,775	5,740	69,457	(94,308)	–	3	–	23,034
Long-term debt, less current portion:	5,712	10,092	–	2,958	–	–	–	272,836
Accrued pension benefits, long-term portion	–	–	–	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–	–	–
Other long-term obligations – primarily related to self-funded liabilities, less current portion	–	–	–	–	–	–	–	1,409
Total liabilities	33,487	15,832	69,457	(91,350)	–	3	–	297,279
Net assets:								
Unrestricted:								
Attributable to CHRISTUS Health	65,364	19,547	(28,555)	9,731	–	–	(11,287)	212,242
Attributable to noncontrolling interest	–	–	–	–	–	–	–	10,931
Total unrestricted	65,364	19,547	(28,555)	9,731	–	–	(11,287)	223,173
Temporarily restricted	–	–	–	29	–	–	–	375
Permanently restricted	–	–	–	–	–	–	–	–
Total net assets	65,364	19,547	(28,555)	9,759	–	–	(11,287)	223,548
Total liabilities and net assets	\$ 98,852	\$ 35,379	\$ 40,902	\$ (81,591)	\$ –	\$ 3	\$ (11,287)	\$ 520,827

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	Santa Rosa General Hospital	Santa Rosa Children's Hospital	Santa Rosa Medical Center	Santa Rosa Support Services	Santa Rosa Boerne	Santa Rosa Westover Hills	Santa Rosa New Braunfels	SR Alamo Heights Surgical Hospital
Liabilities and net assets								
Current liabilities:								
Accounts payable and accrued expenses	\$ 17,543	\$ (16,790)	\$ (10,642)	\$ 5,409	\$ 306	\$ 121	\$ (24,069)	\$ 31,724
Accrued employee compensation and benefits, including pension benefits, current portion	-	-	-	18,758	-	-	-	-
Estimated third-party settlements	9,769	-	-	470	-	-	-	-
Current portion of long-term debt	-	-	-	2,550	-	162	116	(212)
Payable under security lending agreement	-	-	-	-	-	-	-	-
Total current liabilities	27,312	(16,790)	(10,642)	27,187	306	283	(23,953)	31,512
Long-term debt, less current portion:	-	-	-	80,117	-	103,298	76,353	13,068
Accrued pension benefits, long-term portion	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
Other long-term obligations – primarily related to self-funded liabilities, less current portion	-	-	-	1,409	-	-	-	-
Total liabilities	27,312	(16,790)	(10,642)	108,713	306	103,580	52,400	44,580
Net assets:								
Unrestricted:								
Attributable to CHRISTUS Health	33,424	73,820	30,579	(8,075)	5,307	26,699	28,599	(7,287)
Attributable to noncontrolling interest	-	-	-	-	-	-	-	-
Total unrestricted	33,424	73,820	30,579	(8,075)	5,307	26,699	28,599	(7,287)
Temporarily restricted	-	278	7	90	-	-	-	-
Permanently restricted	-	-	-	-	-	-	-	-
Total net assets	33,424	74,099	30,586	(7,985)	5,307	26,699	28,599	(7,287)
Total liabilities and net assets	\$ 60,737	\$ 57,309	\$ 19,944	\$ 100,728	\$ 5,613	\$ 130,279	\$ 80,999	\$ 37,294

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	Santa Rosa Rehabilitation Hospital	Santa Rosa Foundation	Santa Rosa Partnership Management Services	Santa Rosa Alon	Santa Rosa Creekside	Santa Rosa Real Estate	Santa Rosa Villa Rosa Hospital	SR Obligated Eliminations
Liabilities and net assets								
Current liabilities:								
Accounts payable and accrued expenses	\$ (2,356)	\$ 1	\$ (10,979)	\$ 613	\$ 274	\$ 266	\$ -	\$ -
Accrued employee compensation and benefits, including pension benefits, current portion	-	-	-	-	-	-	-	-
Estimated third-party settlements	-	-	-	-	-	-	-	-
Current portion of long-term debt	-	-	-	-	-	-	-	-
Payable under security lending agreement	-	-	-	-	-	-	-	-
Total current liabilities	(2,356)	1	(10,979)	613	274	266	-	-
Long-term debt, less current portion:	-	-	-	-	-	-	-	-
Accrued pension benefits, long-term portion	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
Other long-term obligations – primarily related to self-funded liabilities, less current portion	-	-	-	-	-	-	-	-
Total liabilities	(2,356)	1	(10,979)	613	274	266	-	-
Net assets:								
Unrestricted:								
Attributable to CHRISTUS Health	3,139	2	26,476	(5)	(14)	(425)	-	-
Attributable to noncontrolling interest	-	-	10,931	-	-	-	-	-
Total unrestricted	3,139	2	37,408	(5)	(14)	(425)	-	-
Temporarily restricted	-	-	-	-	-	-	-	-
Permanently restricted	-	-	-	-	-	-	-	-
Total net assets	3,139	2	37,408	(5)	(14)	(425)	-	-
Total liabilities and net assets	\$ 783	\$ 4	\$ 26,428	\$ 609	\$ 260	\$ (159)	\$ -	\$ -

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	Northern Louisiana Region	Schumpert Health System	Schumpert Highland Hospital	Schumpert Bossier Medical Center	NOLA Obligated Eliminations	Southwestern Louisiana Region	St Patrick Hospital	CHRISTUS Village – Lake Charles
Liabilities and net assets								
Current liabilities:								
Accounts payable and accrued expenses	\$ 11,145	\$ (313,127)	\$ 322,171	\$ 2,101	\$ –	\$ 12,032	\$ 14,061	\$ (2,029)
Accrued employee compensation and benefits, including pension benefits, current portion	5,426	5,700	(266)	(9)	–	2,761	2,761	–
Estimated third-party settlements	(1,484)	(1,484)	–	–	–	547	547	–
Current portion of long-term debt	8,592	8,592	–	–	–	4,487	4,487	–
Payable under security lending agreement	–	–	–	–	–	–	–	–
Total current liabilities	23,679	(300,318)	321,905	2,093	–	19,828	21,857	(2,029)
Long-term debt, less current portion:	68,289	68,289	–	–	–	34,977	34,977	–
Accrued pension benefits, long-term portion	–	–	–	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–	–	–
Other long-term obligations – primarily related to self-funded liabilities, less current portion	–	–	–	–	–	914	914	–
Total liabilities	91,968	(232,030)	321,905	2,093	–	55,718	57,747	(2,029)
Net assets:								
Unrestricted:								
Attributable to CHRISTUS Health	119,203	29,517	91,779	(2,093)	–	66,890	64,840	2,050
Attributable to noncontrolling interest	–	–	–	–	–	–	–	–
Total unrestricted	119,203	29,517	91,779	(2,093)	–	66,890	64,840	2,050
Temporarily restricted	471	471	–	–	–	1,839	1,839	–
Permanently restricted	–	–	–	–	–	–	–	–
Total net assets	119,674	29,987	91,779	(2,093)	–	68,729	66,679	2,050
Total liabilities and net assets	\$ 211,642	\$ (202,042)	\$ 413,684	\$ –	\$ –	\$ 124,447	\$ 124,426	\$ 21

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	SWLA Obligated Eliminations	Central Louisiana Region	St Frances Cabrini Hospital	Coushatta Healthcare	St Joseph Nursing Home	CHRISTUS Health Louisiana Ministries	CLA Obligated Eliminations	Corporate and Eliminations
Liabilities and net assets								
Current liabilities:								
Accounts payable and accrued expenses	\$ –	\$ 3,642	\$ 2,624	\$ (57)	\$ 1,790	\$ (910)	\$ –	\$ 155,541
Accrued employee compensation and benefits, including pension benefits, current portion	–	7,024	5,721	385	229	688	–	54,056
Estimated third-party settlements	–	1,280	1,683	(131)	(273)	–	–	12,000
Current portion of long-term debt	–	5,367	5,367	–	–	–	–	(2,276)
Payable under security lending agreement	–	–	–	–	–	–	–	47,288
Total current liabilities	–	17,313	15,396	197	1,746	(222)	–	266,609
Long-term debt, less current portion:	–	110,482	110,482	–	–	–	–	129,543
Accrued pension benefits, long-term portion	–	–	–	–	–	–	–	197,177
Derivative financial instruments	–	–	–	–	–	–	–	136,786
Other long-term obligations – primarily related to self-funded liabilities, less current portion	–	1,047	1,047	–	–	–	–	83,812
Total liabilities	–	128,841	126,925	197	1,746	(222)	–	813,928
Net assets:								
Unrestricted:								
Attributable to CHRISTUS Health	–	95,276	91,649	(1,168)	4,607	236	46	66,928
Attributable to noncontrolling interest	–	81	–	–	–	–	–	–
Total unrestricted	–	95,357	91,649	(1,168)	4,607	236	46	66,928
Temporarily restricted	–	1,172	1,058	97	16	–	–	154
Permanently restricted	–	(5)	–	(5)	–	–	–	7,455
Total net assets	–	96,524	92,708	(1,076)	4,623	236	46	74,537
Total liabilities and net assets	\$ –	\$ 225,365	\$ 219,632	\$ (879)	\$ 6,369	\$ 15	\$ 46	\$ 888,465

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	St Joseph Village	Uniformed Services Family Health Plan	TLRA	Revenue Cycle Business Services	Supply Chain Management	Corporate Office	Heart Center of Louisiana	Grants and Loans
Liabilities and net assets								
Current liabilities:								
Accounts payable and accrued expenses	\$ 456	\$ 39,891	\$ 2,795	\$ 39	\$ (2)	\$ 33,001	\$ 195	\$ (395)
Accrued employee compensation and benefits, including pension benefits, current portion	198	350	872	667	-	32,742	-	-
Estimated third-party settlements	-	-	-	-	-	12,000	-	-
Current portion of long-term debt	724	7	-	-	-	-	-	-
Payable under security lending agreement	-	-	-	-	-	47,288	-	-
Total current liabilities	1,378	40,249	3,667	706	(2)	125,031	195	(395)
Long-term debt, less current portion:	24,065	16	-	-	-	-	-	-
Accrued pension benefits, long-term portion	-	-	-	-	-	197,177	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
Other long-term obligations – primarily related to self-funded liabilities, less current portion	5,900	-	-	481	-	43,735	-	-
Total liabilities	31,343	40,264	3,667	1,187	(2)	365,943	195	(395)
Net assets:								
Unrestricted:								
Attributable to CHRISTUS Health	(4,545)	189,132	3,945	(210)	285	104,984	(94)	29,063
Attributable to noncontrolling interest	-	-	-	-	-	-	81	-
Total unrestricted	(4,545)	189,132	3,945	(210)	285	104,984	(13)	29,063
Temporarily restricted	124	-	-	-	-	29	-	-
Permanently restricted	1,202	-	-	-	-	6,253	-	-
Total net assets	(3,218)	189,132	3,945	(210)	285	111,266	(13)	29,063
Total liabilities and net assets	\$ 28,125	\$ 229,397	\$ 7,612	\$ 977	\$ 283	\$ 477,209	\$ 182	\$ 28,668

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	Workers Compensation	CHRISTUS Health Unemployment Fund	Insurance Fund	Information Management	CHRISTUS Tech Source	CHRISTUS Health Equip Maint System	CHRISTUS Retail Services	Clinical Engineering
Liabilities and net assets								
Current liabilities:								
Accounts payable and accrued expenses	\$ (72)	\$ —	\$ 256	\$ 3,905	\$ 551	\$ —	\$ 600	\$ 8,671
Accrued employee compensation and benefits, including pension benefits, current portion	3,671	—	—	987	11	—	45	—
Estimated third-party settlements	—	—	—	—	—	—	—	—
Current portion of long-term debt	—	—	—	—	—	—	—	—
Payable under security lending agreement	—	—	—	—	—	—	—	—
Total current liabilities	3,599	—	256	4,892	562	—	646	8,671
Long-term debt, less current portion:	—	—	—	—	—	—	—	—
Accrued pension benefits, long-term portion	—	—	—	—	—	—	—	—
Derivative financial instruments	—	—	—	—	—	—	—	—
Other long-term obligations – primarily related to self-funded liabilities, less current portion	8,708	—	—	—	—	—	—	—
Total liabilities	12,307	—	256	4,892	562	—	646	8,671
Net assets:								
Unrestricted:								
Attributable to CHRISTUS Health	8,564	—	(404)	(36,434)	(10,773)	—	(9,179)	998
Attributable to noncontrolling interest	—	—	—	—	—	—	—	—
Total unrestricted	8,564	—	(404)	(36,434)	(10,773)	—	(9,179)	998
Temporarily restricted	—	—	—	—	—	—	—	—
Permanently restricted	—	—	—	—	—	—	—	—
Total net assets	8,564	—	(404)	(36,434)	(10,773)	—	(9,179)	998
Total liabilities and net assets	\$ 20,871	\$ —	\$ (148)	\$ (31,542)	\$ (10,211)	\$ —	\$ (8,533)	\$ 9,668

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	Benefits– Benefits	Bond Fund	CHRISTUS Corporate Obligated Eliminations
Liabilities and net assets			
Current liabilities:			
Accounts payable and accrued expenses	\$ 26,796	\$ 39,396	\$ (347)
Accrued employee compensation and benefits, including pension benefits, current portion	14,513	–	–
Estimated third-party settlements	–	–	–
Current portion of long-term debt	–	41,045	(44,052)
Payable under security lending agreement	–	–	–
Total current liabilities	41,309	80,441	(44,399)
Long-term debt, less current portion:	–	1,045,657	(940,194)
Accrued pension benefits, long-term portion	–	–	–
Derivative financial instruments	–	136,786	–
Other long-term obligations – primarily related to self-funded liabilities, less current portion	24,988	–	–
Total liabilities	66,297	1,262,884	(984,593)
Net assets:			
Unrestricted:			
Attributable to CHRISTUS Health	(16,685)	(191,365)	(447)
Attributable to noncontrolling interest	–	–	–
Total unrestricted	(16,685)	(191,365)	(447)
Temporarily restricted	–	–	–
Permanently restricted	–	–	–
Total net assets	(16,685)	(191,365)	(447)
Total liabilities and net assets	\$ 49,611	\$ 1,071,518	\$ (985,040)

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	CHRISTUS Health Consolidated	CHRISTUS Health Non- Obligated Entities	CHRISTUS Health Obligated Entities	Southeast Texas Region	St Elizabeth Hospital	St Mary Hospital	Jasper Memorial Hospital	Southeast Texas Service Center
Revenues:								
Patient service revenue (net of contractual allowances and discounts)	\$ 3,417,777	\$ 686,277	\$ 2,731,500	\$ 409,017	\$ 283,792	\$ 96,496	\$ 29,323	\$ -
Provision for bad debts	(205,518)	(31,015)	(174,503)	(31,653)	(21,827)	(6,836)	(2,990)	-
Net patient service revenue less provision for bad debts	3,212,259	655,262	2,556,997	377,364	261,964	89,660	26,333	-
Premium revenue	174,283	8,147	166,136	-	-	-	-	-
Other revenue	181,955	34,418	147,537	12,177	10,444	1,612	266	106
Equity in income of unconsolidated organizations	27,539	2,953	24,586	633	633	-	-	-
Total revenues	3,596,036	700,780	2,895,256	390,173	273,041	91,272	26,599	106
Expenses:								
Employee compensation and benefits	1,623,487	396,605	1,226,882	150,850	104,081	32,831	13,891	47
Services and other	1,020,213	174,491	845,722	118,501	75,700	35,065	8,522	58
Supplies	638,104	113,554	524,550	73,676	55,362	15,407	2,907	1
Depreciation and amortization	218,007	29,690	188,317	24,049	17,573	5,235	1,241	-
Interest	42,166	5,605	36,561	3,708	2,922	786	-	-
Total expenses	3,541,977	719,945	2,822,032	370,784	255,638	89,323	26,561	106
Operating income (loss)	54,059	(19,165)	73,224	19,390	17,402	1,949	38	-
Nonoperating investment gain (loss)	(91,519)	(1,174)	(90,345)	0	0	-	-	-
Other nonoperating (loss) gain	(3,935)	(4,375)	440	823	823	-	-	-
Revenues in excess (deficit) of expenses	(41,395)	(24,714)	(16,681)	20,213	18,226	1,949	38	-
Less revenues in excess of expenses attributable to noncontrolling interest	12,601	8,467	4,134	-	-	-	-	-
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	\$ (53,996)	\$ (33,181)	\$ (20,815)	\$ 20,213	\$ 18,226	\$ 1,949	\$ 38	\$ -

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	CHRISTUS Health Consolidated	CHRISTUS Health Non- Obligated Entities	CHRISTUS Health Obligated Entities	Southeast Texas Region	St Elizabeth Hospital	St Mary Hospital	Jasper Memorial Hospital	Southeast Texas Service Center
Changes in unrestricted net assets:								
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	\$ (53,996)	\$ (33,181)	\$ (20,815)	\$ 20,213	\$ 18,226	\$ 1,949	\$ 38	\$ -
Net change in unrealized gain (loss) on investments	(6,390)	(5,852)	(538)	-	-	-	-	-
Change in pension liabilities	(89,525)	-	(89,525)	-	-	-	-	-
Acquisition of noncontrolling interest	(2,610)	(2,610)	-	-	-	-	-	-
Change in noncontrolling interest	8,660	4,526	4,134	-	-	-	-	-
Other	3,478	69,991	(66,513)	1,305	(57)	830	532	-
Changes in unrestricted net assets	(140,383)	32,874	(173,257)	21,518	18,169	2,779	570	-
Temporarily restricted net assets:								
Net change in beneficial interest	-	-	-	-	-	-	-	-
Contributions	3,229	4,067	(838)	521	308	1	175	38
Unrealized gain (loss) on investments	(2,190)	(2,190)	-	-	-	-	-	-
Net assets released from restriction and other	(8,252)	(6,488)	(1,764)	(1,501)	(778)	(117)	(531)	(75)
Changes in temporarily restricted assets	(7,213)	(4,611)	(2,602)	(980)	(471)	(116)	(357)	(37)
Permanently restricted net assets:								
Net change in beneficial interest	-	-	-	-	-	-	-	-
Other	2,994	50	2,944	-	-	-	-	-
Changes in permanently restricted net assets	2,994	50	2,944	-	-	-	-	-
Changes in net assets	(144,602)	28,313	(172,915)	20,538	17,698	2,663	214	(37)
Adjustment to beginning temporarily and permanently restricted net assets								
Net assets – beginning of year	2,450,040	282,148	2,167,892	396,729	375,185	33,109	(11,486)	37
Net assets – end of year	\$ 2,305,438	\$ 310,461	\$ 1,994,977	\$ 417,266	\$ 392,883	\$ 35,772	\$ (11,272)	\$ -

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	SETX Obligated Eliminations	Gulf Coast Texas Region	St John Hospital	St Catherine Health and Wellness Center	St Joseph Hospital – Houston	Regional Development Projects	Gulf Coast Service Center	Gulf Coast Texas Obligated Eliminations
Revenues:								
Patient service revenue (net of contractual allowances and discounts)	\$ (594)	\$ 242,581	\$ 117,922	\$ 90,095	\$ 703	\$ –	\$ 33,861	\$ –
Provision for bad debts	–	(20,449)	(10,870)	(9,582)	4	–	–	–
Net patient service revenue less provision for bad debts	(594)	222,132	107,052	80,513	706	–	33,861	–
Premium revenue	–	–	–	–	–	–	–	–
Other revenue	(250)	8,340	2,351	1,841	842	–	3,306	–
Equity in income of unconsolidated organizations	–	–	–	–	–	–	–	–
Total revenues	(844)	230,472	109,403	82,353	1,549	–	37,168	–
Expenses:								
Employee compensation and benefits	–	87,627	47,316	38,857	19	682	753	–
Services and other	(844)	98,231	27,480	31,352	164	666	38,570	–
Supplies	–	30,074	18,770	11,162	(4)	2	144	–
Depreciation and amortization	–	15,647	6,873	8,086	–	–	687	–
Interest	–	3,528	1,005	2,524	–	–	–	–
Total expenses	(844)	235,107	101,444	91,982	179	1,349	40,153	–
Operating income (loss)	–	(4,635)	7,959	(9,629)	1,370	(1,349)	(2,986)	–
Nonoperating investment gain (loss)	–	0	0	–	–	–	–	–
Other nonoperating (loss) gain	–	135	–	(1)	–	–	136	–
Revenues in excess (deficit) of expenses	–	(4,500)	7,958	(9,629)	1,370	(1,349)	(2,849)	–
Less revenues in excess of expenses attributable to noncontrolling interest	–	–	–	–	–	–	–	–
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	\$ –	\$ (4,500)	\$ 7,958	\$ (9,629)	\$ 1,370	\$ (1,349)	\$ (2,849)	\$ –

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	SETX Obligated Eliminations	Gulf Coast Texas Region	St John Hospital	St Catherine Health and Wellness Center	St Joseph Hospital – Houston	Regional Development Projects	Gulf Coast Service Center	Gulf Coast Texas Obligated Eliminations
Changes in unrestricted net assets:								
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	\$ –	\$ (4,500)	\$ 7,958	\$ (9,629)	\$ 1,370	\$ (1,349)	\$ (2,849)	\$ –
Net change in unrealized gain (loss) on investments	–	–	–	–	–	–	–	–
Change in pension liabilities	–	–	–	–	–	–	–	–
Acquisition of noncontrolling interest	–	–	–	–	–	–	–	–
Change in noncontrolling interest	–	–	–	–	–	–	–	–
Other	–	3,118	2,503	177	–	2	435	–
Changes in unrestricted net assets	–	(1,382)	10,462	(9,452)	1,370	(1,347)	(2,414)	–
Temporarily restricted net assets:								
Net change in beneficial interest	–	–	–	–	–	–	–	–
Contributions	–	(1,884)	(2,272)	1	–	–	387	–
Unrealized gain (loss) on investments	–	–	–	–	–	–	–	–
Net assets released from restriction and other	–	(454)	(8)	–	–	–	(446)	–
Changes in temporarily restricted assets	–	(2,337)	(2,279)	1	–	–	(59)	–
Permanently restricted net assets:								
Net change in beneficial interest	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
Changes in permanently restricted net assets	–	–	–	–	–	–	–	–
Changes in net assets	–	(3,719)	8,182	(9,451)	1,370	(1,347)	(2,473)	–
Adjustment to beginning temporarily and permanently restricted net assets								
Net assets – beginning of year	(117)	207,880	76,973	(44,033)	107,446	(10,800)	78,294	–
Net assets – end of year	\$ (117)	\$ 204,161	\$ 85,155	\$ (53,484)	\$ 108,815	\$ (12,147)	\$ 75,821	\$ –

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	Ark-La-Tex Region	St Michael Healthcare Center	St Michael Rehabilitation Hospital	Alt Obligated Eliminations	Spohn Region	Spohn Shoreline	Spohn Memorial	Spohn South
Revenues:								
Patient service revenue (net of contractual allowances and discounts)	\$ 252,467	\$ 230,057	\$ 22,410	\$ -	\$ 677,388	\$ 287,928	\$ 152,455	\$ 100,058
Provision for bad debts	(8,893)	(8,477)	(417)	-	(54,475)	(12,333)	(18,845)	(8,832)
Net patient service revenue less provision for bad debts	243,574	221,581	21,993	-	622,913	275,595	133,610	91,226
Premium revenue	-	-	-	-	-	-	-	-
Other revenue	13,097	12,371	726	-	15,530	5,264	4,471	3,221
Equity in income of unconsolidated organizations	232	232	-	-	2,458	2,458	-	-
Total revenues	256,903	234,184	22,718	-	640,901	283,317	138,082	94,447
Expenses:								
Employee compensation and benefits	93,615	82,261	11,354	-	288,668	110,835	73,944	45,316
Services and other	77,090	69,993	7,097	-	143,881	47,646	46,399	19,974
Supplies	45,237	43,878	1,359	-	137,265	74,535	27,620	18,020
Depreciation and amortization	14,116	13,179	937	-	32,789	15,081	5,602	5,649
Interest	3,649	3,649	-	-	9,075	2,664	4,020	1,595
Total expenses	233,707	212,960	20,747	-	611,677	250,760	157,585	90,554
Operating income (loss)	23,196	21,224	1,972	-	29,224	32,557	(19,503)	3,893
Nonoperating investment gain (loss)	78	78	-	-	0	0	-	-
Other nonoperating (loss) gain	9	9	-	-	(106)	(23)	(28)	(27)
Revenues in excess (deficit) of expenses	23,283	21,311	1,972	-	29,117	32,534	(19,531)	3,865
Less revenues in excess of expenses attributable to noncontrolling interest							-	-
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	\$ 23,283	\$ 21,311	\$ 1,972	\$ -	\$ 29,117	\$ 32,534	\$ (19,531)	\$ 3,865

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	Ark-La-Tex Region	St Michael Healthcare Center	St Michael Rehabilitation Hospital	Alt Obligated Eliminations	Spohn Region	Spohn Shoreline	Spohn Memorial	Spohn South
Changes in unrestricted net assets:								
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	\$ 23,283	\$ 21,311	\$ 1,972	\$ -	\$ 29,117	\$ 32,534	\$ (19,531)	\$ 3,865
Net change in unrealized gain (loss) on investments	-	-	-	-	-	-	-	-
Change in pension liabilities	-	-	-	-	-	-	-	-
Acquisition of noncontrolling interest	-	-	-	-	-	-	-	-
Change in noncontrolling interest	-	-	-	-	-	-	-	-
Other	129	123	5	-	(1,313)	(4,332)	201	45
Changes in unrestricted net assets	23,411	21,435	1,977	-	27,804	28,202	(19,330)	3,911
Temporarily restricted net assets:								
Net change in beneficial interest	-	-	-	-	-	-	-	-
Contributions	645	645	-	-	(114)	(34)	33	-
Unrealized gain (loss) on investments	-	-	-	-	-	-	-	-
Net assets released from restriction and other	(594)	(594)	-	-	-	-	-	-
Changes in temporarily restricted assets	50	50	-	-	(114)	(34)	33	-
Permanently restricted net assets:								
Net change in beneficial interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Changes in permanently restricted net assets	-	-	-	-	-	-	-	-
Changes in net assets	23,462	21,485	1,977	-	27,690	28,168	(19,297)	3,911
Adjustment to beginning temporarily and permanently restricted net assets								
Net assets – beginning of year	144,301	151,899	(7,598)	-	595,085	532,016	8,810	14,340
Net assets – end of year	\$ 167,763	\$ 173,384	\$ (5,621)	\$ -	\$ 622,775	\$ 560,183	\$ (10,487)	\$ 18,250

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	Spohn Kleberg Memorial	Spohn Beeville	Spohn Alice	Spohn Shared Services	Spohn Membership Agreement	Spohn Health System Payroll	Spohn Obligated Eliminations	Santa Rosa Region
Revenues:								
Patient service revenue (net of contractual allowances and discounts)	\$ 46,738	\$ 32,103	\$ 58,107	\$ -	\$ -	\$ -	\$ -	\$ 616,478
Provision for bad debts	(4,049)	(3,363)	(7,053)	-	-	-	-	(41,008)
Net patient service revenue less provision for bad debts	42,688	28,739	51,054	-	-	-	-	575,470
Premium revenue	-	-	-	-	-	-	-	-
Other revenue	881	702	990	(699)	-	-	699	14,088
Equity in income of unconsolidated organizations	-	-	-	-	-	-	-	-
Total revenues	43,569	29,442	52,044	(699)	-	-	699	589,558
Expenses:								
Employee compensation and benefits	21,911	14,389	22,274	-	-	-	-	239,696
Services and other	9,550	7,981	12,331	-	-	-	-	188,433
Supplies	5,818	3,104	8,169	-	-	-	-	106,701
Depreciation and amortization	2,436	1,550	2,471	-	-	-	-	46,012
Interest	182	604	10	-	-	-	-	13,857
Total expenses	39,897	27,627	45,254	-	-	-	-	594,698
Operating income (loss)	3,672	1,814	6,790	(699)	-	-	699	(5,140)
Nonoperating investment gain (loss)	-	-	-	-	-	-	-	68
Other nonoperating (loss) gain	11	(13)	(26)	-	-	-	-	(879)
Revenues in excess (deficit) of expenses	3,683	1,801	6,764	(699)	-	-	699	(5,951)
Less revenues in excess of expenses attributable to noncontrolling interest	-	-	-	-	-	-	-	4,186
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	\$ 3,683	\$ 1,801	\$ 6,764	\$ (699)	\$ -	\$ -	\$ 699	\$ (10,137)

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	Spohn Kleberg Memorial	Spohn Beeville	Spohn Alice	Spohn Shared Services	Spohn Membership Agreement	Spohn Health System Payroll	Spohn Obligated Eliminations	Santa Rosa Region
Changes in unrestricted net assets:								
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	\$ 3,683	\$ 1,801	\$ 6,764	\$ (699)	\$ -	\$ -	\$ 699	\$ (10,137)
Net change in unrealized gain (loss) on investments	-	-	-	-	-	-	-	-
Change in pension liabilities	-	-	-	-	-	-	-	-
Acquisition of noncontrolling interest	-	-	-	-	-	-	-	-
Change in noncontrolling interest	-	-	-	-	-	-	-	4,186
Other	2,073	11	13	4,005	-	-	(3,330)	9,104
Changes in unrestricted net assets	5,757	1,813	6,777	3,306	-	-	(2,631)	3,153
Temporarily restricted net assets:								
Net change in beneficial interest	-	-	-	-	-	-	-	-
Contributions	-	(10)	(102)	-	-	-	-	(648)
Unrealized gain (loss) on investments	-	-	-	-	-	-	-	-
Net assets released from restriction and other	-	-	-	-	-	-	-	13
Changes in temporarily restricted assets	-	(10)	(102)	-	-	-	-	(635)
Permanently restricted net assets:								
Net change in beneficial interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Changes in permanently restricted net assets	-	-	-	-	-	-	-	-
Changes in net assets	5,757	1,802	6,675	3,306	-	-	(2,631)	2,518
Adjustment to beginning temporarily and permanently restricted net assets								
Net assets – beginning of year	59,608	17,745	(35,230)	6,453	-	-	(8,656)	221,030
Net assets – end of year	\$ 65,364	\$ 19,547	\$ (28,555)	\$ 9,759	\$ -	\$ -	\$ (11,287)	\$ 223,548

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	Santa Rosa General Hospital	Santa Rosa Children's Hospital	Santa Rosa Medical Center	Santa Rosa Support Services	Santa Rosa Boerne	Santa Rosa Westover Hills	Santa Rosa New Braunfels	SR Alamo Heights Surgical Hospital
Revenues:								
Patient service revenue (net of contractual allowances and discounts)	\$ 114,470	\$ 154,464	\$ 90,984	\$ –	\$ –	\$ 115,949	\$ 126,619	\$ 2,393
Provision for bad debts	(7,267)	(5,168)	(4,959)	2	–	(12,577)	(10,194)	(183)
Net patient service revenue less provision for bad debts	107,203	149,295	86,025	2	–	103,372	116,425	2,210
Premium revenue	–	–	–	–	–	–	–	–
Other revenue	1,816	6,163	683	–	–	1,117	1,247	34
Equity in income of unconsolidated organizations	–	–	–	–	–	–	–	–
Total revenues	109,019	155,458	86,708	2	–	104,489	117,673	2,244
Expenses:								
Employee compensation and benefits	49,550	66,646	33,350	–	–	39,533	39,064	1,825
Services and other	39,832	56,408	27,798	(45)	184	26,217	32,988	2,415
Supplies	24,211	22,322	17,262	–	–	15,719	23,268	3,101
Depreciation and amortization	15,971	5,423	4,069	–	143	12,098	5,815	1,156
Interest	1,256	1,759	963	47	–	4,578	3,489	1,555
Total expenses	130,820	152,557	83,442	2	326	98,145	104,625	10,052
Operating income (loss)	(21,801)	2,901	3,266	–	(326)	6,344	13,048	(7,808)
Nonoperating investment gain (loss)	21	16	10	(4)	–	12	12	–
Other nonoperating (loss) gain	–	–	(318)	4	–	–	21	–
Revenues in excess (deficit) of expenses	(21,780)	2,916	2,958	–	(326)	6,356	13,081	(7,808)
Less revenues in excess of expenses attributable to noncontrolling interest	–	–	–	–	–	–	–	–
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	\$ (21,780)	\$ 2,916	\$ 2,958	\$ –	\$ (326)	\$ 6,356	\$ 13,081	\$ (7,808)

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	Santa Rosa General Hospital	Santa Rosa Children's Hospital	Santa Rosa Medical Center	Santa Rosa Support Services	Santa Rosa Boerne	Santa Rosa Westover Hills	Santa Rosa New Braunfels	SR Alamo Heights Surgical Hospital
Changes in unrestricted net assets:								
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	\$ (21,780)	\$ 2,916	\$ 2,958	\$ -	\$ (326)	\$ 6,356	\$ 13,081	\$ (7,808)
Net change in unrealized gain (loss) on investments	-	-	-	-	-	-	-	-
Change in pension liabilities	-	-	-	-	-	-	-	-
Acquisition of noncontrolling interest	-	-	-	-	-	-	-	-
Change in noncontrolling interest	-	-	-	-	-	-	-	-
Other	-	-	-	2,165	-	-	6	1,629
Changes in unrestricted net assets	(21,780)	2,916	2,958	2,165	(326)	6,356	13,087	(6,179)
Temporarily restricted net assets:								
Net change in beneficial interest	-	-	-	-	-	-	-	-
Contributions	-	(564)	-	(84)	-	-	-	-
Unrealized gain (loss) on investments	-	-	-	-	-	-	-	-
Net assets released from restriction and other	-	-	-	13	-	-	-	-
Changes in temporarily restricted assets	-	(564)	-	(71)	-	-	-	-
Permanently restricted net assets:								
Net change in beneficial interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Changes in permanently restricted net assets	-	-	-	-	-	-	-	-
Changes in net assets	(21,780)	2,352	2,958	2,094	(326)	6,356	13,087	(6,179)
Adjustment to beginning temporarily and permanently restricted net assets								
Net assets – beginning of year	55,205	71,747	27,628	(10,078)	5,633	20,343	15,512	(1,108)
Net assets – end of year	\$ 33,424	\$ 74,099	\$ 30,586	\$ (7,985)	\$ 5,307	\$ 26,699	\$ 28,599	\$ (7,287)

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	Santa Rosa Rehabilitation Hospital	Santa Rosa Foundation	Santa Rosa Partnership Management Services	Santa Rosa Alon	Santa Rosa Creekside	Santa Rosa Real Estate	Santa Rosa Villa Rosa Hospital	SR Obligated Eliminations
Revenues:								
Patient service revenue (net of contractual allowances and discounts)	\$ 11,600	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Provision for bad debts	(662)	—	—	—	—	—	—	—
Net patient service revenue less provision for bad debts	10,937	—	—	—	—	—	—	—
Premium revenue	—	—	—	—	—	—	—	—
Other revenue	149	—	2,301	—	—	579	—	—
Equity in income of unconsolidated organizations	—	—	—	—	—	—	—	—
Total revenues	11,086	—	2,301	—	—	579	—	—
Expenses:								
Employee compensation and benefits	7,865	915	949	—	—	—	—	—
Services and other	2,604	(957)	85	—	14	891	—	—
Supplies	769	42	3	5	—	—	—	—
Depreciation and amortization	402	0	518	—	—	417	—	—
Interest	209	—	—	—	—	—	—	—
Total expenses	11,849	—	1,555	5	14	1,307	—	—
Operating income (loss)	(762)	—	746	(5)	(14)	(728)	—	—
Nonoperating investment gain (loss)	2	—	—	—	—	—	—	—
Other nonoperating (loss) gain	(586)	—	—	—	—	—	—	—
Revenues in excess (deficit) of expenses	(1,347)	—	746	(5)	(14)	(728)	—	—
Less revenues in excess of expenses attributable to noncontrolling interest	—	—	4,186	—	—	—	—	—
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	\$ (1,347)	\$ —	\$ (3,440)	\$ (5)	\$ (14)	\$ (728)	\$ —	\$ —

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	Santa Rosa Rehabilitation Hospital	Santa Rosa Foundation	Santa Rosa Partnership Management Services	Santa Rosa Alon	Santa Rosa Creekside	Santa Rosa Real Estate	Santa Rosa Villa Rosa Hospital	SR Obligated Eliminations
Changes in unrestricted net assets:								
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	\$ (1,347)	\$ —	\$ (3,440)	\$ (5)	\$ (14)	\$ (728)	\$ —	\$ —
Net change in unrealized gain (loss) on investments	—	—	—	—	—	—	—	—
Change in pension liabilities	—	—	—	—	—	—	—	—
Acquisition of noncontrolling interest	—	—	—	—	—	—	—	—
Change in noncontrolling interest	—	—	4,186	—	—	—	—	—
Other	—	—	5,304	—	—	—	—	—
Changes in unrestricted net assets	(1,347)	—	6,050	(5)	(14)	(728)	—	—
Temporarily restricted net assets:								
Net change in beneficial interest	—	—	—	—	—	—	—	—
Contributions	—	—	—	—	—	—	—	—
Unrealized gain (loss) on investments	—	—	—	—	—	—	—	—
Net assets released from restriction and other	—	—	—	—	—	—	—	—
Changes in temporarily restricted assets	—	—	—	—	—	—	—	—
Permanently restricted net assets:								
Net change in beneficial interest	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—
Changes in permanently restricted net assets	—	—	—	—	—	—	—	—
Changes in net assets	(1,347)	—	6,050	(5)	(14)	(728)	—	—
Adjustment to beginning temporarily and permanently restricted net assets								
Net assets – beginning of year	4,486	2	31,357	—	—	303	—	—
Net assets – end of year	\$ 3,139	\$ 2	\$ 37,408	\$ (5)	\$ (14)	\$ (425)	\$ —	\$ —

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	Northern Louisiana Region	Schumpert Health System	Schumpert Highland Hospital	Schumpert Bossier Medical Center	NOLA Obligated Eliminations	Southwestern Louisiana Region	St Patrick Hospital	CHRISTUS Village – Lake Charles
Revenues:								
Patient service revenue (net of contractual allowances and discounts)	\$ 222,422	\$ 134,926	\$ 87,496	\$ –	\$ –	\$ 122,523	\$ 122,523	\$ –
Provision for bad debts	(5,797)	(3,222)	(2,575)	–	–	(4,642)	(4,642)	–
Net patient service revenue less provision for bad debts	216,625	131,705	84,921	–	–	117,881	117,881	–
Premium revenue	–	–	–	–	–	–	–	–
Other revenue	11,722	7,767	3,955	–	–	3,413	3,413	–
Equity in income of unconsolidated organizations	–	–	–	–	–	–	–	–
Total revenues	228,347	139,471	88,876	–	–	121,294	121,294	–
Expenses:								
Employee compensation and benefits	93,916	61,477	32,439	–	–	48,620	48,620	–
Services and other	61,903	35,506	26,397	–	–	34,935	34,935	–
Supplies	47,947	31,813	16,134	–	–	30,197	30,197	–
Depreciation and amortization	21,603	17,195	4,408	–	–	7,824	7,824	–
Interest	4,554	2,758	1,795	–	–	2,341	2,341	–
Total expenses	229,922	148,750	81,173	–	–	123,917	123,917	–
Operating income (loss)	(1,575)	(9,278)	7,703	–	–	(2,622)	(2,622)	–
Nonoperating investment gain (loss)	89	89	–	–	–	(3)	(3)	–
Other nonoperating (loss) gain	1,654	922	–	732	–	428	428	–
Revenues in excess (deficit) of expenses	167	(8,267)	7,703	732	–	(2,197)	(2,197)	–
Less revenues in excess of expenses attributable to noncontrolling interest	–	–	–	–	–	–	–	–
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	\$ 167	\$ (8,267)	\$ 7,703	\$ 732	\$ –	\$ (2,197)	\$ (2,197)	\$ –

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	Northern Louisiana Region	Schumpert Health System	Schumpert Highland Hospital	Schumpert Bossier Medical Center	NOLA Obligated Eliminations	Southwestern Louisiana Region	St Patrick Hospital	CHRISTUS Village – Lake Charles
Changes in unrestricted net assets:								
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	\$ 167	\$ (8,267)	\$ 7,703	\$ 732	\$ –	\$ (2,197)	\$ (2,197)	\$ –
Net change in unrealized gain (loss) on investments	–	–	–	–	–	–	–	–
Change in pension liabilities	–	–	–	–	–	–	–	–
Acquisition of noncontrolling interest	–	–	–	–	–	–	–	–
Change in noncontrolling interest	–	–	–	–	–	–	–	–
Other	(702)	(238)	(464)	–	–	25	25	–
Changes in unrestricted net assets	(534)	(8,505)	7,239	732	–	(2,172)	(2,172)	–
Temporarily restricted net assets:								
Net change in beneficial interest	–	–	–	–	–	–	–	–
Contributions	397	397	–	–	–	322	322	–
Unrealized gain (loss) on investments	–	–	–	–	–	–	–	–
Net assets released from restriction and other	(142)	(142)	–	–	–	–	–	–
Changes in temporarily restricted assets	254	254	–	–	–	322	322	–
Permanently restricted net assets:								
Net change in beneficial interest	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
Changes in permanently restricted net assets	–	–	–	–	–	–	–	–
Changes in net assets	(280)	(8,251)	7,239	732	–	(1,850)	(1,850)	–
Adjustment to beginning temporarily and permanently restricted net assets								
Net assets – beginning of year	119,954	38,238	84,540	(2,824)	–	70,579	68,529	2,050
Net assets – end of year	\$ 119,674	\$ 29,987	\$ 91,779	\$ (2,093)	\$ –	\$ 68,729	\$ 66,679	\$ 2,050

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	SWLA Obligated Eliminations	Central Louisiana Region	St Frances Cabrini Hospital	Coushatta Healthcare	St Joseph Nursing Home	CHRISTUS Health Louisiana Ministries	CLA Obligated Eliminations	Corporate and Eliminations
Revenues:								
Patient service revenue (net of contractual allowances and discounts)	\$ -	\$ 216,370	\$ 191,717	\$ 16,557	\$ 7,713	\$ -	\$ -	\$ (27,746)
Provision for bad debts	-	(7,587)	(6,969)	(596)	(157)	-	-	-
Net patient service revenue less provision for bad debts	-	208,783	184,748	15,961	7,555	-	-	(27,746)
Premium revenue	-	-	-	-	-	-	-	166,136
Other revenue	-	7,775	7,598	157	28	104	(113)	61,396
Equity in income of unconsolidated organizations	-	1,061	1,061	-	-	-	-	20,202
Total revenues	-	217,619	193,407	16,118	7,583	104	(113)	219,989
Expenses:								
Employee compensation and benefits	-	89,517	78,909	6,765	3,635	(8)	-	134,373
Services and other	-	50,471	44,040	4,413	1,764	111	(113)	72,278
Supplies	-	43,404	41,168	1,091	974	0	-	10,049
Depreciation and amortization	-	19,296	17,929	1,021	334	1	-	6,983
Interest	-	5,906	5,906	-	-	-	-	(10,056)
Total expenses	-	208,593	187,952	13,290	6,707	104	(113)	213,628
Operating income (loss)	-	9,026	5,455	2,829	876	-	-	6,362
Nonoperating investment gain (loss)	-	-	-	-	-	-	-	(90,578)
Other nonoperating (loss) gain	-	(9)	(9)	-	-	-	-	(1,613)
Revenues in excess (deficit) of expenses	-	9,017	5,445	2,829	876	-	-	(85,829)
Less revenues in excess of expenses attributable to noncontrolling interest	-	(52)	-	-	-	-	-	-
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	\$ -	\$ 9,069	\$ 5,445	\$ 2,829	\$ 876	\$ -	\$ -	\$ (85,829)

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	SWLA Obligated Eliminations	Central Louisiana Region	St Frances Cabrini Hospital	Coushatta Healthcare	St Joseph Nursing Home	CHRISTUS Health Louisiana Ministries	CLA Obligated Eliminations	Corporate and Eliminations
Changes in unrestricted net assets:								
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	\$ -	\$ 9,069	\$ 5,445	\$ 2,829	\$ 876	\$ -	\$ -	\$ (85,829)
Net change in unrealized gain (loss) on investments	-	-	-	-	-	-	-	(538)
Change in pension liabilities	-	-	-	-	-	-	-	(89,525)
Acquisition of noncontrolling interest	-	-	-	-	-	-	-	-
Change in noncontrolling interest	-	(52)	-	-	-	-	-	-
Other	-	(36)	241	(361)	(152)	236	-	(78,143)
Changes in unrestricted net assets	-	8,981	5,686	2,468	724	236	-	(254,036)
Temporarily restricted net assets:								
Net change in beneficial interest	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	(76)
Unrealized gain (loss) on investments	-	-	-	-	-	-	-	-
Net assets released from restriction and other	-	965	508	447	11	-	-	(50)
Changes in temporarily restricted assets	-	965	508	447	11	-	-	(126)
Permanently restricted net assets:								
Net change in beneficial interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	2,944
Changes in permanently restricted net assets	-	-	-	-	-	-	-	2,944
Changes in net assets	-	9,946	6,194	2,914	735	236	-	(251,218)
Adjustment to beginning temporarily and permanently restricted net assets								
Net assets – beginning of year	-	86,578	86,514	(3,991)	3,888	-	46	325,755
Net assets – end of year	\$ -	\$ 96,524	\$ 92,708	\$ (1,076)	\$ 4,623	\$ 236	\$ 46	\$ 74,537

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	St Joseph Village	Uniformed Services Family Health Plan	TLRA	Revenue Cycle		Corporate Office	Heart Center of Louisiana	Grants and Loans
				Business Services	Supply Chain Management			
Revenues:								
Patient service revenue (net of contractual allowances and discounts)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,000	\$ 383	\$ -
Provision for bad debts	-	-	-	-	-	-	136	-
Net patient service revenue less provision for bad debts	-	-	-	-	-	8,000	519	-
Premium revenue	-	166,136	-	-	-	-	-	-
Other revenue	5,741	1,089	10,263	-	-	77,386	-	77
Equity in income of unconsolidated organizations	-	-	-	-	-	20,202	-	-
Total revenues	5,741	167,226	10,263	-	-	105,589	519	77
Expenses:								
Employee compensation and benefits	2,068	8,175	6,515	11,725	629	55,050	216	-
Services and other	1,204	140,893	3,673	(11,864)	(629)	58,044	256	13
Supplies	588	1,439	18	59	0	988	171	-
Depreciation and amortization	1,555	525	51	81	-	3,219	10	-
Interest	1,175	4	-	-	-	-	-	-
Total expenses	6,590	151,036	10,258	0	0	117,301	652	13
Operating income (loss)	(849)	16,190	6	-	-	(11,712)	(133)	64
Nonoperating investment gain (loss)	-	-	-	-	-	(5,700)	-	1,512
Other nonoperating (loss) gain	-	-	-	-	-	(206)	-	(1,576)
Revenues in excess (deficit) of expenses	(849)	16,190	6	-	-	(17,619)	(133)	-
Less revenues in excess of expenses attributable to noncontrolling interest	-	-	-	-	-	-	(52)	-
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	\$ (849)	\$ 16,190	\$ 6	\$ -	\$ -	\$ (17,619)	\$ (81)	\$ -

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	St Joseph Village	Uniformed Services Family Health Plan	TLRA	Revenue Cycle Business Services	Supply Chain Management	Corporate Office	Heart Center of Louisiana	Grants and Loans
Changes in unrestricted net assets:								
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	\$ (849)	\$ 16,190	\$ 6	\$ -	\$ -	\$ (17,619)	\$ (81)	\$ -
Net change in unrealized gain (loss) on investments	-	-	-	-	-	(538)	-	-
Change in pension liabilities	-	-	-	-	-	(89,525)	-	-
Acquisition of noncontrolling interest	-	-	-	-	-	-	-	-
Change in noncontrolling interest	-	-	-	-	-	-	(52)	-
Other	(92)	(33)	(1)	(292)	(14)	(73,752)	-	-
Changes in unrestricted net assets	(941)	16,157	5	(292)	(14)	(181,435)	(133)	-
Temporarily restricted net assets:								
Net change in beneficial interest	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	2	-	(77)
Unrealized gain (loss) on investments	-	-	-	-	-	-	-	-
Net assets released from restriction and other	(5)	-	-	-	-	-	-	-
Changes in temporarily restricted assets	(5)	-	-	-	-	2	-	(77)
Permanently restricted net assets:								
Net change in beneficial interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	2,944	-	-
Changes in permanently restricted net assets	-	-	-	-	-	2,944	-	-
Changes in net assets	(946)	16,157	5	(292)	(14)	(178,489)	(133)	(77)
Adjustment to beginning temporarily and permanently restricted net assets								
Net assets – beginning of year	(2,271)	172,975	3,940	81	299	289,755	120	29,140
Net assets – end of year	\$ (3,218)	\$ 189,132	\$ 3,945	\$ (210)	\$ 285	\$ 111,266	\$ (13)	\$ 29,063

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	Workers Compensation	CHRISTUS Health Unemployment Fund	Insurance Fund	Information Management	CHRISTUS Tech Source	CHRISTUS Health Equip Maint System	CHRISTUS Retail Services	Clinical Engineering
Revenues:								
Patient service revenue (net of contractual allowances and discounts)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Provision for bad debts	-	-	-	-	-	-	-	-
Net patient service revenue less provision for bad debts	-	-	-	-	-	-	-	-
Premium revenue	-	-	-	-	-	-	-	-
Other revenue	228	-	768	1,861	2,343	-	4,799	-
Equity in income of unconsolidated organizations	-	-	-	-	-	-	-	-
Total revenues	228	-	768	1,861	2,343	-	4,799	-
Expenses:								
Employee compensation and benefits	(413)	-	1,620	42,582	1,726	-	2,244	169
Services and other	427	-	(876)	(44,920)	1,806	-	655	(169)
Supplies	4	-	9	4,213	9	-	2,722	-
Depreciation and amortization	-	-	-	1	283	-	53	-
Interest	-	-	-	-	-	-	-	-
Total expenses	18	-	753	1,876	3,824	-	5,674	-
Operating income (loss)	210	-	15	(15)	(1,481)	-	(874)	-
Nonoperating investment gain (loss)	-	-	-	-	-	-	-	-
Other nonoperating (loss) gain	-	-	-	-	-	-	(22)	-
Revenues in excess (deficit) of expenses	210	-	15	(15)	(1,481)	-	(896)	-
Less revenues in excess of expenses attributable to noncontrolling interest	-	-	-	-	-	-	-	-
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	\$ 210	\$ -	\$ 15	\$ (15)	\$ (1,481)	\$ -	\$ (896)	\$ -

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	Workers Compensation	CHRISTUS Health Unemployment Fund	Insurance Fund	Information Management	CHRISTUS Tech Source	CHRISTUS Health Equip Maint System	CHRISTUS Retail Services	Clinical Engineering
Changes in unrestricted net assets:								
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	\$ 210	\$ -	\$ 15	\$ (15)	\$ (1,481)	\$ -	\$ (896)	\$ -
Net change in unrealized gain (loss) on investments	-	-	-	-	-	-	-	-
Change in pension liabilities	-	-	-	-	-	-	-	-
Acquisition of noncontrolling interest	-	-	-	-	-	-	-	-
Change in noncontrolling interest	-	-	-	-	-	-	-	-
Other	-	-	-	862	4	-	(413)	-
Changes in unrestricted net assets	210	-	15	847	(1,477)	-	(1,309)	-
Temporarily restricted net assets:								
Net change in beneficial interest	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Unrealized gain (loss) on investments	-	-	-	-	-	-	-	-
Net assets released from restriction and other	-	-	-	(45)	-	-	-	-
Changes in temporarily restricted assets	-	-	-	(45)	-	-	-	-
Permanently restricted net assets:								
Net change in beneficial interest	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Changes in permanently restricted net assets	-	-	-	-	-	-	-	-
Changes in net assets	210	-	15	802	(1,477)	-	(1,309)	-
Adjustment to beginning temporarily and permanently restricted net assets								
Net assets – beginning of year	8,354	-	(420)	(37,236)	(9,296)	-	(7,869)	998
Net assets – end of year	\$ 8,564	\$ -	\$ (404)	\$ (36,434)	\$ (10,773)	\$ -	\$ (9,179)	\$ 998

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	Benefits– Benefits	Bond Fund	CHRISTUS Corporate Obligated Eliminations
Revenues:			
Patient service revenue (net of contractual allowances and discounts)	\$ –	\$ –	\$ (35,746)
Provision for bad debts	–	–	–
Net patient service revenue less provision for bad debts	–	–	(35,746)
Premium revenue	–	–	–
Other revenue	2,307	219	(45,687)
Equity in income of unconsolidated organizations	–	–	–
Total revenues	2,307	219	(81,433)
Expenses:			
Employee compensation and benefits	2,283	–	–
Services and other	24	4,674	(80,678)
Supplies	–	–	–
Depreciation and amortization	–	1,216	–
Interest	–	(10,672)	(563)
Total expenses	2,307	(4,781)	(81,241)
Operating income (loss)	–	5,000	(192)
Nonoperating investment gain (loss)	–	(86,389)	–
Other nonoperating (loss) gain	–	–	192
Revenues in excess (deficit) of expenses	–	(81,389)	–
Less revenues in excess of expenses attributable to noncontrolling interest	–	–	–
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	\$ –	\$ (81,389)	\$ –

CHRISTUS Health

Consolidating Financial Statements (continued)

June 30, 2012
(In Thousands)

	Benefits– Benefits	Bond Fund	CHRISTUS Corporate Obligated Eliminations
Changes in unrestricted net assets:			
Revenue in excess (deficit) of expenses attributable to CHRISTUS Health	\$ –	\$ (81,389)	\$ –
Net change in unrealized gain (loss) on investments	–	–	–
Change in pension liabilities	–	–	–
Acquisition of noncontrolling interest	–	–	–
Change in noncontrolling interest	–	–	–
Other	–	–	(4,412)
Changes in unrestricted net assets	–	(81,389)	(4,412)
Temporarily restricted net assets:			
Net change in beneficial interest	–	–	–
Contributions	–	–	–
Unrealized gain (loss) on investments	–	–	–
Net assets released from restriction and other	–	–	–
Changes in temporarily restricted assets	–	–	–
Permanently restricted net assets:			
Net change in beneficial interest	–	–	–
Other	–	–	–
Changes in permanently restricted net assets	–	–	–
Changes in net assets	–	(81,389)	(4,412)
Adjustment to beginning temporarily and permanently restricted net assets	–	–	–
Net assets – beginning of year	(16,685)	(109,976)	3,966
Net assets – end of year	\$ (16,685)	\$ (191,365)	\$ (447)

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