



Daughters of Charity Health System
Unaudited Financial Report and Utilization Statistics
For the Three Months Ended September 30, 2012

DAUGHTERS OF CHARITY HEALTH SYSTEM

	<u>PAGE #</u>
Management's Discussion and Analysis	3-9
Financial Statements	
Balance Sheet	
As of September 30, 2012	10
As of September 30, 2011	11
Statement of Operations and Changes in Net Assets	
For the Three Months Ended September 30, 2012	12
For the Three Months Ended September 30, 2011	13
Statement of Cash Flows	
For the Three Months Ended September 30, 2012	14
For the Three Months Ended September 30, 2011	15
Utilization Statistics	
For the Three Months Ended September 30, 2011 and 2012	16
Supplemental Schedules	
Consolidating Balance Sheet	
As of September 30, 2012	17-18
As of September 30, 2011	19-20
Consolidating Statement of Operations	
For the Three Months Ended September 30, 2012	21-22
For the Three Months Ended September 30, 2011	23-24
Consolidating Statement of Cash Flows	
For the Three Months Ended September 30, 2012	25-26
For the Three Months Ended September 30, 2011	27-28

DAUGHTERS OF CHARITY HEALTH SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED
SEPTEMBER 30, 2012

The Daughters of Charity Health System (DCHS) is a California nonprofit religious corporation that operates as the parent organization of a health care system consisting of three acute care hospitals and other facilities (see list below) located in the State of California (collectively, the System). DCHS is sponsored by the Daughters of Charity of St. Vincent de Paul, a religious community of the Roman Catholic Church.

The System consists of DCHS* and the following:

- O'Connor Hospital*
- Robert F. Kennedy Medical Center (discontinued operations)
- Saint Louise Regional Hospital*
- St. Francis Medical Center*
- St. Vincent Medical Center*
- Seton Medical Center*
- Seton Medical Center Coastside (a division of Seton Medical Center)*
- Caritas Business Services
- Marillac Insurance Company, Ltd.
- O'Connor Hospital Foundation
- Robert F. Kennedy Medical Center Foundation (discontinued operations)
- Saint Louise Regional Hospital Foundation
- St. Francis Medical Center Foundation
- St. Vincent Medical Center Foundation
- Seton Health Services Foundation
- St. Vincent de Paul Ethics Corporation
- St. Vincent Dialysis Center
- DePaul Ventures, LLC
- DCHS Medical Foundation

* Part of the Obligated Group

DCHS is exempt from federal income taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986.

The financial information summarized herein represents consolidated financial information for DCHS, not financial information solely for the Obligated Group. This summarized financial information includes the operations of all Obligated Group Members, as well as the results of operations of other entities that are not Members of the Obligated Group. For the three months ended September 30, 2012, the entities that are not Members of the Obligated Group had revenues and investment income totaling \$16.0 million (after the elimination of \$7.6 million of inter-company revenues from Members of the Obligated Group) representing 4.9% of DCHS' consolidated revenues and investment income. Additional financial information pertaining to the entities that are not Members of the Obligated Group can be found in the accompanying unaudited financial statements.

The financial information for the three months ended September 30, 2011 and 2012 is unaudited but includes all adjustments which DCHS management considers necessary to fairly present such information in accordance with accounting principles generally accepted in the United States of America. Operating results for the three months ended September 30, 2012 are not necessarily indicative of the results that may be expected in future periods.

CALIFORNIA HOSPITAL FEE PROGRAM

In January 2010, The State of California enacted legislation that provided for supplemental Medi-Cal payments to certain hospitals funded by a quality assurance fee paid by participating hospitals and matching federal funds (“the 2010 Hospital Fee Program”). The legislation covered the period of April 1, 2009 through December 31, 2010. The Centers for Medicare and Medicaid Services (“CMS”) approved the 2010 Hospital Fee Program in its entirety in December 2010, and therefore all activity of the program was recognized during the six months ended December 31, 2010, resulting in net additional income of \$53.3 million. The supplemental payments received during the year ended June 30, 2011, comprised of fee-for-service payments to DCHS directly from the California Department of Health Care Services as well as payments routed through managed care plans, amounted to a total of \$136.6 million. These payments were recorded in net patient revenue in the consolidated statement of operations and changes in net assets in December 2010. Quality assurance fees assessed to and paid by DCHS during the year ended June 30, 2011 were \$83.3 million and were recorded in purchased services and other expenses in the consolidated statements of operations and changes in net assets in December 2010.

The California Hospital Association established a private program, the California Health Foundation and Trust (“CHFT”), for several purposes including aggregating and distributing financial resources to support charitable activities at various hospitals and health systems in California. Upon approval of the 2010 Hospital Fee Program noted above in December 2010, DCHS recorded a pledge to the grant fund established by CHFT in the amount of \$4.1 million, which was paid out during the year ended June 30, 2011 and recorded in purchased services and other expenses in the consolidated statements of operations and changes in net assets in December 2010.

In April 2011, the State of California enacted legislation that continued the Hospital Fee Program covering the period of January 1, 2011 through June 30, 2011 (“the six-month Hospital Fee Program”), subject to review and approval by CMS. CMS approved the six-month Hospital Fee Program in its entirety in December 2011, and therefore all activity of the program was recognized during the six months ended December 31, 2011, resulting in net additional income of \$26.4 million.

An additional pledge agreement was executed in May 2011 between DCHS and CHFT. Upon approval of the six-month Hospital Fee Program in December 2011, DCHS recorded in purchased services and other expenses in the consolidated statements of operations and changes in net assets a pledge to CHFT in the amount of \$0.8 million.

In August 2011, the California legislature passed an additional 30-month program (“the 30-month Hospital Fee Program”), which was signed into law by the California governor in October 2011. This additional provider fee program will cover the period from July 1, 2011

through December 31, 2013. DCHS estimates its share of the 30-month Hospital Fee additional supplemental funds to be a net amount of \$127.3 million. CMS approved the fee-for-service portion of the 30-month Hospital Fee Program in June 2012 resulting in net additional income of \$28.5 million being recorded in June 2012. Recognition in the consolidated statement of operations and changes in net assets of amounts from the 30-month program related to payments routed through managed care plans will be deferred until final approval from CMS is obtained for that portion of the program.

In June 2012 DCHS recorded in purchased services and other expenses in the consolidated statements of operations and changes in net assets an additional pledge to CHFT in the amount of \$3.0 million.

During the three months ended September 30, 2012 DCHS recorded revenues of \$21.7 million and expenses of \$14.5 million related to the July 1, 2012 through September 30, 2012 period of the fee-for-service component of the 30-month Hospital Fee Program. Additionally, during the three months ended September 30, 2012 DCHS recorded an expense of \$0.8 million for a pledge to CHFT.

Due to the timing of the fee-for-service approval and the pending managed care approval, as of September 30, 2012 DCHS had received total net cash funding related to the entire 30-month program of approximately \$5.0 million, excluding payments made to CHFT.

OTHER EVENTS

Ascension Health

In March 2012, DCHS and Ascension Health Alliance entered into a non-binding memorandum of understanding to explore having DCHS join Ascension Health, a subsidiary of Ascension Health Alliance. Completion of the proposed transaction is subject to the execution of final agreements and obtaining all necessary approvals.

DCHS Medical Foundation

On March 30, 2012, the DCHS Board of Directors approved the establishment of a Medical Foundation to be effective beginning April 1, 2012. In order to start the operations of the newly created Medical Foundation, DCHS purchased the assets of San Jose Medical Group, and San Jose Medical Management, Inc. on April 1, 2012. The financial operations of the DCHS Medical Foundation are included in the accompanying financial statements.

DEBT SERVICE – IRREVOCABLE PREPAYMENT

During the three months ended September 30, 2012 DCHS made prepayments totaling \$9.5 million to its bond trustee for DCHS' Series 2005 and 2008 bonds. These Irrevocable Deposits covered the scheduled debt payments due on each of October 1, November 1, and December 1, 2012. The Irrevocable Deposit affects the calculation of the DCHS Master Trust Indenture Annual Debt Service coverage ratio requirements by removing from the Annual Debt Service calculation the amount of principal and interest payable from such Irrevocable Deposit. There is no effect on the Income Available for Debt Service for the applicable period which is included in the Annual Debt Service ratio.

VOLUMES

Patient discharges for the three months ended September 30, 2012 decreased 1.1% as compared to the same period of the prior year. Adjusted discharges for the three months ended September 30, 2012 decreased 0.4% compared to the same period of the prior year.

Total deliveries decreased 2.9% during the three months ended September 30, 2012 as compared to the same period of the prior year.

Inpatient surgeries for the three months ended September 30, 2012 decreased 8.0% as compared to the same period of the prior year. Outpatient surgeries for the three months ended September 30, 2012 declined 13.4% as compared to the same period of the prior year.

Emergency department visits for the three months ended September 30, 2012 decreased 0.9% from the same period of the prior year.

REVENUES

Net Patient Revenues

Net patient revenues of \$293.3 million for the three months ended September 30, 2012 represents an increase of \$29.5 million or 11.2% as compared to the same period of the prior year. Excluding current year revenues of \$21.7 million from the Hospital Fee Program, net patient revenues of \$271.6 million for the three months ended September 30, 2012 increased \$7.8 million or 2.9%. The increase in net patient revenues, includes \$7.5 million in net patient revenues from the DCHS Medical Foundation. Net patient revenues per adjusted discharge (excluding Hospital Fee Program revenue, premium revenue, other revenue, contributions and investment earnings) of \$13,988 for the three months ended September 30, 2012 increased 3.4% as compared to the same period of the prior year.

Premium Revenues, Other Revenues, and Contributions

Premium and other revenues of \$21.3 million for the three months ended September 30, 2012 increased \$5.6 million or 35.7% from the same period of the prior year and includes \$5.5 million in premium revenue from the DCHS Medical Foundation. Contributions of \$5.3 million during the three months ended September 30, 2012 represent an increase of \$3.7 million.

Investment Earnings

For the three months ended September 30, 2012, investment earnings totaled \$8.7 million compared to a loss of \$10.7 million during the same period of the prior year. DCHS includes both realized and unrealized gains/losses as part of investment income. The majority of DCHS' investments are held in a pooled investment fund administered by Ascension Health in its CHIMCO Alpha Fund. The pooled investment fund invests in cash, equity securities, U.S. federal and corporate obligations, and alternate investments. The alternative investments consist primarily of commodities/treasury inflation-protected securities, private equity investments, real estate investments, and hedge funds.

EXPENSES

Total Operating Expenses

Total operating expenses of \$351.4 million for the three months ended September 30, 2012 represents an increase of \$39.1 million or 12.5% as compared to the same period of the prior year. Excluding current year expenses of \$14.5 million for the Hospital Fee Program, total expenses of \$336.9 million for the three months ended September 30, 2012 increased \$24.6 million or 7.9%. Total expense per adjusted discharge (excluding Hospital Fee Program expenses) of \$17,349 for the three months ended September 30, 2012 increased 8.3% as compared to the same period of the prior year.

Salaries, Wages, and Benefits

Salaries, wages and benefits (SWB) expense of \$190.0 million for the three months ended September 30, 2012 increased \$13.9 million or 7.9% as compared to the same period of the prior year. SWB as a percent of net patient revenue for the three months ended September 30, 2012 was 64.8%, which was below the 66.8% for the same period of the prior year.

Supplies

Supplies expense of \$40.5 million for the three months ended September 30, 2012 is an increase of \$0.6 million or 1.6% from the prior year. Supplies expense as a percent of net patient revenue for the three months ended September 30, 2012 was 13.8%, which is below the 15.1% for the three months ended September 30, 2011.

Purchased Services/Other

Purchased services and other expenses for the three months ended September 30, 2012 of \$84.9 million increased \$16.0 million or 23.2% as compared to the same period of the prior year. Excluding current year expenses of \$14.5 million for the Hospital Fee Program, purchased services and other expenses for the three months ended September 30, 2012 of \$70.5 million increased \$1.5 million or 2.2% as compared to the same period of the prior year.

Depreciation Expense

Depreciation expense of \$14.2 million for the three months ended September 30, 2012 is an increase of \$1.1 million or 8.5% as compared to the same period of the prior year.

Interest Expense - Net

Interest expense of \$6.4 million for the three months ended September 30, 2012 is a decrease of \$0.3 million or 4.5% as compared to the same period of the prior year.

RESULTS FROM OPERATIONS

Operating Income

For the three months ended September 30, 2012, DCHS recorded an operating loss of \$31.4 million (including contributions), equating to a negative operating margin of 9.8%. This compares to an operating loss of \$31.1 million and a negative operating margin of 11.1% for the same period of the prior year. Operating performance was unfavorably impacted during the three months ended September 30, 2012 by continued elevated unemployment levels in DCHS' service areas, reduced patient volumes, and lower than historical reimbursement rate increases. Operating performance was favorably impacted during the three months ended September 30,

2012 by a net benefit of \$7.2 million from the Hospital Fee Program (excluding grant payments made to CHFT).

Excess of Revenues Over Expenses (Net Income)

For the three months ended September 30, 2012, DCHS recorded a net loss of \$22.7 million, equating to a negative net margin of 6.9%. The net loss for the three months ended September 30, 2011 was \$41.7 million, which included \$10.7 million in investment losses.

FINANCIAL POSITION

Liquidity

Total cash and marketable securities of \$298.4 million as of September 30, 2012 reflect a decrease of \$77.4 million from September 30, 2011. Total unrestricted cash and marketable securities decreased to \$199.6 million as of September 30, 2012 compared to \$287.0 million as of September 30, 2011, while adjusted⁽¹⁾ unrestricted days cash on hand decreased to 56.9 days as of September 30, 2012 compared to 88.3 days as of September 30, 2011. As of September 30, 2012 DCHS had received total net cash funding related to the entire 30-month program of approximately \$5.0 million, excluding payments made to CHFT. Refer to section “CALIFORNIA HOSPITAL FEE PROGRAM” for additional information pertaining to the 30-month program.

The following table summarizes DCHS’ cash position:

	As of September 30, 2011 (\$’s in 000’s)	As of September 30, 2012 (\$’s in 000’s)
Cash and Cash Equivalents	\$117,895	\$91,543
Marketable Securities	257,906	206,869
Subtotal	375,801	298,412
Less: Restricted Portion of Cash and Marketable Securities	88,793	98,836
Total Unrestricted Cash and Marketable Securities	\$287,008	\$199,576
Unrestricted Days Cash on Hand	88.3	54.5
Adjusted Unrestricted Days Cash on Hand⁽¹⁾	88.3	56.9

⁽¹⁾ Adjusted Unrestricted Days Cash on Hand calculation for the three months ended September 30, 2012 removes \$14.5 million of Hospital Fee Program expenses from the denominator.

Patient Accounts Receivable

Net patient accounts receivable of \$155.4 million as of September 30, 2012 is an increase of \$10.9 million or 7.5% from September 30, 2011. Days in net patient accounts receivable increased to 52.6 days as of September 30, 2012 compared to 50.4 days as of September 30, 2011. The calculation for days in net patient accounts receivable as of September 30, 2012 has been adjusted to remove \$21.7 million in Hospital Fee Program revenues from the denominator.

Long-Term Debt

Net of current portion, long-term debt as of September 30, 2012 was \$459.3 million. Net of current portion, long-term debt as of September 30, 2011 was \$466.1 million. The reduction in long-term debt of \$6.7 million during the twelve months ended September 30, 2012 reflects the net impact of principal payments, amortization of bond premiums, the change in current portion of long-term debt, and the inclusion of the DCHS Medical Foundation's long-term debt. Refer to section "DEBT SERVICE – IRREVOCABLE PREPAYMENT" for additional information pertaining to long-term debt.

DAUGHTERS OF CHARITY HEALTH SYSTEM
BALANCE SHEET - UNAUDITED
AS OF SEPTEMBER 30, 2012
(In thousands)

	OBLIGATED GROUP	NON- OBLIGATED GROUP	ELIMINATIONS	DCHS TOTAL
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$15,110	\$30,644	-	\$45,754
Interest in pooled investment fund - short-term	43,288	2,501	-	45,789
Subtotal	\$58,398	\$33,145	-	\$91,543
Net patient accounts receivable	152,644	2,721	-	155,365
Due from government agencies	19,092	-	-	19,092
Due from related organizations	35,316	7,448	(42,764)	-
Other current assets	115,224	9,608	(472)	124,360
Total current assets	380,674	52,922	(43,236)	390,360
ASSETS LIMITED AS TO USE:				
Interest in pooled investment fund - long-term	121,681	13,613	-	135,294
Other investments	1,688	69,887	-	71,575
Under bond indenture agreements	40,586	-	-	40,586
Total assets limited as to use	163,955	83,500	-	247,455
PROPERTY AND EQUIPMENT, Net	365,762	6,737	-	372,499
OTHER LONG-TERM ASSETS	9,649	15,593	-	25,242
TOTAL ASSETS	\$920,040	\$158,752	(\$43,236)	\$1,035,556
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	\$28,410	\$1,307	-	\$29,717
Current portion of long-term debt	8,859	2,667	-	11,526
Pension Plan Liability - Short term	9,869	-	-	9,869
Due to government agencies	11,043	-	-	11,043
Accrued liabilities/other	114,101	21,876	(7)	135,970
Due to related organizations	7,449	29,239	(36,688)	-
Total current liabilities	179,731	55,089	(36,695)	198,125
OTHER LIABILITIES				
Pension and other long-term liabilities	265,241	42,384	(6,541)	301,084
OTHER LIABILITIES	265,241	42,384	(6,541)	301,084
LONG-TERM DEBT, Net of current portion	456,663	2,670	-	459,333
Total liabilities	901,635	100,143	(43,236)	958,542
NET ASSETS:				
Unrestricted	7,356	26,637	-	33,993
Temporarily restricted	8,306	25,753	-	34,059
Permanently restricted	2,743	6,219	-	8,962
Total net assets	18,405	58,609	-	77,014
TOTAL LIABILITIES AND NET ASSETS	\$920,040	\$158,752	(\$43,236)	\$1,035,556

DAUGHTERS OF CHARITY HEALTH SYSTEM
BALANCE SHEET - UNAUDITED
AS OF SEPTEMBER 30, 2011
(In thousands)

	OBLIGATED GROUP	NON- OBLIGATED GROUP	ELIMINATIONS	DCHS TOTAL
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$12,585	\$19,586	-	\$32,171
Interest in pooled investment fund - short-term	82,556	3,168	-	85,724
Subtotal	\$95,141	\$22,754	-	\$117,895
Net patient accounts receivable	144,068	407	-	144,475
Due from government agencies	17,541	-	-	17,541
Due from related organizations	26,255	7,630	(33,885)	-
Other current assets	88,106	7,416	(442)	95,080
Total current assets	371,111	38,207	(34,327)	374,991
ASSETS LIMITED AS TO USE:				
Interest in pooled investment fund - long-term	173,307	12,425	-	185,732
Other investments	3,091	69,083	-	72,174
Under bond indenture agreements	42,496	-	-	42,496
Total assets limited as to use	218,894	81,508	-	300,402
PROPERTY AND EQUIPMENT, Net	377,887	767	-	378,654
OTHER LONG-TERM ASSETS	10,979	5,696	-	16,675
TOTAL ASSETS	\$978,871	\$126,178	(\$34,327)	\$1,070,722
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	\$29,347	\$67	-	\$29,414
Current portion of long-term debt	10,639	-	-	10,639
Due to government agencies	1,106	-	-	1,106
Accrued liabilities/other	131,270	6,108	(1)	137,377
Due to related organizations	1,423	26,255	(27,678)	-
Total current liabilities	173,785	32,430	(27,679)	178,536
OTHER LIABILITIES				
Pension and other long-term liabilities	230,842	37,759	(6,648)	261,953
OTHER LIABILITIES	230,842	37,759	(6,648)	261,953
LONG-TERM DEBT, Net of current portion	466,076	-	-	466,076
Total liabilities	870,703	70,189	(34,327)	906,565
NET ASSETS:				
Unrestricted	92,517	24,884	-	117,401
Temporarily restricted	13,184	25,287	-	38,471
Permanently restricted	2,467	5,818	-	8,285
Total net assets	108,168	55,989	-	164,157
TOTAL LIABILITIES AND NET ASSETS	\$978,871	\$126,178	(\$34,327)	\$1,070,722

DAUGHTERS OF CHARITY HEALTH SYSTEM
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS - UNAUDITED
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012
(In thousands)

	OBLIGATED GROUP	NON- OBLIGATED GROUP	ELIMINATIONS	DCHS TOTAL
UNRESTRICTED REVENUES AND OTHER SUPPORT:				
Net patient service revenue	\$284,233	\$9,062	-	\$293,295
Premium revenue	10,293	5,467	-	15,760
Other revenue	5,880	7,288	(7,579)	5,589
Contributions	5,013	313	-	5,326
Total unrestricted revenues and other support	305,419	22,130	(7,579)	319,970
EXPENSES:				
Salaries and benefits	178,841	14,527	(3,353)	190,015
Supplies	38,729	1,862	(48)	40,543
Provision for doubtful accounts	15,008	134	-	15,142
Purchased services and other	81,208	7,881	(4,098)	84,991
Depreciation	13,864	444	(85)	14,223
Interest, net	6,445	-	-	6,445
Total expenses	334,095	24,848	(7,584)	351,359
OPERATING INCOME (LOSS)	(28,676)	(2,718)	5	(31,389)
INVESTMENT INCOME (LOSS)	7,263	1,463	(5)	8,721
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(\$21,413)	(\$1,255)	-	(\$22,668)
Net unrealized gains on investments	-	4	-	4
Net assets released from restrictions used for purchase of property and equipment	1,046	(688)	-	358
Change in pension obligations	-	-	-	-
Other	(7,655)	3,139	-	(4,516)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(28,022)	1,200	-	(26,822)
TEMPORARILY RESTRICTED NET ASSETS				
Contributions	(195)	1,452	-	1,257
Net realized and unrealized gains on investments	-	16	-	16
Net assets released from restrictions:				
Operations	(3,892)	(582)	-	(4,474)
Property, plant and equipment	(282)	(76)	-	(358)
Other	2	4,149	-	4,151
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(4,367)	4,959	-	592
PERMANENTLY RESTRICTED NET ASSETS				
Contributions	-	-	-	-
Net realized and unrealized gains on investments	94	4	-	98
Net assets released from restrictions:				
Operations	-	-	-	-
Property, plant and equipment	-	-	-	-
Other	-	-	-	-
INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS	94	4	-	98
INCREASE (DECREASE) IN NET ASSETS	(32,295)	6,163	-	(26,132)
NET ASSETS AS OF JUNE 30, 2012	50,700	\$52,446	-	\$103,146
NET ASSETS AS OF SEPTEMBER 30, 2012	\$18,405	\$58,609	-	\$77,014

DAUGHTERS OF CHARITY HEALTH SYSTEM
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS - UNAUDITED
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011
(In thousands)

	OBLIGATED GROUP	NON- OBLIGATED GROUP	ELIMINATIONS	DCHS TOTAL
UNRESTRICTED REVENUES AND OTHER SUPPORT:				
Net patient service revenue	\$262,925	\$880	-	\$263,805
Premium revenue	9,709	-	-	9,709
Other revenue	6,461	7,313	(7,754)	6,020
Contributions	1,379	263	-	1,642
Total unrestricted revenues and other support	280,474	8,456	(7,754)	281,176
EXPENSES:				
Salaries and benefits	174,801	4,735	(3,431)	176,105
Supplies	39,580	350	(26)	39,904
Provision for doubtful accounts	7,420	(1)	-	7,419
Purchased services and other	70,150	3,017	(4,190)	68,977
Depreciation	13,106	109	(109)	13,106
Interest, net	6,747	-	-	6,747
Total expenses	311,804	8,210	(7,756)	312,258
OPERATING INCOME (LOSS)	(31,330)	246	2	(31,082)
INVESTMENT INCOME (LOSS)	(9,725)	(930)	(2)	(10,657)
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(\$41,055)	(\$684)	-	(\$41,739)
Net unrealized gains on investments	-	(24)	-	(24)
Net assets released from restrictions used for purchase of property and equipment	120	-	-	120
Change in pension obligations	-	-	-	-
Other	251	(2)	-	249
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(40,684)	(710)	-	(41,394)
TEMPORARILY RESTRICTED NET ASSETS				
Contributions	10,000	2,031	-	12,031
Net realized and unrealized gains on investments	-	(68)	-	(68)
Net assets released from restrictions:				
Operations	(112)	(1,429)	-	(1,541)
Property, plant and equipment	-	(120)	-	(120)
Other	1	(41)	-	(40)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	9,889	373	-	10,262
PERMANENTLY RESTRICTED NET ASSETS				
Contributions	-	-	-	-
Net realized and unrealized gains on investments	(157)	(13)	-	(170)
Net assets released from restrictions:				
Operations	-	-	-	-
Property, plant and equipment	-	-	-	-
Other	-	-	-	-
INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS	(157)	(13)	-	(170)
INCREASE (DECREASE) IN NET ASSETS	(30,952)	(350)	-	(31,302)
NET ASSETS AS OF JUNE 30, 2011	139,120	\$56,339	-	\$195,459
NET ASSETS AS OF SEPTEMBER 30, 2011	\$108,168	\$55,989	-	\$164,157

DAUGHTERS OF CHARITY HEALTH SYSTEM
STATEMENT OF CASH FLOWS - UNAUDITED
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012
(In thousands)

	OBLIGATED GROUP	NON- OBLIGATED GROUP	ELIMINATIONS	DCHS TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Changes in net assets	(\$32,295)	\$6,163	-	(\$26,132)
Depreciation	13,864	444	(85)	14,223
Provision for doubtful accounts	15,008	134	-	15,142
Patient accounts receivable	(11,963)	548	-	(11,415)
Due to/from government agencies	(7,772)	-	-	(7,772)
Due to/from related organizations	(2,566)	(2,195)	4,761	-
Other current assets	15,359	4,364	(1,781)	17,942
Other long-term assets	256	(4,103)	-	(3,847)
Accounts payable	3,060	194	-	3,254
Accrued liabilities/other	(32,416)	(2,553)	(16)	(34,985)
Discontinued operations	-	-	-	-
Pension and other long-term liabilities	(385)	2,873	(2,964)	(476)
Total operating cash flows	(39,850)	5,869	(85)	(34,066)
CASH FLOWS FROM INVESTING ACTIVITIES				
Change in other investments	(79)	(2,324)	-	(2,403)
Change in assets under bond indenture agreements	1,267	-	-	1,267
Change in interest in pooled investment fund - short-term	27,024	46	-	27,070
Change in interest in pooled investment fund - long-term	34,681	(528)	-	34,153
Additions to property and equipment	(12,005)	(566)	85	(12,486)
Total investing cash flows	50,888	(3,372)	85	47,601
CASH FLOWS FROM FINANCING ACTIVITIES				
Long-term debt	(2,788)	137	-	(2,651)
Total financing cash flows	(2,788)	137	-	(2,651)
NET INCREASE (DECREASE) IN CASH	8,250	2,634	-	10,884
CASH AS OF JUNE 30, 2012	6,860	28,010	-	34,870
CASH AS OF SEPTEMBER 30, 2012	\$15,110	\$30,644	-	\$45,754

**DAUGHTERS OF CHARITY HEALTH SYSTEM
STATEMENT OF CASH FLOWS - UNAUDITED
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011
(In thousands)**

	OBLIGATED GROUP	NON- OBLIGATED GROUP	ELIMINATIONS	DCHS TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Changes in net assets	(\$30,952)	(\$350)	-	(\$31,302)
Depreciation	13,106	109	(109)	13,106
Provision for doubtful accounts	7,420	(1)	-	7,419
Patient accounts receivable	(4,033)	273	-	(3,760)
Due to/from government agencies	2,302	-	-	2,302
Due to/from related organizations	(3,430)	(1,468)	4,898	-
Other current assets	(7,036)	865	(1,747)	(7,918)
Other long-term assets	74	(5)	-	69
Accounts payable	376	(65)	-	311
Accrued liabilities/other	(867)	120	(23)	(770)
Discontinued operations	-	-	-	-
Pension and other long-term liabilities	5,196	3,110	(3,128)	5,178
Total operating cash flows	(17,844)	2,588	(109)	(15,365)
CASH FLOWS FROM INVESTING ACTIVITIES				
Change in other investments	159	(1,586)	-	(1,427)
Change in assets under bond indenture agreements	311	-	-	311
Change in interest in pooled investment fund - short-term	(40,274)	(336)	-	(40,610)
Change in interest in pooled investment fund - long-term	11,116	797	-	11,913
Additions to property and equipment	(7,848)	1	109	(7,738)
Total investing cash flows	(36,536)	(1,124)	109	(37,551)
CASH FLOWS FROM FINANCING ACTIVITIES				
Long-term debt	(2,766)	-	-	(2,766)
Total financing cash flows	(2,766)	-	-	(2,766)
NET INCREASE (DECREASE) IN CASH	(57,146)	1,464	-	(55,682)
CASH AS OF JUNE 30, 2011	69,731	18,122	-	87,853
CASH AS OF SEPTEMBER 30, 2011	\$12,585	\$19,586	-	\$32,171

DAUGHTERS OF CHARITY HEALTH SYSTEM
UTILIZATION STATISTICS - UNAUDITED
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011 AND 2012

	O'Connor Hospital		Saint Louise Regional Hospital		St. Francis Medical Center		St. Vincent Medical Center		Seton Medical Center		Seton Medical Center Coastside		DCHS Total	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
Total Licensed Beds	358	358	93	93	384	384	366	366	357	357	121	121	1,679	1,679
Total Available Beds	281	281	93	93	382	382	366	366	307	307	121	121	1,550	1,550
Total Discharges	2,988	2,750	924	756	4,807	4,955	2,251	2,398	1,733	1,691	20	29	12,723	12,579
Total Patient Days	11,919	11,795	3,242	2,802	24,114	23,494	11,953	13,776	13,041	10,991	8,443	9,974	72,712	72,832
Acute Licensed Beds	334	334	72	72	314	314	320	320	274	274	5	5	1,319	1,319
Acute Available Beds	257	257	72	72	312	312	253	253	224	224	5	5	1,123	1,123
Acute Discharges	2,883	2,746	924	756	4,242	4,428	1,994	2,147	1,723	1,680	0	0	11,766	11,757
Acute Patient Days	10,615	10,090	3,242	2,802	19,299	18,582	9,387	10,336	9,127	7,597	0	0	51,670	49,407
Acute Average Length of Stay	3.68	3.67	3.51	3.71	4.55	4.20	4.71	4.81	5.30	4.52	0.00	0.00	4.39	4.20

DAUGHTERS OF CHARITY HEALTH SYSTEM
BALANCE SHEET - UNAUDITED
AS OF SEPTEMBER 30, 2012
(In thousands)

	O'Connor Hospital	Saint Louise Regional Hospital	St. Francis Medical Center	St. Vincent Medical Center	Seton Medical Center	Seton Medical Center Coastside	DCHS System Office
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	\$1,970	\$1,319	\$11,288	\$1,125	\$2,159	\$1,323	(\$4,074)
Interest in pooled investment fund - short-term	10,258	906	5,020	4,569	15,111	-	7,424
Subtotal	\$12,228	\$2,225	\$16,308	\$5,694	\$17,270	\$1,323	\$3,350
Net patient accounts receivable	33,723	10,721	53,225	24,116	28,237	2,622	-
Due from government agencies	-	-	18,255	837	-	-	-
Due from related organizations	14,842	8,581	28,185	9,636	19,367	-	51,183
Other current assets	13,548	5,057	45,858	16,112	11,354	251	23,044
Total current assets	74,341	26,584	161,831	56,395	76,228	4,196	77,577
ASSETS LIMITED AS TO USE:							
Interest in pooled investment fund - long-term	18,938	235	82,846	9,936	8,941	-	785
Other investments	-	-	-	1,688	-	-	-
Under bond indenture agreements	-	-	-	-	-	-	40,586
Total assets limited as to use	18,938	235	82,846	11,624	8,941	-	41,371
PROPERTY AND EQUIPMENT, Net	64,595	26,587	140,920	79,809	48,375	2,332	3,144
OTHER LONG-TERM ASSETS	2,144	694	153	778	33	1	5,846
TOTAL ASSETS	\$160,018	\$54,100	\$385,750	\$148,606	\$133,577	\$6,529	\$127,938
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Accounts payable	\$5,197	\$1,200	\$4,954	\$5,466	\$4,988	\$169	\$6,436
Current portion of long-term debt	151	-	8,034	-	-	-	674
Pension Plan Liability-short term	\$2,670	\$282	\$4,911	\$2,006	-	-	-
Due to government agencies	(1,292)	3,735	4,799	(1,947)	1,816	3,932	-
Accrued liabilities/other	22,456	7,427	35,399	20,651	21,510	1,530	5,128
Due to related organizations	7,807	15,443	18,137	31,358	7,824	15,981	7,377
Total current liabilities	36,989	28,087	76,234	57,534	36,138	21,612	19,615
OTHER LIABILITIES							
Pension and other long-term liabilities	61,427	6,766	92,689	75,710	3,250	179	25,220
Total other liabilities	61,427	6,766	92,689	75,710	3,250	179	25,220
LONG-TERM DEBT, Net of current portion	83,439	47,030	112,587	86,917	95,167	-	31,523
Total liabilities	181,855	81,883	281,510	220,161	134,555	21,791	76,358
NET ASSETS:							
Unrestricted	(22,786)	(28,230)	102,870	(75,737)	(1,079)	(19,262)	51,580
Temporarily restricted	949	447	1,370	1,439	101	4,000	-
Permanently restricted	-	-	-	2,743	-	-	-
Total net assets	(21,837)	(27,783)	104,240	(71,555)	(978)	(15,262)	51,580
TOTAL LIABILITIES AND NET ASSETS	\$160,018	\$54,100	\$385,750	\$148,606	\$133,577	\$6,529	\$127,938

(continued)

DAUGHTERS OF CHARITY HEALTH SYSTEM
BALANCE SHEET - UNAUDITED
AS OF SEPTEMBER 30, 2012
(In thousands)

	Eliminations	Obligated Group Subtotal	Marillac Insurance Company	Caritas Business Services	All Other Entities	Eliminations	DCHS Total
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	-	\$15,110	\$16,294	\$694	\$13,656	-	\$45,754
Interest in pooled investment fund - short-term	-	43,288	-	1,693	808	-	\$45,789
Subtotal	-	\$58,398	\$16,294	\$2,387	\$14,464	-	\$91,543
Net patient accounts receivable	-	152,644	-	-	2,721	-	\$155,365
Due from government agencies	-	19,092	-	-	-	-	\$19,092
Due from related organizations	(96,478)	35,316	6,075	1,373	-	(42,764)	-
Other current assets	-	115,224	3,146	158	6,304	(472)	\$124,360
Total current assets	(96,478)	380,674	25,515	3,918	23,489	(43,236)	390,360
ASSETS LIMITED AS TO USE:							
Interest in pooled investment fund - long-term	-	121,681	-	-	13,613	-	135,294
Other investments	-	1,688	58,270	-	11,617	-	71,575
Under bond indenture agreements	-	40,586	-	-	-	-	40,586
Total assets limited as to use	-	163,955	58,270	-	25,230	-	247,455
PROPERTY AND EQUIPMENT, Net	-	365,762	-	449	6,288	-	372,499
OTHER LONG-TERM ASSETS	-	9,649	-	119	15,474	-	25,242
TOTAL ASSETS	(96,478)	\$920,040	\$83,785	\$4,486	\$70,481	(43,236)	\$1,035,556
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Accounts payable	-	\$28,410	-	-	\$1,307	-	\$29,717
Current portion of long-term debt	-	8,859	-	-	2,667	-	11,526
Pension Plan Liability-short term	-	9,869	-	-	-	-	9,869
Due to government agencies	-	11,043	-	-	-	-	11,043
Accrued liabilities/other	-	114,101	15,232	2,130	4,514	(7)	135,970
Due to related organizations	(96,478)	7,449	-	232	29,007	(36,688)	-
Total current liabilities	(96,478)	179,731	15,232	2,362	37,495	(36,695)	198,125
OTHER LIABILITIES							
Pension and other long-term liabilities	-	265,241	42,095	-	289	(6,541)	301,084
Total other liabilities	-	265,241	42,095	-	289	(6,541)	301,084
LONG-TERM DEBT, Net of current portion	-	456,663	-	-	2,670	-	459,333
Total liabilities	(96,478)	901,635	57,327	2,362	40,454	(43,236)	958,542
NET ASSETS:							
Unrestricted	-	7,356	26,458	2,124	(1,945)	-	33,993
Temporarily restricted	-	8,306	-	-	25,753	-	34,059
Permanently restricted	-	2,743	-	-	6,219	-	8,962
Total net assets	-	18,405	26,458	2,124	30,027	-	77,014
TOTAL LIABILITIES AND NET ASSETS	(96,478)	\$920,040	\$83,785	\$4,486	\$70,481	(43,236)	1,035,556

(concluded)

DAUGHTERS OF CHARITY HEALTH SYSTEM
BALANCE SHEET - UNAUDITED
AS OF SEPTEMBER 30, 2011
(In thousands)

	O'Connor Hospital	Saint Louise Regional Hospital	St. Francis Medical Center	St. Vincent Medical Center	Seton Medical Center	Seton Medical Center Coastside	DCHS System Office
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	\$1,929	\$1,458	\$985	\$704	\$3,969	\$1,425	\$2,115
Interest in pooled investment fund - short-term	2,975	455	64,233	(8,634)	13,938	-	9,589
Subtotal	\$4,904	\$1,913	\$65,218	(\$7,930)	\$17,907	\$1,425	\$11,704
Net patient accounts receivable	32,443	10,516	40,171	25,895	32,819	2,224	-
Due from government agencies	-	-	16,806	735	-	-	-
Due from related organizations	6,494	7,408	5,845	9,202	24,624	22	22,549
Other current assets	10,892	2,956	22,499	11,194	8,789	78	31,698
Total current assets	54,733	22,793	150,539	39,096	84,139	3,749	65,951
ASSETS LIMITED AS TO USE:							
Interest in pooled investment fund - long-term	45,614	215	84,837	9,069	17,460	-	16,112
Other investments	-	-	-	1,481	-	-	1,610
Under bond indenture agreements	-	-	-	-	-	-	42,496
Total assets limited as to use	45,614	215	84,837	10,550	17,460	-	60,218
PROPERTY AND EQUIPMENT, Net	74,041	23,525	148,647	78,499	47,599	2,415	3,161
OTHER LONG-TERM ASSETS	1,927	729	141	1,683	112	1	6,386
TOTAL ASSETS	\$176,315	\$47,262	\$384,164	\$129,828	\$149,310	\$6,165	\$135,716
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Accounts payable	\$6,970	\$1,464	\$3,229	\$5,446	\$7,295	\$100	\$4,843
Current portion of long-term debt	244	-	9,721	-	-	-	674
Due to government agencies	(4,186)	1,003	346	3,237	706	-	-
Accrued liabilities/other	21,237	6,490	54,437	19,889	24,504	1,595	3,118
Due to related organizations	3,149	5,498	5,004	13,480	1,333	22,535	313
Total current liabilities	27,414	14,455	72,737	42,052	33,838	24,230	8,948
OTHER LIABILITIES							
Pension and other long-term liabilities	27,778	4,921	38,149	1,753	9,113	547	148,581
Total other liabilities	27,778	4,921	38,149	1,753	9,113	547	148,581
LONG-TERM DEBT, Net of current portion	83,590	47,030	120,621	86,917	95,167	-	32,751
Total liabilities	138,782	66,406	231,507	130,722	138,118	24,777	190,280
NET ASSETS:							
Unrestricted	37,533	(19,144)	152,657	(4,120)	11,192	(18,612)	(66,989)
Temporarily restricted	-	-	-	759	-	-	12,425
Permanently restricted	-	-	-	2,467	-	-	-
Total net assets	37,533	(19,144)	152,657	(894)	11,192	(18,612)	(54,564)
TOTAL LIABILITIES AND NET ASSETS	\$176,315	\$47,262	\$384,164	\$129,828	\$149,310	\$6,165	\$135,716

(continued)

DAUGHTERS OF CHARITY HEALTH SYSTEM
BALANCE SHEET - UNAUDITED
AS OF SEPTEMBER 30, 2011
(In thousands)

	Eliminations	Obligated Group Subtotal	Marillac Insurance Company	Caritas Business Services	All Other Entities	Eliminations	DCHS Total
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	-	\$12,585	\$6,328	\$575	\$12,683	-	\$32,171
Interest in pooled investment fund - short-term	-	82,556	-	1,477	1,691	-	\$85,724
Subtotal	-	\$95,141	\$6,328	\$2,052	\$14,374	-	\$117,895
Net patient accounts receivable	-	144,068	-	-	407	-	144,475
Due from government agencies	-	17,541	-	-	-	-	17,541
Due from related organizations	(49,889)	26,255	6,206	1,424	-	(33,885)	-
Other current assets	-	88,106	2,283	195	4,938	(442)	95,080
Total current assets	(49,889)	371,111	14,817	3,671	19,719	(34,327)	374,991
ASSETS LIMITED AS TO USE:							
Interest in pooled investment fund - long-term	-	173,307	-	-	12,425	-	185,732
Other investments	-	3,091	57,732	-	11,351	-	72,174
Under bond indenture agreements	-	42,496	-	-	-	-	42,496
Total assets limited as to use	-	218,894	57,732	-	23,776	-	300,402
PROPERTY AND EQUIPMENT, Net	-	377,887	-	767	-	-	378,654
OTHER LONG-TERM ASSETS	-	10,979	-	119	5,577	-	16,675
TOTAL ASSETS	(49,889)	\$978,871	\$72,549	\$4,557	\$49,072	(34,327)	\$1,070,722
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Accounts payable	-	\$29,347	-	(\$6)	\$73	-	\$29,414
Current portion of long-term debt	-	10,639	-	-	-	-	10,639
Due to government agencies	-	1,106	-	-	-	-	1,106
Accrued liabilities/other	-	131,270	3,678	2,430	-	(1)	137,377
Due to related organizations	(49,889)	1,423	-	9	26,246	(27,678)	-
Total current liabilities	(49,889)	173,785	3,678	2,433	26,319	(27,679)	178,536
OTHER LIABILITIES							
Pension and other long-term liabilities	-	230,842	37,432	-	327	(6,648)	261,953
Total other liabilities	-	230,842	37,432	-	327	(6,648)	261,953
LONG-TERM DEBT, Net of current portion	-	466,076	-	-	-	-	466,076
Total liabilities	(49,889)	870,703	41,110	2,433	26,646	(34,327)	906,565
NET ASSETS:							
Unrestricted	-	92,517	31,439	2,124	(8,679)	-	117,401
Temporarily restricted	-	13,184	-	-	25,287	-	38,471
Permanently restricted	-	2,467	-	-	5,818	-	8,285
Total net assets	-	108,168	31,439	2,124	22,426	-	164,157
TOTAL LIABILITIES AND NET ASSETS	(49,889)	\$978,871	\$72,549	\$4,557	\$49,072	(34,327)	\$1,070,722

(concluded)

DAUGHTERS OF CHARITY HEALTH SYSTEM
STATEMENT OF OPERATIONS - UNAUDITED
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012
(In thousands)

	O'Connor Hospital	Saint Louise Regional Hospital	St. Francis Medical Center	St. Vincent Medical Center	Seton Medical Center	Seton Medical Center Coastside	DCHS System Office
UNRESTRICTED REVENUES AND OTHER SUPPORT:							
Net patient service revenue	\$65,529	\$22,130	\$82,015	\$52,830	\$57,711	\$4,018	-
Premium revenue	-	-	7,569	2,724	-	-	-
Other revenue	1,602	181	641	1,798	1,434	-	16,530
Contributions	479	400	1,338	501	102	83	2,110
Total unrestricted revenues and other support	\$67,610	\$22,711	\$91,563	\$57,853	\$59,247	\$4,101	\$18,640
EXPENSES:							
Salaries and benefits	44,860	13,819	46,982	24,989	39,067	4,193	4,931
Supplies	9,254	1,760	7,296	12,054	7,890	423	52
Provision for doubtful accounts	2,978	3,838	1,325	2,466	4,056	345	-
Purchased services and other	15,107	4,916	28,035	18,683	15,229	802	14,742
Depreciation	3,762	742	4,157	2,190	2,639	94	280
Interest, net	1,266	679	1,756	1,243	1,484	(2)	19
Total expenses	77,227	25,754	89,551	61,625	70,365	5,855	20,024
OPERATING INCOME (LOSS)	(9,617)	(3,043)	2,012	(3,772)	(11,118)	(1,754)	(1,384)
INVESTMENT INCOME (LOSS)	1,253	16	3,647	400	601	-	1,346
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(\$8,364)	(\$3,027)	\$5,659	(\$3,372)	(\$10,517)	(\$1,754)	(\$38)

(continued)

DAUGHTERS OF CHARITY HEALTH SYSTEM
STATEMENT OF OPERATIONS - UNAUDITED
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012
(In thousands)

	Eliminations	Obligated Group Subtotal	Marillac Insurance Company	Caritas Business Services	All Other Entities	Eliminations	DCHS Total
UNRESTRICTED REVENUES AND OTHER SUPPORT:							
Net patient service revenue	-	\$284,233	-	-	\$9,062	-	\$293,295
Premium revenue	-	10,293	-	-	5,467	-	15,760
Other revenue	(16,306)	5,880	2,918	4,188	182	(7,579)	5,589
Contributions	-	5,013	-	-	313	-	5,326
Total unrestricted revenues and other support	(\$16,306)	\$305,419	\$2,918	\$4,188	\$15,024	(\$7,579)	\$319,970
EXPENSES:							
Salaries and benefits	-	178,841	-	3,353	11,174	(3,353)	190,015
Supplies	-	38,729	-	48	1,814	(48)	40,543
Provision for doubtful accounts	-	15,008	-	-	134	-	15,142
Purchased services and other	(16,306)	81,208	1,667	707	5,507	(4,098)	84,991
Depreciation	-	13,864	-	85	359	(85)	14,223
Interest, net	-	6,445	-	-	-	-	6,445
Total expenses	(16,306)	\$334,095	1,667	4,193	18,988	(7,584)	351,359
OPERATING INCOME (LOSS)	-	(\$28,676)	1,251	(5)	(3,964)	5	(31,389)
INVESTMENT INCOME (LOSS)	-	\$7,263	944	5	514	(5)	8,721
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	-	(\$21,413)	\$2,195	-	(\$3,450)	-	(\$22,668)

(concluded)

DAUGHTERS OF CHARITY HEALTH SYSTEM
STATEMENT OF OPERATIONS - UNAUDITED
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011
(In thousands)

	O'Connor Hospital	Saint Louise Regional Hospital	St. Francis Medical Center	St. Vincent Medical Center	Seton Medical Center	Seton Medical Center Coastside	System Office
UNRESTRICTED REVENUES AND OTHER SUPPORT:							
Net patient service revenue	\$62,437	\$19,781	\$64,245	\$47,963	\$63,961	\$4,538	-
Premium revenue	-	-	7,375	2,334	-	-	-
Other revenue	1,399	173	1,573	1,223	1,978	63	14,378
Contributions	235	176	839	1	13	3	112
Total unrestricted revenues and other support	\$64,071	\$20,130	\$74,032	\$51,521	\$65,952	\$4,604	\$14,490
EXPENSES:							
Salaries and benefits	45,242	13,677	46,246	22,899	38,347	4,135	4,255
Supplies	9,404	2,333	7,417	10,982	9,069	358	17
Provision for doubtful accounts	9	(926)	3,941	2,148	2,056	192	-
Purchased services and other	12,264	4,369	20,427	15,360	12,715	758	18,583
Depreciation	3,970	704	3,101	2,483	2,466	95	287
Interest, net	1,306	742	1,900	1,328	1,482	(4)	(7)
Total expenses	72,195	20,899	83,032	55,200	66,135	5,534	23,135
OPERATING INCOME (LOSS)	(8,124)	(769)	(9,000)	(3,679)	(183)	(930)	(8,645)
INVESTMENT INCOME (LOSS)	(2,916)	(12)	(5,334)	(582)	(1,111)	3	227
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(\$11,040)	(\$781)	(\$14,334)	(\$4,261)	(\$1,294)	(\$927)	(\$8,418)

(continued)

DAUGHTERS OF CHARITY HEALTH SYSTEM
STATEMENT OF OPERATIONS - UNAUDITED
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011
(In thousands)

	Eliminations	Obligated Group Subtotal	Marillac Insurance Company	Caritas Business Services	All Other Entities	Eliminations	DCHS Total
UNRESTRICTED REVENUES AND OTHER SUPPORT:							
Net patient service revenue	-	\$262,925	-	-	\$880	-	\$263,805
Premium revenue	-	9,709	-	-	-	-	9,709
Other revenue	(14,326)	6,461	2,961	4,352	-	(7,754)	6,020
Contributions	-	1,379	-	-	263	-	1,642
Total unrestricted revenues and other support	(\$14,326)	\$280,474	\$2,961	\$4,352	\$1,143	(\$7,754)	\$281,176
EXPENSES:							
Salaries and benefits	-	174,801	-	3,431	1,304	(3,431)	176,105
Supplies	-	39,580	-	26	324	(26)	39,904
Provision for doubtful accounts	-	7,420	-	-	(1)	-	7,419
Purchased services and other	(14,326)	70,150	1,776	788	453	(4,190)	68,977
Depreciation	-	13,106	-	109	-	(109)	13,106
Interest, net	-	6,747	-	-	-	-	6,747
Total expenses	(14,326)	\$311,804	1,776	4,354	2,080	(7,756)	312,258
OPERATING INCOME (LOSS)	-	(\$31,330)	1,185	(2)	(937)	2	(31,082)
INVESTMENT INCOME (LOSS)	-	(\$9,725)	(49)	2	(883)	(2)	(10,657)
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	-	(\$41,055)	\$1,136	-	(\$1,820)	-	(\$41,739)

(concluded)

**DAUGHTERS OF CHARITY HEALTH SYSTEM
STATEMENT OF CASH FLOWS - UNAUDITED
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012
(In thousands)**

	O'Connor Hospital	Saint Louise Regional Hospital	St. Francis Medical Center	St. Vincent Medical Center	Seton Medical Center	Seton Medical Center Coastside	DCHS System Office
CASH FLOWS FROM OPERATING ACTIVITIES							
Changes in net assets	(\$9,756)	(\$4,637)	(\$6,890)	(\$5,259)	(\$10,908)	(\$1,749)	\$6,904
Depreciation	3,762	742	4,157	2,190	2,639	94	280
Provision for doubtful accounts	2,978	3,838	1,325	2,466	4,056	345	-
Patient accounts receivable	(685)	(3,311)	(5,205)	(669)	(1,746)	(347)	-
Due to/from government agencies	(317)	113	(8,284)	(338)	(10)	1,064	-
Due to/from related organizations	(2,783)	4,870	4,824	4,278	6,614	2,109	(22,478)
Other current assets	1,708	(118)	9,924	776	698	(112)	2,483
Other long-term assets	70	123	(42)	(76)	-	-	181
Accounts payable	(135)	(142)	1,485	1,273	619	(12)	(28)
Accrued liabilities/other	(6,890)	(1,227)	(14,961)	(3,804)	(5,652)	(13)	131
Pension and other long-term liabilities	11	3	(142)	421	(19)	-	(659)
Total operating cash flows	(12,037)	254	(13,809)	1,258	(3,709)	1,379	(13,186)
CASH FLOWS FROM INVESTING ACTIVITIES							
Change in other investments	-	-	-	(79)	-	-	-
Change in assets under bond indenture agreements	-	-	-	-	-	-	1,267
Change in interest in pooled investment fund - short-term	(3,787)	979	22,825	4,280	(6,791)	-	9,518
Change in interest in pooled investment fund - long-term	19,133	(9)	6,494	(385)	9,446	-	2
Additions to property and equipment	(1,870)	(1,435)	(2,463)	(4,102)	(2,276)	(67)	208
Total investing cash flows	13,476	(465)	26,856	(286)	379	(67)	10,995
CASH FLOWS FROM FINANCING ACTIVITIES							
Long-term debt	(37)	-	(2,465)	-	-	-	(286)
Total financing cash flows	(37)	-	(2,465)	-	-	-	(286)
NET INCREASE (DECREASE) IN CASH	1,402	(211)	10,582	972	(3,330)	1,312	(2,477)
CASH AS OF JUNE 30, 2012	568	1,530	706	153	5,489	11	(1,597)
CASH AS OF SEPTEMBER 30, 2012	\$1,970	\$1,319	\$11,288	\$1,125	\$2,159	\$1,323	(\$4,074)

(continued)

**DAUGHTERS OF CHARITY HEALTH SYSTEM
STATEMENT OF CASH FLOWS - UNAUDITED
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012
(In thousands)**

	Eliminations	Obligated Group Subtotal	Marillac Insurance Company	Caritas Business Services	All Other Entities	Eliminations	DCHS Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Changes in net assets	-	(\$32,295)	\$2,195	-	\$3,968	-	(\$26,132)
Depreciation	-	13,864	-	85	359	(85)	14,223
Provision for doubtful accounts	-	15,008	-	-	134	-	15,142
Patient accounts receivable	-	(11,963)	-	-	548	-	(11,415)
Due to/from government agencies	-	(7,772)	-	-	-	-	(7,772)
Due to/from related organizations	-	(2,566)	(4,766)	390	2,181	4,761	-
Other current assets	-	15,359	3,957	(11)	418	(1,781)	17,942
Other long-term assets	-	256	-	-	(4,103)	-	(3,847)
Accounts payable	-	3,060	-	(2)	196	-	3,254
Accrued liabilities/other	-	(32,416)	(3,180)	(38)	665	(16)	(34,985)
Pension and other long-term liabilities	-	(385)	2,964	-	(91)	(2,964)	(476)
Total operating cash flows	-	(39,850)	1,170	424	4,275	(85)	(34,066)
CASH FLOWS FROM INVESTING ACTIVITIES							
Change in other investments	-	(79)	(1,403)	-	(921)	-	(2,403)
Change in assets under bond indenture agreements	-	1,267	-	-	-	-	1,267
Change in interest in pooled investment fund - short-term	-	27,024	-	(915)	961	-	27,070
Change in interest in pooled investment fund - long-term	-	34,681	-	-	(528)	-	34,153
Additions to property and equipment	-	(12,005)	-	(6)	(560)	85	(12,486)
Total investing cash flows	-	50,888	(1,403)	(921)	(1,048)	85	47,601
CASH FLOWS FROM FINANCING ACTIVITIES							
Long-term debt	-	(2,788)	-	-	137	-	(2,651)
Total financing cash flows	-	(2,788)	-	-	137	-	(2,651)
NET INCREASE (DECREASE) IN CASH	-	8,250	(233)	(497)	3,364	-	10,884
CASH AS OF JUNE 30, 2012	-	6,860	16,527	1,191	10,292	-	34,870
CASH AS OF SEPTEMBER 30, 2012	-	\$15,110	\$16,294	\$694	\$13,656	-	\$45,754

(concluded)

**DAUGHTERS OF CHARITY HEALTH SYSTEM
STATEMENT OF CASH FLOWS - UNAUDITED
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011
(In thousands)**

	O'Connor Hospital	Saint Louise Regional Hospital	St. Francis Medical Center	St. Vincent Medical Center	Seton Medical Center	Seton Medical Center Coastside	DCHS System Office
CASH FLOWS FROM OPERATING ACTIVITIES							
Changes in net assets	(\$11,100)	(\$781)	(\$14,221)	(\$4,418)	(\$1,294)	(\$927)	\$1,789
Depreciation	3,970	704	3,101	2,483	2,466	95	287
Provision for doubtful accounts	9	(926)	3,941	2,148	2,056	192	-
Patient accounts receivable	686	3,013	(3,222)	(5,742)	1,406	(174)	-
Due to/from government agencies	(1,171)	(937)	4,663	(424)	171	-	-
Due to/from related organizations	1,871	1,044	1,350	2,368	(1,433)	3,079	(11,709)
Other current assets	773	(500)	(2,478)	173	190	47	(5,241)
Other long-term assets	112	44	644	(870)	11	-	133
Accounts payable	1,063	132	(131)	393	1,547	(607)	(2,021)
Accrued liabilities/other	(2,665)	(545)	5,944	747	(3,284)	(193)	(871)
Pension and other long-term liabilities	369	102	621	64	319	19	3,702
Total operating cash flows	(6,083)	1,350	212	(3,078)	2,155	1,531	(13,931)
CASH FLOWS FROM INVESTING ACTIVITIES							
Change in other investments	-	-	-	159	-	-	-
Change in assets under bond indenture agreements	-	-	-	-	-	-	311
Change in interest in pooled investment fund - short-term	(429)	(2,412)	(37,411)	432	(7,963)	-	7,509
Change in interest in pooled investment fund - long-term	2,926	14	5,441	582	1,120	-	1,033
Additions to property and equipment	(1,189)	(918)	(1,987)	(2,516)	(1,493)	(73)	328
Total investing cash flows	1,308	(3,316)	(33,957)	(1,343)	(8,336)	(73)	9,181
CASH FLOWS FROM FINANCING ACTIVITIES							
Long-term debt	(34)	-	(2,419)	-	-	-	(313)
Total financing cash flows	(34)	-	(2,419)	-	-	-	(313)
NET INCREASE (DECREASE) IN CASH	(4,809)	(1,966)	(36,164)	(4,421)	(6,181)	1,458	(5,063)
CASH AS OF JUNE 30, 2011	6,738	3,424	37,149	5,125	10,150	(33)	7,178
CASH AS OF SEPTEMBER 30, 2011	\$1,929	\$1,458	\$985	\$704	\$3,969	\$1,425	\$2,115

(continued)

**DAUGHTERS OF CHARITY HEALTH SYSTEM
STATEMENT OF CASH FLOWS - UNAUDITED
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011
(In thousands)**

	Eliminations	Obligated Group Subtotal	Marillac Insurance Company	Caritas Business Services	All Other Entities	Eliminations	DCHS Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Changes in net assets	-	(\$30,952)	\$1,136	-	(\$1,486)	-	(\$31,302)
Depreciation	-	13,106	-	109	-	(109)	13,106
Provision for doubtful accounts	-	7,420	-	-	(1)	-	7,419
Patient accounts receivable	-	(4,033)	-	-	273	-	(3,760)
Due to/from government agencies	-	2,302	-	-	-	-	2,302
Due to/from related organizations	-	(3,430)	(4,897)	401	3,028	4,898	-
Other current assets	-	(7,036)	1,260	(10)	(385)	(1,747)	(7,918)
Other long-term assets	-	74	-	-	(5)	-	69
Accounts payable	-	376	-	(6)	(59)	-	311
Accrued liabilities/other	-	(867)	327	(192)	(15)	(23)	(770)
Pension and other long-term liabilities	-	5,196	3,128	-	(18)	(3,128)	5,178
Total operating cash flows	-	(17,844)	954	302	1,332	(109)	(15,365)
CASH FLOWS FROM INVESTING ACTIVITIES							
Change in other investments	-	159	(917)	-	(669)	-	(1,427)
Change in assets under bond indenture agreements	-	311	-	-	-	-	311
Change in interest in pooled investment fund - short-term	-	(40,274)	-	(422)	86	-	(40,610)
Change in interest in pooled investment fund - long-term	-	11,116	-	-	797	-	11,913
Additions to property and equipment	-	(7,848)	-	1	-	109	(7,738)
Total investing cash flows	-	(36,536)	(917)	(421)	214	109	(37,551)
CASH FLOWS FROM FINANCING ACTIVITIES							
Long-term debt	-	(2,766)	-	-	-	-	(2,766)
Total financing cash flows	-	(2,766)	-	-	-	-	(2,766)
NET INCREASE (DECREASE) IN CASH	-	(57,146)	37	(119)	1,546	-	(55,682)
CASH AS OF JUNE 30, 2011	-	69,731	6,291	694	11,137	-	87,853
CASH AS OF SEPTEMBER 30, 2011	-	\$12,585	\$6,328	\$575	\$12,683	-	\$32,171

(concluded)