CONSOLIDATED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

OhioHealth Corporation

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

OhioHealth Corporation

Consolidated Financial Statements and Other Financial Information

Years ended June 30, 2013 and 2012

Contents

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Independent Auditor's Report

To the Board of Directors
OhioHealth Corporation

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of OhioHealth Corporation (OhioHealth or the "Corporation") and its subsidiaries, which comprise the consolidated balance sheet 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 financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

To the Board of Directors
OhioHealth Corporation

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of OhioHealth Corporation and its subsidiaries as of June 30, 2013 and 2012 and the results of its operations and changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the consolidated financial statements, the Corporation adopted the provisions of Accounting Standards Update 2011-07, *Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and Allowance for Doubtful Accounts for Certain Health Care Entities,* during 2013. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2013 on our consideration of the OhioHealth Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OhioHealth Corporation's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 1, 2013

OhioHealth Corporation

Consolidated Balance Sheets

	June 30			
	2013		2012	
	(In Thousands)			
Assets				
Current Assets				
Cash and Cash Equivalents	**$**	**172,537**	$	144,989
Patient Accounts Receivable, Less Allowances				
for Doubtful Accounts ($127,329 in 2013, $108,243 in 2012)		**271,410**		252,898
Other Receivables		**26,132**		18,369
Inventories		**32,227**		30,755
Other Current Assets		**36,250**		35,062
Total Current Assets		**538,556**		482,073
Property and Equipment, Less Accumulated				
Depreciation *(Note 3)*		**911,155**		803,499
Assets Limited As To Use *(Note 4)*				
Funds Held by Trustee		**26,988**		27,284
Unrestricted Foundation Investments		**29,438**		28,197
Funds Designated for Future Expansion		**2,379,356**		2,029,612
Board Designated Funds		**13,225**		12,770
Total Assets Limited As To Use		**2,449,007**		2,097,863
Other Assets				
Other		**134,246**		104,813
Total Other Assets		**134,246**		104,813
Restricted Assets				
Restricted Foundation Investments *(Note 4)*		**52,405**		48,225
Restricted Pledges		**6,717**		6,447
Total Restricted Assets		**59,122**		54,672
Total Assets	**$**	**4,092,086**	$	3,542,920

OhioHealth Corporation

Consolidated Balance Sheets

	June 30 2013	June 30 2012
	(In Thousands)	
Liabilities and Net Assets		
Current Liabilities		
Line of Credit *(Note 6)*	**$ 260**	$ 260
Current Portion of Long-Term Debt *(Note 6)*	**15,546**	13,867
Long-Term Debt Subject to Short Term Remarketing Arrangements *(Note 6)*	**92,080**	61,240
Accounts Payable	**91,368**	92,190
Wages and Benefits Payable	**155,699**	137,640
Estimated Third-Party Settlements *(Note 2)*	**24,218**	20,552
Accrued Interest Payable	**3,435**	2,986
Other Current Liabilities	**107,353**	75,005
Total Current Liabilities	**489,959**	403,740
Long-Term Liabilities		
Long-Term Debt, Net of Unamortized Bond Premium and Discount *(Note 6)*	**721,954**	638,400
Accrued Malpractice, Pension and Other *(Note 5)*	**236,233**	286,917
Interest Rate Swap Liability *(Note 7)*	**31,269**	52,362
Total Long-Term Liabilities	**989,456**	977,679
Net Assets		
Unrestricted Net Assets	**2,553,549**	2,106,829
Temporarily Restricted Net Assets	**42,621**	40,021
Permanently Restricted Net Assets	**16,501**	14,651
Total Net Assets	**2,612,671**	2,161,501
Total Liabilities and Net Assets	**$ 4,092,086**	$ 3,542,920

See accompanying notes

OhioHealth Corporation

Consolidated Statements of Operations
and Changes in Net Assets

	Year Ended June 30	
	2013	**2012**
	(In Thousands)	
Revenues		
Patient Service Revenue Net of Contractual Adjustments *(Note 9)*	**$ 2,548,053**	$ 2,394,433
Provision for Bad Debts	**(111,439)**	(99,120)
Patient Service Revenue Net of Bad Debts	**2,436,614**	2,295,313
Operating Income from Equity Ventures	**7,467**	8,510
Net Assets Released from Restrictions	**5,237**	4,805
Other Revenues	**79,211**	62,972
Total Operating Revenues	**2,528,529**	2,371,600
Operating Expenses		
Salaries and Wages	**1,092,582**	996,479
Employee Benefits	**251,992**	233,923
Drugs and Supplies	**393,658**	372,788
Purchased Services	**269,936**	243,271
Depreciation and Amortization	**123,045**	113,999
Interest	**20,092**	20,689
Other	**162,047**	161,294
Total Operating Expenses	**2,313,352**	2,142,443
Net Operating Income	**215,177**	229,157
Nonoperating Income (Loss)		
Interest Income, Dividends and Realized Gains *(Note 4)*	**75,699**	54,567
Change in Net Unrealized Gains (Losses) on Trading Securities *(Note 4)*	**63,192**	(18,912)
Loss on Advance Refunding of Debt *(Note 6)*	**(1,975)**	-
Change in Fair Value of Interest Rate Swaps *(Note 7)*	**20,961**	(32,484)
Nonoperating Income from Equity Ventures	**758**	914
Gain on Purchase of Remaining Interest in Joint Ventures	**5,484**	-
Contributions and Other	**1,193**	(78)
Total Nonoperating Income	**165,312**	4,007
Excess of Revenues Over Expenses	**$ 380,489**	$ 233,164

(Continued on following page)

OhioHealth Corporation

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

	Year Ended June 30	
	2013	**2012**
	(In Thousands)	
Unrestricted Net Assets		
Excess of Revenues Over Expenses	**$ 380,489**	$ 233,164
Change in Net Unrealized Gains (Losses) on Alternative Investments *(Note 4)*	**25,062**	(4,703)
Net Assets Released from Restrictions used for Purchase of Property and Equipment	**1,036**	1,835
Pension Related Changes other than Net Periodic Pension Cost	**46,577**	(80,273)
Change in Fair Value of Interest Rate Swaps *(Note 7)*	**132**	132
Other	**(6,576)**	(6,920)
Increase in Unrestricted Net Assets	**446,720**	143,235
Temporarily Restricted Net Assets		
Investment Income	**858**	675
Change in Net Unrealized Gains (Losses) on Investments *(Note 4)*	**780**	(471)
Net Assets Released from Restrictions	**(6,273)**	(6,640)
Contributions and Other	**7,235**	8,485
Increase in Temporarily Restricted Net Assets	**2,600**	2,049
Permanently Restricted Net Assets		
Contributions and Other	**1,850**	228
Increase in Permanently Restricted Net Assets	**1,850**	228
Increase in Net Assets	**451,170**	145,512
Net Assets at Beginning of Year	**2,161,501**	2,015,989
Net Assets at End of Year	**$ 2,612,671**	$ 2,161,501

See accompanying notes

OhioHealth Corporation

Consolidated Statements of Cash Flows

	Year Ended June 30	
	2013	**2012**
	(In Thousands)	
Operating Activities		
Increase in Net Assets	**$ 451,170**	$ 145,512
Adjustments to Reconcile Increase in Net Assets to Cash Provided by Operating Activities:		
Depreciation	**122,408**	113,349
Amortization	**637**	650
Bad Debt Expense	**111,439**	99,120
Contributions	**(5,759)**	(6,566)
Loss on Advance Refunding of Debt	**1,975**	-
Gain on Disposition of Assets	**(4,939)**	(2,680)
Contributions of Cash for Long-lived Assets	**(1,243)**	(3,375)
Interest Income, Dividends and Realized Gains	**(76,557)**	(55,242)
Change in Net Unrealized Gains on Investments	**(89,034)**	24,086
Gain on Purchase of Remaining Interest in Joint Ventures	**(5,484)**	-
Pension Related Changes other than Net Periodic Pension Cost	**(46,577)**	80,273
Change in Fair Value of Interest Rate Swaps	**(21,093)**	32,352
Cash (Used for) Provided by Operating Assets and Liabilities		
Patient Accounts Receivable	**(129,951)**	(124,153)
Inventories, Other Receivables and Other Assets	**(36,984)**	(21,737)
Estimated Third-Party Settlements	**3,666**	(7,589)
Accounts Payable, Accrued Interest Payable and Other Current Liabilities	**36,914**	8,988
Wages and Benefits Payable	**18,059**	(11,195)
Accrued Malpractice and Other	**(4,107)**	8,489
Net Cash Provided by Operating Activities	**324,540**	280,283
Investing Activities		
Additions to Property and Equipment, Net	**(219,165)**	(168,442)
Contributions of Cash for Long-lived Assets	**1,243**	3,375
Purchases of Assets Limited As To Use and Restricted Assets	**(5,415,403)**	(7,216,518)
Sales of Assets Limited As To Use and Restricted Assets	**5,231,159**	7,067,144
Business Acquisition - Net of Cash Acquired	**(12,799)**	-
Net Cash Used for Investing Activities	**(414,965)**	(314,441)
Financing Activities		
Proceeds from Long-Term Debt Obligations	**246,456**	-
Refunding of Long-Term Debt Obligations	**126,838**	-
Principal Payments on Long-Term Debt Obligations	**(255,321)**	(11,093)
Net Cash Provided (Used For) by Financing Activities	**117,973**	(11,093)
Increase (Decrease) in Cash and Cash Equivalents	**27,548**	(45,252)
Cash and Cash Equivalents at Beginning of Year	**144,989**	190,241
Cash and Cash Equivalents at End of Year	**$ 172,537**	$ 144,989

See accompanying notes

1. Organization

OhioHealth Corporation (OhioHealth or the Corporation) is a nonprofit corporation organized under the laws of the State of Ohio. The sole member of OhioHealth is the West Ohio Conference of The United Methodist Church. OhioHealth operates general acute care hospitals including: Grant Medical Center (Grant), Riverside Methodist Hospital (Riverside), and Doctors Hospital (Doctors) each in Columbus, Ohio; and the Dublin Methodist Hospital (Dublin) in Dublin, Ohio. OhioHealth also operates several outpatient facilities. OhioHealth is the parent organization and sole voting member of the following Ohio nonprofit corporations: Grady Memorial Hospital (Grady), Marion General Hospital, Inc. (Marion), Hardin Memorial Hospital (Hardin), HomeReach and Subsidiary (HomeReach), and Doctors Health Corporation of Nelsonville (Nelsonville). In addition, OhioHealth is the parent organization and sole corporate member of OhioHealth Star Corporation (OhioHealth Star), an Ohio for-profit corporation, Intel Health Services Insurance Co., Ltd., OhioHealth Foundation, Inc., OhioHealth Research Institute, and Hospital Properties, Inc., and is the beneficial owner of all of the issued and outstanding shares of Grant/Riverside Medical Care Foundation, D.B.A. OhioHealth Physician Group.

Grady, an Ohio nonprofit corporation, is the parent organization and sole voting member of Healthworks LLC, an Ohio nonprofit SMLLC. On January 1, 2013, GM Health Services, Inc. and Grady Anesthesia Services, Inc. were merged into Healthworks LLC.

Nelsonville and Marion are Ohio nonprofit corporations. OhioHealth Corporation is the sole member of Nelsonville and Marion. On August 1, 2012, Marion purchased the remaining interest in the joint ventures of Marion Area Health Center (MAHC) and Marion Ancillary Services (MAS). Also, on October 28, 2012, the Corporation purchased the assets of Smith Clinic, a nonprofit corporation that employs physicians.

Hardin, an Ohio nonprofit corporation, is the sole voting member of Hardin Memorial Hospital Foundation. HardinCare, Inc. is a for-profit wholly owned subsidiary of Hardin. Hardin is also the sole voting member of Hardin Physician Foundation, Inc. (the Physician Foundation). The Physician Foundation is an Ohio professional association, which employs physicians qualified and licensed to practice medicine in the state of Ohio. The Physician Foundation provides Hardin with physicians to render medical education services in addition to operating several clinics.

HomeReach, an Ohio nonprofit corporation, is the parent and sole voting member of HomeReach HomeCare (HomeCare). HomeReach operates as a multidisciplinary home care

1. Organization (continued)

business, which includes hospice services, IV therapy, respiratory therapy and durable medical equipment. HomeCare operates as a certified home health agency and provides skilled nursing, home health aide and various rehabilitation services.

OhioHealth Star is an Ohio for-profit corporation.

Intel Health Services Insurance Co., Ltd, is a wholly-owned for-profit captive insurance corporation.

OhioHealth Foundation, Inc. is an Ohio nonprofit corporation that conducts fund-raising activities for the benefit and support of Grant, Riverside, Doctors, Dublin, Grady, and HomeReach.

OhioHealth Research Institute is a nonprofit corporation that supports medical research at OhioHealth's hospitals.

Hospital Properties, Inc. is a nonprofit corporation that maintains properties related to the operations of the Corporation.

Grant/Riverside Medical Care Foundation, Inc, D.B.A. OhioHealth Medical Specialty Foundation, is a nonprofit corporation that employs physicians who practice at Corporation hospitals.

2. Significant Accounting Policies

The significant accounting policies used in the consolidated financial statements are summarized below.

Principles of Consolidation

The consolidated financial statements include the accounts of OhioHealth and its subsidiaries (the Corporation). All significant intercompany balances and transactions have been eliminated.

Cash Equivalents

The Corporation considers investments, classified as current assets, with a maturity of three months or less when purchased to be cash equivalents. The Corporation's cash and cash equivalents falls into two categories, highly rated money market mutual funds, which invest in only highly rated, short-term fixed income securities; and deposits at banking institutions. Historically, the only Federal insurance provided to cover any of these funds was $250,000

2. Significant Accounting Policies (continued)

Cash Equivalents (continued)

per account for funds on deposit in banks provided through the Federal Deposit Insurance Corporation ("FDIC"). However, as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the FDIC had temporarily expanded insurance coverage to all deposits in banking institutions to an unlimited amount until December 31, 2012. This expanded coverage lapsed at that time and reverted to the original maximum amount of $250,000. Therefore, the Corporation's assets are again insured at the $250,000 maximum, with the excess being uninsured in banking deposits and highly rated money market mutual funds.

Accounts Receivable

Accounts receivable for patients, insurance companies, and governmental agencies are based on gross charges. An allowance for contractual adjustments is based on expected payment rates from payors based on current reimbursement methodologies. This amount also includes amounts received as interim payments against unpaid claims by certain payors. An allowance for uncollectible accounts is established on an aggregate basis by using historical write-off rate factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and adjusted for economic conditions and other trends affecting the Corporation's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible.

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Corporation records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (including uninsured discount) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts in the period they are determined to be uncollectable.

Third-Party Reimbursement

The Corporation is a provider of services under contractual arrangements with the Medicare and Medicaid programs. In addition, the Corporation has other third-party reimbursement arrangements. Net patient service revenues include amounts estimated to be reimbursable by these programs under the provisions of various payment formulas. Amounts received by the Corporation for treatment of patients covered by such programs are generally less than the

2. Significant Accounting Policies (continued)

Third-Party Reimbursement (continued)

established billing rates. The differences between established billing rates and amounts received are deducted in arriving at net patient service revenues.

Amounts earned under the Medicare and Medicaid contractual arrangements are subject to audit by appropriate government authorities or their agents. Adequate provision has been made in the financial statements for any adjustments that may result from such audits. At June 30, 2013, final determinations have not been made for all entities for 2009 through 2013 for Medicare and 2008 through 2013 for Medicaid. The amounts reported on the financial statements represent estimated settlements outstanding at June 30, 2013 and 2012. Gains related to prior year settlement and other reserve estimates resulted in an increase to net operating income in 2013 and 2012 of approximately $13,813,000 and $17,960,000, respectively. Medicare, Medicaid and Anthem represented approximately 55% and 56% of Corporation's net patient service revenues for the years ended June 30, 2013 and 2012, respectively.

The Medicare program has initiated a Recovery Audit Contractor (RAC) initiative, whereby claims subsequent to October 1, 2007 can be reviewed by contractors for validity, accuracy and proper documentation. The RAC program began for Ohio hospitals in late 2009. The Corporation charged approximately $9,234,000 and $7,215,000 to contractual deductions related to RAC for the years ended June 30, 2013 and 2012, respectively.

In the health care industry, laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Corporation believes that it is in substantial compliance with all applicable laws and regulations. Compliance with health care industry laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. As a result, there is a less than probable but greater than remote possibility as described in the accounting standards regarding the recognition of contingencies that recorded estimates will change by a material amount in the near term.

Inventories

Inventories are determined by physical count and are valued at the lower of cost or market. Inventories, generally consisting of surgical supplies, are accounted for using a weighted-average costing method. All other inventory costs are determined on the first-in, first-out method.

2. Significant Accounting Policies (continued)

Property and Equipment

Additions to property and equipment have been recorded at cost, or at fair market value if acquired by gift. The carrying amounts of assets sold, retired, or otherwise disposed of and the related allowances for depreciation are eliminated from the accounts and any resulting gain or loss is included in other operating revenues (expense) as a gain (loss) on disposition of assets. Depreciation of property and equipment is provided by annual charges to expense on a straight-line basis over the estimated useful lives of the assets. Equipment under capital leases is depreciated over the shorter of the estimated useful lives or lease terms. The estimated useful lives of buildings and improvements vary generally from 10 to 40 years and the estimated useful lives of equipment vary generally from 3 to 10 years.

Goodwill

The recorded amounts of goodwill from prior business combinations are based on management's best estimates of the fair value of assets acquired and liabilities assumed at the acquisition date. Annually, the Corporation assesses goodwill for impairment. No impairment charge was recognized in the years ended June 30, 2013 and June 30, 2012.

Electronic Health Record Technology (EHR)

The American Recovery and Reinvestment Act of 2009 (ARRA) established funding in order to provide incentive payments to hospitals and physicians that implement the use of electronic health record (EHR) technology by 2014. The Corporation may receive an incentive payment for up to four years, provided the Corporation demonstrates meaningful use of certified EHR technology for the EHR reporting period. The revenues from the incentive payments are recognized over the EHR reporting period when there is reasonable assurance that the Corporation will comply with eligibility requirements during the EHR reporting period and an incentive payment will be received. The amounts are recorded within other operating revenues as the incentive payments are related to the Corporation's ongoing and central activities yet not critical to the delivery of patient service.

During 2013, certain OhioHealth hospitals attested to Centers for Medicare and Medicaid Services (CMS) that they had met the first stage of meaningful use criteria for the first year EHR reporting period. The incentive payments were recognized as income within other operating revenues in the amount of $15,921,000 and $4,791,000 for the years ended June 30, 2013 and 2012, respectively.

2. Significant Accounting Policies (continued)

Assets Limited As To Use and Restricted Foundation Investments

Assets limited as to use consists of funds held by trustee, unrestricted foundation investments, funds internally designated for future expansion and replacement, and board designated funds. Funds held by trustee are principally for debt service and payment of malpractice and general patient liability losses. Earnings on these funds are included in investment income. Restricted foundation investments consist of assets whose use by the Corporation has been restricted by the donor.

All investments in equity and debt securities, with the exception of alternative investments, are designated as trading securities and are recorded at fair value based upon quoted market prices. Alternative investments are designated as available for sale securities and recorded at estimated fair market value. The fair value of certain alternative investments has been estimated by the investment manager in the absence of readily ascertainable market values. Investment income or loss (including realized gains and losses on the sale of investments, losses on investments deemed to be other-than-temporary for alternative investments, interest, and dividends) is included in excess of revenues over expenses unless the income is restricted by donor or law. The change in unrealized gains and losses on trading securities are included in excess of revenues over expenses. Unrealized gains and losses on available for sale securities are excluded from excess of revenues over expenses.

Equity Investments

Investments in jointly owned companies and other investees in which the Corporation has an equity basis interest are carried at cost, adjusted for the entities proportionate share of their undistributed earnings or losses. These investments ($41,324,000 and $32,386,000 as of June 30, 2013 and 2012, respectively) are included in other assets in the accompanying balance sheets (see Note 11).

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents – The carrying amount approximates fair value because of the short maturity of those instruments.

Investments – Fair values, which are the amounts reported in the consolidated balance sheets, are based on quoted market prices. Certain alternative investments are recorded at estimated

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

fair market value, which have been estimated by the investment manager in the absence of readily ascertainable market values.

Accounts Receivable, Estimated Third-Party Settlements, Accounts Payable and Accrued Liabilities – The carrying amount reported in the consolidated balance sheets for accounts receivable, estimated third-party settlements, accounts payable and accrued liabilities approximates its fair value.

Interest Rate Swap – The fair value of the interest rate swap agreements are based on a mark to market calculation of the value of the interest rate swap contract.

Long-Term Debt – The carrying amounts of variable rate long-term debt and capital lease obligations approximate their fair values due to the nature of the obligations. The fair value of fixed rate long-term debt is estimated using comparable issues in the security market.

Malpractice and General Patient Liability Contingencies

Because of the nature of its operations, the Corporation is, at all times, subject to pending and threatened legal actions which arise in the normal course of its activities. Malpractice and general patient liability claims for incidents which may give rise to litigation have been asserted against the Corporation by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. There are also known incidents that have occurred through June 30, 2013 and June 30, 2012, respectively, that may result in the assertion of additional claims. At June 30, 2013 and June 30, 2012, an estimate of these contingent losses has been accrued. There may be other claims from unreported incidents arising from services provided to patients. The reserve for medical malpractice at June 30, 2013 and 2012 includes amounts for claims and related legal expenses for these unreported incidents. The reserve was actuarially determined by combining the Corporation's historical experience and industry data. The Corporation established a trust for the purpose of setting aside assets for the payment of claims based on actuarial funding recommendations. Under the trust agreements, the trust assets can only be used for payment of malpractice losses, related expenses and the cost of administering the trust.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time period or purpose. When a donor restriction expires, temporarily restricted net assets used for non-capital expenditures are reclassified to unrestricted net assets and are included in excess of revenues over expenses. The release of restrictions on

2. Significant Accounting Policies (continued)

Temporarily and Permanently Restricted Net Assets (continued)

temporarily restricted net assets restricted for the purchase of property and equipment are excluded from excess of revenues over expenses and are reported as an increase in unrestricted net assets.

Permanently restricted net assets have been restricted by donors to be maintained by the Corporation in perpetuity, the income from which is expendable to support health care services. The Corporation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Corporation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. All earnings on permanently restricted net assets during the years ended June 30, 2013 and 2012 have been included in nonoperating income in the years earned. The Corporation invests these funds consistent with the investment policies of the Corporation. The Corporation has a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Corporation targets a diversified asset allocation to achieve these objectives. Changes in the endowment funds (permanently restricted) are presented in the consolidated statement of changes in net assets for the years ended June 30, 2013, and 2012.

Federal Income Taxes

OhioHealth and substantially all of its subsidiaries are tax-exempt organizations as defined under various sections of the Internal Revenues Code. With respect to the taxable corporations, income taxes are insignificant in fiscal 2013 and 2012. The Corporation files all applicable federal, state and local income tax returns. Fiscal years 2010 through 2013 are subject to audit by appropriate government authorities or their agents.

Management has analyzed the tax positions taken by the Corporation and its subsidiaries and has concluded that as of June 30, 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Charity Care and Benefits to the Community

The Corporation provides medically necessary services without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policies. In assessing a patient’s ability to pay, the Corporation not only utilizes generally recognized

2. Significant Accounting Policies (continued)

Charity Care and Benefits to the Community (continued)

poverty income levels of the communities it serves, but also includes certain cases where incurred charges are significant when compared to the patient’s financial resources. Because the Corporation does not expect to receive payment of amounts determined to qualify as charity care, these amounts are not included in net patient service revenues. Charity care is determined based on established polices, using patient income to determine payment ability. The amount reflects the cost of free or discounted health services, net of contributions and other revenues received, as direct assistance for the provision of charity care. The estimated cost of providing charity services is based on a calculation which applies a ratio of cost to charges to the gross uncompensated charges associated with providing care to charity patients. The Corporation estimates that it provided $119,073,000 and $104,830,000 of services to indigent patients during 2013 and 2012, respectively.

In addition, the Corporation provides community services intended to benefit the underserved and enhance the health status of the communities it serves. These services include 24 hour a day emergency rooms, community health screenings, forums for various support groups, health education classes, speakers and publications, hospice and medical research. The Corporation has been able to achieve a greater impact in the community by partnering financial and human resources with other organizations. These expenditures include a commitment to the project to reduce infant mortality, pastoral care service, various civic sponsorships, and other community partnership programs.

The Corporation's total benefit to the community includes the cost of charity care (net of assistance received from the Hospital Care Assurance Program), unpaid cost of Medicaid, and medical education programs as well as certain programs discussed above. The Corporation's benefit to the community was approximately $257,920,000 and $230,387,000 for the years ended June 30, 2013 and 2012, respectively. In addition, the unpaid cost of Medicare of approximately $79,459,000 and $59,711,000 was provided as an uncompensated service to the community for the years ended June 30, 2013 and 2012, respectively.

Hospital Care Assurance Program

The Hospital Care Assurance Program (HCAP) provides financial assistance to hospitals for care provided to the indigent. Under HCAP, hospitals are assessed amounts, which are matched with federal funds and subsequently redistributed to the hospitals. The Corporation recognized approximately $35,069,000 and $32,189,000 in net HCAP distributions for the years ended June 30, 2013 and 2012, respectively, recorded as a component of excess of revenues over expenses.

2. Significant Accounting Policies (continued)

Operating Activities

The Corporation's primary purpose is to provide diversified health care services to the community. As such, activities related to the ongoing operations of the Corporation are classified as operating revenues. Operating revenues include those generated from direct patient care, related support services, system service fee revenues, income (loss) from equity ventures in core business patient service facilities, gains (losses) on the disposition of assets, and sundry revenues related to the operations of the Corporation. Nonoperating income (expense) includes investment income and losses, unless the income or loss is restricted by the donor, change in net unrealized gains (losses) on trading securities, realized losses deemed other than temporary on alternative investments, loss on advanced refunding of debt, change in fair value of interest rate swaps, income from non-core business equity ventures, gain on purchase of remaining interest in joint ventures, and unrestricted contributions. Excluded from the performance indicator (excess of revenues over expenses) are changes in net unrealized gains and losses on alternative investments, net assets released from restrictions used for purchase of property and equipment, and pension-related changes other than net periodic pension cost.

The Corporation provides general health care services to residents within its geographic location. Expenses related to providing these services for 2013 and 2012 include health care expenses of approximately $1,919,651,000 and $1,778,447,000 respectively, and general and administrative expenses of approximately $393,701,000 and $363,996,000, respectively.

Use of Estimates

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

Net Patient Service Revenues

The Corporation has agreements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors.

2. Significant Accounting Policies (continued)

Net Patient Service Revenues (continued)

Third-party settlements are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. For uninsured patients that do not qualify for charity care, the Corporation recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates provided by policy). On the basis of historical experience, a significant portion of the Corporation's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Corporation records a provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before provision for bad debts), recognized in the period from these major payor sources in total was $2,548,053,000 during 2013. The amount (net of contractual allowance and discounts, after provision for bad debts) is made up of amounts from third-party payors of $2,428,092,000 and amounts from self-pay payors of $8,522,000 for a total of $2,436,614,000 during 2013.

Conditional Asset Retirement Obligations

Financial accounting standards clarified when an entity is required to recognize a liability for a conditional asset retirement obligation. Management has considered the standards, specifically as it relates to its legal obligation to perform asset retirement activities on its existing properties and determined any potential exposure to be immaterial. Management believes that there is an indeterminate settlement date for the asset retirement obligations because the range of time over which the Corporation may settle the obligations is unknown and cannot be estimated. As a result, management cannot reasonably estimate the liability related to these asset retirement activities as of June 30, 2013 and 2012.

Noncontrolling Interests in Consolidated Financial Statements

The Corporation has noncontrolling interest, sometimes called a minority interest, which is the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent. In accordance with Accounting Standards Update (ASU) 2010-07 Not-for-Profit Entities (Topic 958) Not-for-Profit Entities: Mergers and Acquisitions, the Corporation consolidates excess of revenues over expenses at amounts that include the amounts attributable to both the parent and the noncontrolling interest. As a result, excess of revenues over expenses includes $7,061,000 and $4,985,000 for the years ended June 30, 2013 and June 30, 2012, respectively, attributable to noncontrolling interest.

Unrestricted net assets includes $4,794,000 and $4,578,000 for the years ended June 30, 2013 and June 30, 2012, respectively, attributable to noncontrolling interest.

2. Significant Accounting Policies (continued)

Noncontrolling Interests in Consolidated Financial Statements (continued)

The following table reflects the components of the Corporation's controlling and noncontrolling interest for the years ended June 30, 2013 and June 30, 2012, respectively (in thousands):

	Controlling Interest	Non-Controlling Interest	Total
Balance at June 30, 2011	$11,177	$5,882	$17,059
Excess of revenues over expenses	3,876	4,985	8,861
Distributions	(7,220)	(5,751)	(12,971)
Contributions and Share Exchanges	(254)	(538)	(792)
Balance at June 30, 2012	$7,579	$4,578	$12,157
Excess of revenues over expenses	8,891	7,061	15,952
Distributions	(8,122)	(6,904)	(15,026)
Contributions and Share Exchanges	139	59	198
Balance at June 30, 2013	$8,487	$4,794	$13,281

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 1, 2013, which is the date the financial statements were issued.

Letters of Intent

The Corporation has signed non-binding Letters of Intent (The Letters) with two health systems. The Letters summarize certain areas of agreement relating to possible affiliation transactions whereby the Corporation will become the sole corporate member of the two health systems. The Letters do not create or constitute any legally binding obligations whatsoever between the Corporation and the respective health systems as of the date of this report.

2. Significant Accounting Policies (continued)

New Accounting Pronouncements

During 2011, the Financial Accounting Standards Board (FASB) adopted Accounting Standards Update (ASU) 2011-07 Health Care Entities (Topic 954) *Presentation and Disclosure of Patient Service Revenues, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* establishing accounting and disclosures for healthcare entities to recognize significant amounts of patient service revenue at the time services are rendered even though the entities do not assess a patient's ability to pay. The amendments in the ASU change the presentation of the statement of operations and add new disclosures that are required under current Generally Accepted Accounting Principles for entities within the scope of this Update. The provision for bad debts associated with patient service revenue for certain entities is required to be presented on a separate line as a deduction from patient service revenue (net of contractual allowances and discounts) in the statement of operations. The ASU is effective for the Corporation for the year ending June 30, 2013 and the provision has been applied retrospectively to the year ended June 30, 2012. As a result of the retrospective application, total unrestricted revenue, gains, and other support and total operating expenses decreased by $99,120,000 with no change to excess of revenues over expenses for the year ended June 30, 2012. The update requires new disclosures be provided on a prospective basis, and have therefore been presented for the year ended June 30, 2013 only.

3. Property and Equipment

Property and equipment is summarized as follows:

	June 30	
	2013	**2012**
	(In Thousands)	
Land and land improvements	**$ 87,990**	$ 82,270
Buildings and fixed equipment	**1,060,842**	983,398
Equipment	**637,020**	608,036
Construction-in-progress	**142,623**	57,265
	1,928,475	1,730,969
Accumulated depreciation	**(1,017,320)**	(927,470)
	$ 911,155	$ 803,499

Title to certain land and buildings of the Corporation with net book value of $73,679,000 is held by various governmental agencies pursuant to lease agreements in connection with the issuance of tax-exempt revenues bonds. Since the terms of the leases are essentially equivalent to a purchase, such assets are included in property and equipment and are subject to depreciation over the lesser of the related estimated useful lives of the assets or lease term. The lease obligations have been recorded as long-term obligations. During fiscal year 2012 the Corporation began construction on the OhioHealth Neuroscience Institute at Riverside. The total cost will be approximately $322,000,000, with $218,000,000 remaining at June 30, 2013.

4. Assets Limited As To Use and Restricted Foundation Investments

Investment income is comprised of the following:

	Year ended June 30	
	2013	**2012**
	(In Thousands)	
Income:		
Interest and dividend income	**$ 52,567**	$ 47,458
Net realized gains on sales of trading securities	**23,132**	7,109
Change in net unrealized (losses)/ gains on trading securities	**63,192**	(18,912)
	$ 138,891	$ 35,655
Other changes in net assets:		
Change in net unrealized gains / (losses) on alternative investments	**$ 25,062**	$ (4,703)
Change in net unrealized (losses) /gains on investments	**780**	(471)
	$ 25,842	$ (5,174)

The Corporation is exposed to changes in fair value of foreign currency due to changes in foreign currency exchange rates. As of June 30, 2013 and 2012, the Corporation has recorded unrealized gains (losses) on foreign currency in net assets of $726,000 and ($2,269,000), respectively. All realized gains and losses on foreign currency are included in the statement of operations. The Corporation has not recorded significant realized gains or losses on foreign currency.

The following is a description of the aggregate carrying amount of investments by major type of investment carried at fair value:

	June 30	
	2013	**2012**
	(In Thousands)	
Money markets and short-term investments	**$ 49,764**	$ 30,088
U.S. Government obligations	**465,421**	649,095
Common stocks	**439,030**	371,739
Corporate bonds	**415,159**	332,616
Limited partnerships	**220,424**	184,572
Foreign equities and other	**272,471**	239,995
Asset backed and collateralized mortgage obligations (CMO)	**347,111**	97,777
Alternative investments	**292,032**	240,206
	$ 2,501,412	$ 2,146,088

Of the above amounts, $2,449,007,000 and $2,097,863,000 are classified as assets limited as to use at June 30, 2013 and 2012, respectively. $52,405,000 and $48,225,000 are classified

4. Assets Limited As To Use and Restricted Foundation Investments (continued)

as restricted foundation investments at the same respective dates in the Corporation's consolidated financial statements.

Other-Than-Temporary Declines in Investments

OhioHealth evaluates its available-for-sale holdings for other-than-temporary declines in fair value below cost basis. If an investment is determined to have an other-than-temporary decline in fair value, the unrealized losses for the investment are realized in nonoperating income.

The Corporation records all of its investments in equity and debt securities, with the exception of alternative investments, as trading securities. Alternative investments remain classified as available-for-sale securities. Unrealized losses on alternative investments were $165,000 and $368,000 as of June 30, 2013 and 2012, respectively.

Other-Than-Temporary Declines in Investments (continued)

The following table reflects OhioHealth's investment gross unrealized losses and fair value, at June 30, 2013 (in thousands):

	Loss Position for Less than 12 Months		Loss Position for 12 Months or More		Total	
Description of Securities	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Alternative investments	$1,502	$(165)	$ -	$ -	$1,502	$(165)

The following table reflects OhioHealth's investment gross unrealized losses and fair value, at June 30, 2012 (in thousands):

	Loss Position for Less than 12 Months		Loss Position for 12 Months or More		Total	
Description of Securities	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Alternative investments	$19,172	$(368)	$ -	$ -	$19,172	$(368)

For the fiscal years ended June 30, 2013 and 2012, existing impairments are temporary and no adjustments to the cost basis are deemed necessary due to the long term nature of the alternative investments. In addition, OhioHealth has the intent and ability to retain investments for a period of time sufficient to allow for the anticipated recovery in market value.

4. Assets Limited As To Use and Restricted Foundation Investments (continued)

In order to evaluate the realizable value of its investments, OhioHealth evaluates the available facts and circumstances, including the investment intent, estimated twelve month target prices, and the nature of the investment. This evaluation requires significant judgment including determinations involving the estimation of the outcome of future events, and also consists of an accumulation of factors about general market conditions which reflect prospects for the economy as a whole, the specific industries, and/or the specific securities under consideration. These factors are considered by management in determining whether the security still has earnings potential in the near future, and whether the security has an anticipated recovery in market value.

5. Pension Plans

The Corporation has separate contributory and non-contributory defined benefit pension plans for employees who meet certain requirements as to age and length of service. The following table provides a reconciliation of the changes in the Plans' projected benefit obligations and fair value of assets for the years ended June 30, 2013 and 2012, and a statement of the funded status as of June 30, 2013 and 2012.

	June 30	
	2013	**2012**
	(In Thousands)	
Change in projected benefit obligation		
Projected benefit obligation at beginning of year	**$ 533,593**	$ 432,377
Service cost	**31,948**	27,006
Interest cost	**23,839**	24,738
Actuarial (gains) losses	**(33,647)**	73,119
Benefits paid	**(22,985)**	(23,647)
Settlement (gain) or loss	**117**	-
Projected benefit obligation at end of year	**532,865**	533,593
Change in plan assets		
Fair value of plan assets at beginning of year	**370,004**	335,807
Actual return on plan assets	**23,742**	9,569
Contributions	**49,693**	48,275
Benefits paid	**(22,985)**	(23,647)
Fair value of plan assets at end of year	**420,454**	370,004
Funded status of the plan at end of year	**$ (112,411)**	$ (163,589)

5. Pension Plans (continued)

At June 30, 2013 and 2012, the Plans' accumulated benefit obligation was $481,455,000 and $473,682,000 respectively.

The components of net periodic pension expense are:

	Year ended June 30	
	2013	**2012**
	(In Thousands)	
Service cost	**$ 31,948**	$ 27,006
Interest cost	**23,839**	24,738
Expected return on plan assets	**(25,232)**	(22,629)
Net amortization	**999**	369
Net loss recognition	**13,317**	5,448
Settlement (gain) or loss recognized	**117**	-
Pension expense	**$ 44,988**	$ 34,932

The estimated net loss and prior service cost for the defined benefit pension plan that will be amortized from net assets into net periodic benefit cost over the next fiscal year is $7,979,000.

The amount of net loss and prior service cost that has not been amortized into net periodic benefit cost was $142,589,000 and $187,851,000 at June 30, 2013 and 2012, respectively. The amounts not yet reflected in net periodic benefit cost and included in unrestricted net assets are shown in the following table:

	Year ended June 30	
	2013	**2012**
Amounts not yet reflected in net periodic benefit cost and included in unrestricted net assets	**(In Thousands)**	
Transition asset or (obligation)	**$ (722)**	$ (963)
Accumulated prior service credit (cost)	**(3,195)**	(3,880)
Actuarial gains (losses)	**(138,672)**	(183,008)
Amounts not yet reflected in net periodic benefit cost and included in unrestricted net assets	**(142,589)**	(187,851)
Cumulative employer contributions in excess of net periodic pension cost	**30,178**	24,262
Funded status of the plan at end of year	**$ (112,411)**	$ (163,589)

5. Pension Plans (continued)

The assumptions used in the measurement of the Corporation's benefit obligation are shown in the following table:

	2013	2012
Assumptions - used to determine the benefit obligation as of June 30		
Discount rate	**4.50%-5.18%**	4.25%-4.57%
Rate of compensation increase	**3.00%-4.00%**	3.00%-4.00%

	2013	2012
Assumptions - used to determine net periodic pension expense for the year ended		
Discount rate	**4.25%-4.57%**	5.86%
Expected return on plan assets	**5.00%-6.60%**	5.00%-6.50%
Rate of compensation increase	**3.00%-4.00%**	3.00%-4.20%

Asset Allocation

OhioHealth's weighted–average asset allocations and mix by asset category are as follows:

	June 30			
	2013	2012	Target Range	Target
Fixed income	**50%**	43%	45%-60%	50%
Domestic and international securities	**35%**	44%	25%-40%	35%
Alternatives	**15%**	13%	10%-20%	15%
Cash equivalents	**0%**	0%	0%-5%	0%
	100%	100%		100%

OhioHealth monitors the allocation of assets on a monthly basis and utilizes a third-party investment advisor. OhioHealth's policy is to rebalance the asset allocations periodically as deemed necessary to maintain compliance with target ranges. The expected long-term rate of return on assets assumption is estimated based on expected plan returns based upon specific asset allocations, and comparing this to the historical return on plan assets.

Future Contributions

Contributions made to the Plans in fiscal year 2013 were in excess of required amounts. Estimated contributions to be made by OhioHealth into the Plans during fiscal year 2014 are $44,000,000 based on current actuarial assumptions.

5. Pension Plans (continued)

Future Benefit Payments

The benefits expected to be paid by the Plans over the next ten years, as estimated based on the same assumptions used to measure the Corporation's benefit obligation at the end of the year, are as follows:

2014	$ 29,888,000
2015	29,400,000
2016	29,677,000
2017	32,219,000
2018	33,987,000
2019-2023	212,792,000

Effective January 1, 2012, OhioHealth froze entrance for new associates to the largest non-contributory defined benefit pension plan. For associates hired after January 1, 2012, OhioHealth offers a defined contribution savings plan with an annual matching employer contribution and an automatic annual retirement contribution.

Retirement Savings Plans

The Corporation has multiple 403(b) retirement savings plans (the Retirement Plans) which include the OhioHealth Retirement Savings Plan, the Nelsonville Hospital Retirement Savings Plan, the Marion General Hospital Retirement Savings Plan, and the Hardin Memorial Hospital Retirement Savings Plan. All eligible employees who meet certain requirements as to age and length of service are eligible for the employer matching contribution, which is 50% of employee contributions ranging from 2% to 3% of the employee's salary. Expenses incurred in connection with the Retirement Plans were approximately $15,492,000 and $13,204,000 for the years ended June 30, 2013 and 2012, respectively.

5. Pension Plans (continued)

The fair values of the Corporation's defined benefit pension plan assets at June 30, 2013 and 2012 by major asset categories and the valuation techniques used by the Corporation to determine those fair values (see Note 8), are as follows:

Fair Value Measurements at June 30, 2013 (In Thousands)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset category				
Money markets and short-term investments	$ 2,524	$ -	$ -	$ 2,524
U.S. Government obligations	1,094	337	-	1,431
Common stocks	11,391	64,570	-	75,961
Corporate bonds	-	76,575	-	76,575
Asset backed and CMO	-	518	-	518
Limited partnerships	-	180,046	-	180,046
Foreign equities and other	25,614	22,254	-	47,868
Alternative investments	-	35,531	-	35,531
Total	**$ 40,623**	**$ 379,831**	**$ -**	**$ 420,454**

Fair Value Measurements at June 30, 2012 (In Thousands)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset category				
Money markets and short-term investments	$ 3,867	$ 6,300	$ -	$ 10,167
U.S. Government obligations	66,236	7,802	-	74,038
Common stocks	73,051	-	-	73,051
Corporate bonds	-	66,805	-	66,805
Asset backed and CMO	2,302	394	-	2,696
Limited partnerships	-	75,343	-	75,343
Foreign equities and other	23,138	12,795	-	35,933
Alternative investments	-	31,971	-	31,971
Total	**$ 168,594**	**$ 201,410**	**$ -**	**$ 370,004**

The Plan's policy is to recognize transfers between levels of the fair value hierarchy as of the actual date of the event of change in circumstances that caused the transfer. There were no significant transfers between levels of the fair value hierarchy during 2013 and 2012.

6. Long-Term Obligations and Notes Payable

Long-term debt and notes payable consist of the following:

Series	Description	Principal Maturities Ranges	June 30, 2013 Interest Rate	Outstanding Principal June 30 (in thousands) 2013	2012
2013	Fixed Rate Hospital Facilities Revenue Refunding and Improvement Bonds	From $2,885,000 on May 15, 2034 to $42,450,000 on May 15, 2043, the final maturity	4.33%	**$ 226,000**	$ -
2011A	Fixed Rate Hospital Facilities Revenue Bonds	From $125,000 on November 15, 2027 to $19,280,000 on November 15, 2041, the final maturity	4.98%	**$ 128,465**	$ 130,025
2011B	Variable Rate Hospital Facilities Refunding Revenue Bonds-Mandatory Tender July 12, 2017	From $10,000 on November 15, 2016 to $7,105,000 on November 15, 2033, the final maturity	5.00%	**61,205**	61,205
2011C	Variable Rate Hospital Facilities Refunding Revenue Bonds-Mandatory Tender June 4, 2014	From $10,000 on November 15, 2016 to $7,110,000 on November 15, 2033, the final maturity	0.09%	**61,240**	61,240
2011D	Variable Rate Hospital Facilities Refunding Revenue Bonds-Mandatory Tender August 1, 2016	From $20,000 on November 15, 2016 to $7,115,000 on November 15, 2033, the final maturity	4.00%	**61,295**	61,295
2009A&B	Variable Rate Demand Hospital Facilities Refunding Revenue Bonds	From $17,950,000 on November 15, 2039 to $24,350,000 on November 15, 2037, maturing on November 15, 2041	0.07%	**165,800**	165,800
2003C-1	Fixed Rate Hospital Facilities Refunding Revenue Bonds	Refunded by Series 2013 Bonds	-	**-**	86,350
2003C-2	Fixed Rate Hospital Facilities Refunding Revenue Bonds	Refunded by Series 2013 Bonds	-	**-**	33,145
2003D	Variable Rate Demand Hospital Facilities Refunding Revenue Bonds	From $240,000 on July 1, 2013 to $455,000 on July 1, 2029, the final maturity	0.06%	**11,195**	11,670
1998B	Variable Rate Demand Hospital Facilities Revenue Bonds	From $1,405,000 on December 1, 2013 to $2,765,000 on December 1, 2028, the final maturity	0.10%	**32,245**	33,590
1996A	Variable Rate Demand Hospital Facilities Refunding and Improvement Revenue Bonds	From $1,940,000 on December 1, 2013 to $3,355,000 on June 1, 2021, maturing on December 1, 2021	0.07%	**40,935**	44,735
1996B	Variable Rate Demand Hospital Facilities Refunding Revenue Bonds	From $895,000 on December 1, 2013 to $1,220,000 on December 1, 2020, the final maturity	0.07%	**15,900**	17,645
	Lines of Credit Draw	N/A	2.67%	**260**	260
	Other	Various installments	Various	**2,022**	1,569
		Total obligations		**806,562**	708,529
		Unamortized net premium and discount		**23,278**	5,238
				829,840	713,767
		Less current portion of debt		**15,806**	14,127
		Less long-term debt subject to short-term remarketing arrangements		**92,080**	61,240
		Long-term portion of debt		**$ 721,954**	$ 638,400

6. Long-Term Obligations and Notes Payable (continued)

OhioHealth and certain subsidiaries have entered into a Master Trust Indenture and formed the OhioHealth Obligated Group to accomplish common financing plans. The Obligated Group consists of the Corporation, which operates Grant, Riverside, Doctors and the Dublin facilities; and the following nonprofit corporations of which the Corporation is the sole corporate member: Grady, Marion, Hardin and Nelsonville. Pursuant to this Master Trust Indenture, each member of the OhioHealth Obligated Group is jointly and severally obligated with respect to all of the Bond obligations. The terms of the OhioHealth Obligated Group's Master Trust Indenture require the OhioHealth Obligated Group members to, among other things, comply with certain financial ratios and restrict additional encumbrances.

In May 2013, the County of Franklin, Ohio issued, on behalf of the OhioHealth Obligated Group, $226,000,000 of Hospital Facilities Revenue Refunding and Improvement Bonds, Series 2013. The Series 2013 Bond proceeds were used to finance, through reimbursement of prior capital expenditures, the acquisition, construction, installation and equipping of certain hospital facilities owned and/or operated by the Corporation and its affiliates, and to refund the Series 2003C-1 and 2003C-2 Bonds in the amounts of $86,350,000 and $33,145,000, respectively. The Corporation recorded a defeasance loss related to the refunding of Series 2003C-1 and 2003C-2 Bonds of $1,975,000 in June 2013.

In June 2011, the County of Franklin, Ohio issued, on behalf of the OhioHealth Obligated Group, $313,765,000 Revenue and Refunding Revenue Bonds consisting of $130,025,000 Hospital Facilities Revenue Bonds, Series 2011A, $61,205,000 Hospital Facilities Refunding Revenue Bonds, Series 2011B, $61,240,000 Hospital Facilities Refunding Revenue Bonds, Series 2011C, and $61,295,000 Hospital Facilities Refunding Revenue Bonds, Series 2011D. The Series 2011 Bond proceeds were used to finance and refinance, including through reimbursement of prior capital expenditures, the acquisition, construction, installation and equipping of certain hospital facilities owned and/or operated by the Corporation and its affiliates, to refund the Series 2008A Bonds in the amount of $186,700,000, to terminate a tax-exempt synthetic operating lease and to pay the costs of issuance relating to this financing.

As of June 30, 2013, the Series 2011B bonds were subject to a mandatory tender date of July 9, 2013. These bonds were remarketed on June 26, 2013 with a new mandatory tender date of July 12, 2017. Since these bonds were remarketed prior to the date the financial statements were issued, these bonds are being presented on the June 30, 2013 balance sheet as long-term debt.

As of June 30, 2012, the Series 2011B bonds were subject to a mandatory tender date of July 2, 2012. These bonds were remarketed on July 3, 2012 with a new mandatory tender date of July 9, 2013. Since these bonds were remarketed prior to the date the financial statements

6. Long-Term Obligations and Notes Payable (continued)

were issued, these bonds are being presented on the June 30, 2012 balance sheet as long-term debt.

The OhioHealth Obligated Group's Hospital Facilities Refunding Revenue Bonds, Series 2011C of $61,240,000, while subject to a long-term amortization period, the bonds are also subject to mandatory tenders in connection with the remarketing date of June 4, 2014 and accordingly are reflected under current liabilities as long-term debt subject to short term remarketing arrangements on the financial statements. To address the possibility that a material amount of these bonds would be tendered to the Corporation, steps have been taken to provide various sources of liquidity in such event, including maintaining unrestricted assets as a source of self-liquidity. In addition, the OhioHealth Obligated Group's Hospital Facilities Refunding Revenue Bonds, Series 2011D of $61,295,000 are also subject to a mandatory tender to the Corporation on August 1, 2016. The Corporation has taken steps to provide various sources of liquidity.

In February 2009, the County of Franklin, Ohio issued, on behalf of the OhioHealth Obligated Group, $82,900,000 Demand Hospital Facilities Refunding Revenue Bonds, Series 2009A and $82,900,000 Demand Hospital Facilities Refunding Revenue Bonds, Series 2009B. The Series 2009A and B Bonds were issued as variable rate demand securities. These Series 2009A and B Bonds are secured by a Standby Bond Purchase Agreement (Liquidity Facility) with an expiration date of February 24, 2014.

The owners of the 2009A and B Bonds have the option to demand payment of their outstanding bond. OhioHealth has entered into a remarketing agreement that requires the remarketing agent to utilize its best efforts to remarket any such bonds that may be tendered for payment. In the event the 2009A and B Bonds cannot be remarketed, or the Standby Bond Purchase Agreement (SBPA) expires without a replacement liquidity facility, the SBPA provides that the liquidity provider will make payment for the 2009A and B Bonds tendered. OhioHealth has an obligation to make payments to the liquidity facility provider in equal quarterly principal installments, the first such installment being payable on the first quarterly business day following the first anniversary of the draw on the facility, such that the draw is paid in full no later than the fifth anniversary of the draw.

In November 2003, the County of Franklin, Ohio issued, on behalf of the OhioHealth Obligated Group, $150,375,000, Hospital Facilities Refunding Revenue Bonds, Series 2003C-1, 2003C-2 and Series 2003D. The 2003D Bonds are secured by a letter of credit with an expiration date of January 31, 2015. The OhioHealth Obligated Group has obtained financial guaranty insurance from MBIA Insurance Corporation for the 2003 C-1 Bonds to guarantee the payment of principal and interest when due. In May 2013, the 2003 C-1 and 2003 C-2 Bonds were refunded by the Series 2013 Bonds. The owners of the 2003D Bonds

6. Long-Term Obligations and Notes Payable (continued)

have the option to demand payment of their outstanding bonds. OhioHealth has entered into a remarketing agreement that requires the remarketing agent to utilize its best efforts to remarket any such bonds that may be tendered for payment. In the event the 2003D Bonds cannot be remarketed, the letter of credit provides that the letter of credit bank will make payment for the 2003D Bonds tendered. The OhioHealth Obligated Group has an obligation to make payments to the letter of credit bank for unremarketed bonds over a period of five years from the date of a draw on the letter of credit with no principal being due in the first year.

In November 1998, the County of Franklin, Ohio issued on behalf of the Doctors OhioHealth Obligated Group $117,900,000 of County of Franklin, Ohio Hospital Facilities Revenue Bonds, Senior Series 1998A (1998A Bonds) and $46,500,000 of County of Franklin, Ohio Variable Rate Demand Hospital Facilities Revenue Bonds, Subordinate Series 1998B (1998B Bonds). The 1998A Bonds are secured by the gross revenues and a mortgage on certain properties of the Obligated Group. In addition, Doctors OhioHealth Corporation has obtained a letter of credit from a bank expiring on December 16, 2013, to guarantee payment of the 1998B Bonds outstanding principal plus 45 days accrued interest. The letter of credit also guarantees payment for any unremarketed bonds resulting from tender drawings. Doctors OhioHealth Corporation’s obligation to reimburse the letter of credit bank for draws against the letter of credit is guaranteed by OhioHealth. The final maturity of the 1998A bonds was satisfied on December 1, 2011.

The owners of the 1998B Bonds have the option to demand payment of their outstanding bonds. Doctors OhioHealth Corporation has entered into a remarketing agreement that requires the remarketing agent to utilize its best efforts to remarket any such bonds that may be tendered for payment. In the event the 1998B Bonds cannot be remarketed, the letter of credit provides that the letter of credit bank will make payment for the 1998B Bonds tendered. Doctors OhioHealth Corporation has an obligation to make payment to the letter of credit bank for unremarketed bonds by the expiration date of the letter of credit, plus any accrued interest and accordingly are reflected under current liabilities as long-term debt subject to short term remarketing arrangements on the financial statements.

In November 1996, the County of Franklin, Ohio on behalf of the OhioHealth Obligated Group issued $168,000,000 County of Franklin, Ohio Variable Rate Demand Hospital Facilities Refunding and Improvement Revenue Bonds, Series 1996 A, B and C (1996 Bonds). The OhioHealth Obligated Group has obtained letters of credit from a bank expiring on January 31, 2015, to guarantee payment of the 1996 Bonds outstanding principal plus accrued interest. The letters of credit also guarantee payment for any unremarketed bonds resulting from tender drawings. The owners of the 1996 Bonds have the option to demand payment of their outstanding bonds. OhioHealth has entered into a Remarketing Agreement

6. Long-Term Obligations and Notes Payable (continued)

which requires the remarketing agent to utilize its best efforts to remarket any such bonds that may be tendered for payment. In the event the 1996 Bonds cannot be remarketed, the letters of credit provide that the letter of credit bank will make payment for the 1996 Bonds tendered. The OhioHealth Obligated Group has an obligation to make payment to the letter of credit bank for unremarketed bonds over a period of five years from the date of a draw on the letter of credit with no principal being due in the first year. The final maturity of the 1996C bonds was satisfied on December 1, 2011.

Interest costs incurred on the above debt obligations and line of credit agreements in 2013 and 2012 were approximately $21,444,000 and $21,104,000, respectively. At June 30, 2013 and June 30, 2012, the Corporation capitalized interest costs of approximately $1,352,000 and $415,000, respectively, as part of the cost of various construction projects. Interest paid on the above debt obligations and line of credit agreements was approximately $20,996,000 and $20,015,000 for the years ended June 30, 2013 and 2012, respectively.

The fair value of fixed rate long-term debt is estimated using comparable issues in the security market. The fair values of the long-term borrowings at June 30, 2013 and 2012 were approximately $829,766,000 and $731,600,000, respectively.

Long-term obligation scheduled principal payments, excluding the lines of credit draw and capital leases, over the next five years are:

2014	$ 14,425,000
2015	15,255,000
2016	15,785,000
2017	16,865,000
2018	17,650,000

At June 30, 2013, the Corporation had no unsecured revolving lines of credit. In place of the lines of credit the Corporation entered into a commercial paper program of $100,000,000. There were no borrowings against the commercial paper program at June 30, 2013.

One of the Corporation’s joint ventures has an unsecured revolving line of credit with a bank totaling $500,000. This line of credit is at an interest rate equal to Daily LIBOR plus 250 basis points. The $500,000 line of credit expires on June 22, 2014. The borrowing against this line of credit was $260,000 at June 30, 2013.

7. Derivatives and Hedging Activities

The Corporation's objectives with respect to its use of derivative instruments include managing the risk of increased debt service resulting from rising long-term interest rates. Consistent with its interest rate risk management objectives, the Corporation entered into various interest rate swap agreements with a total outstanding notional amount of $184,650,000 at June 30, 2013 and June 30, 2012.

The following table summarized the Corporation's interest rate swap agreements:

Swap Type	Expiration Date	Corporation Receives	Corporation Pays	Notional Amount at June 30 2013	2012
				(In Thousands)	
Fixed Payor	11/14/2031	75% of 1 month LIBOR	4.17%	**$67,250**	$67,250
Fixed Payor	10/17/2031	75% of 1 month LIBOR	4.17%	**67,400**	67,400
Fixed Payor	11/15/2041	62% of 1 month LIBOR + 0.31%	2.414%	**50,000**	50,000

As of June 30, the fair value of derivatives held was as follows (in thousands):

	June 30 2013	2012
Derivatives not designated as hedging instruments		
Asset derivatives interest rate swaps	**$ 0**	$ 0
(Liability) derivatives interest rate swaps	**(31,269)**	(52,362)

For the year ended June 30, the amounts of gain or loss recognized in the consolidated statements of operations attributable to derivative instruments and their locations in the consolidated statement of operations are as follows:

Amount of gain or loss recognized on interest rate swap agreements held (in thousands):

	Amount of Gain (Loss) Recognized Year ended June 30 2013	2012	Reported in Consolidated Statement of Operations as:
Interest expense	**$ (6,380)**	$ (6,346)	Interest expense
Change in fair value of interest swap agreements	**20,961**	(32,484)	Nonoperating investment income
Total gain (loss)	**$ 14,581**	$ (38,830)	

8. Assets and Liabilities Measured at Fair Value

The following tables present information about the Corporation's assets and liabilities measured at fair value on a recurring basis at June 30, 2013 and June 30, 2012, and the valuation techniques used by the Corporation to determine those fair values.

As a basis for considering market participant assumptions in fair value measurements, accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participants assumptions (unobservable inputs classified within Level 3 of the hierarchy).

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. Level 3 inputs are estimated by the investment manager in the absence of readily ascertainable market values.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Corporation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

8. Assets and Liabilities Measured at Fair Value (continued)

Fair Value Measurements at June 30, 2013 (In Thousands)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset category				
Money markets and short-term investments (see Note 4)	$ 49,408	$ 356	$ -	$ 49,764
U.S. Government obligations	464,784	637	-	465,421
Common stocks	439,028	2	-	439,030
Corporate bonds	-	415,159	-	415,159
Asset backed and CMO	-	347,111	-	347,111
Limited partnerships	-	220,424	-	220,424
Foreign equities and other	175,719	96,752	-	272,471
Alternative investments	-	251,015	41,017	292,032
Total Assets Limited As To Use and Restricted Foundation Investments	**$ 1,128,939**	**$ 1,331,456**	**$ 41,017**	**$ 2,501,412**
Liabilities				
Swap liability	**$ -**	**$ 31,269**	**$ -**	**$ 31,269**

Fair Value Measurements at June 30, 2012 (In Thousands)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset category				
Money markets and short-term investments (see Note 4)	$ 21,697	$ 8,391	$ -	$ 30,088
U.S. Government obligations	293,996	355,099	-	649,095
Common stocks	371,737	2	-	371,739
Corporate bonds	-	332,616	-	332,616
Asset backed and CMO	-	97,777	-	97,777
Limited partnerships	-	184,572	-	184,572
Foreign equities and other	133,732	106,263	-	239,995
Alternative investments	-	208,712	31,494	240,206
Total Assets Limited As To Use and Restricted Foundation Investments	**$ 821,162**	**$ 1,293,432**	**$ 31,494**	**$ 2,146,088**
Liabilities				
Swap liability	**$ -**	**$ 52,362**	**$ -**	**$ 52,362**

8. Assets and Liabilities Measured at Fair Value (continued)

The fair value of the Level 2 fixed income securities and commingled international equity funds at June 30, 2013 and June 30, 2012 was determined primarily based on quoted market prices from the Corporation's custodial bank and the administrators of the funds.

Change in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2013 (in thousands)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	Total
Beginning balance at July1, 2012	**$ 31,494**
Total gains or losses	
Total realized gains (losses) included in excess of revenues over expenses	**(362)**
Total unrealized gains (losses) included in unrestricted net assets	**2,608**
Purchases, issuances, sales, and settlements	
Purchases	**10,892**
Sales	**(3,615)**
Ending balance at June 30, 2013	**$ 41,017**

Change in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2012 (in thousands)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	Total
Beginning balance at July1, 2011	**$ 38,053**
Total gains or losses	
Total realized gains (losses) included in excess of revenues over expenses	**(32)**
Total unrealized gains (losses) included in unrestricted net assets	**120**
Purchases, issuances, sales, and settlements	
Purchases	**4,933**
Sales	**(11,580)**
Ending balance at June 30, 2012	**$ 31,494**

The fair value of the above alternative investments at June 30, 2013 was determined primarily based on Level 3 inputs. Realized gains and losses on alternative investments are included in nonoperating income on the consolidated statements of operations. Changes in

8. Assets and Liabilities Measured at Fair Value (continued)

unrealized gains and losses on alternative investments are excluded from excess of revenues over expenses. Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets and liabilities. As a result, the unrealized gains and losses for these assets and liabilities presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs. The Corporation's policy is to recognize transfers between levels of the fair value hierarchy as of the actual date of the event of change in circumstances that caused the transfer. There were no significant transfers between levels of the fair value hierarchy during 2013 and 2012.

Alternative investments are recorded at estimated fair market value, which have been estimated by the investment manager in the absence of readily ascertainable market values.

Investments in Entities that Calculate Net Asset Value per Share

The Corporation holds shares or interests in investment companies at year end where the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company. See Note 4.

At June 30, 2013 and 2012, respectively, the fair value, unfunded commitments, and redemption rules of those investments is as follows:

	Investments Held at June 30, 2013 (In Thousands)			
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Multi-strategy hedge fund	251,015	N/A	Semi annual	95 days
Real estate funds	5,688	17,232	Not redeemable	N/A
Private equity funds	35,329	47,610	Not redeemable	N/A
Total	$ 292,032	$ 64,842		

	Investments Held at June 30, 2012 (In Thousands)			
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Multi-strategy hedge fund	$ 3,137	N/A	Quarterly	60 days
Multi-strategy hedge fund	205,575	N/A	Semi annual	95 days
Real estate funds	7,000	2,994	Not redeemable	N/A
Private equity funds	24,494	12,644	Not redeemable	N/A
Total	$ 240,206	$ 15,638		

8. Assets and Liabilities Measured at Fair Value (continued)

The multi-strategy hedge fund class invests in hedge funds that pursue multiple strategies to generate investment return, diversify risks and reduce volatility. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

The real estate funds class includes one real estate fund that invests in U.S. university student housing. The fair values of the investments in this class have been estimated using the net asset value of the company's ownership interest in partners' capital.

The private equity funds class includes two private equity funds. One invests primarily in domestic energy companies and the other invests in European and Asian private companies across a range of industries. The fair values of the investments in this class have been estimated using the net asset value of the company's ownership interest in partners' capital.

Disclosures Regarding Redemption Only Upon Liquidation

The investments in the real estate and private equity classes above can never be redeemed with the funds. Distributions from each fund will be received only as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated over the next 7 to 12 years.

9. Net Patient Service Revenues

	Year ended June 30	
	2013	**2012**
	(In Thousands)	
Charges at established rates	**$ 7,198,019**	$ 6,675,145
Deductions:		
Governmental	**2,878,163**	2,613,862
HCAP receipts	**(35,069)**	(32,189)
Non-governmental	**1,305,491**	1,256,610
Charity care	**501,381**	442,429
Total deductions	**4,649,966**	4,280,712
Patient service revenue net of contractual adjustments	**$ 2,548,053**	$ 2,394,433
Provision for bad debts	**(111,439)**	(99,120)
Patient service revenue net of bad debts	**$ 2,436,614**	$ 2,295,313

10. Commitments

The Corporation purchases laundry services under a long-term agreement expiring in 2022. The service provider is an entity in which OhioHealth is a 50% equity owner. Total expenses incurred under this contract were approximately $7,378,000 and $7,251,000 for the years ended June 30, 2013 and 2012, respectively.

The Corporation leases various equipment and facilities under operating lease arrangements. Total rental expense for the years ended June 30, 2013 and 2012 was $56,706,000 and $55,969,000, respectively. Minimum non-cancelable operating lease payments over the next five years are as follows: 2014—$36,943,000, 2015—$29,739,000, 2016—$22,521,000, 2017—$15,258,000, 2018—$11,092,000 and thereafter—$36,262,000.

11. Equity Investments

On August 1, 2012, Marion purchased the remaining interest in the joint ventures of Marion Area Health Center (MAHC) and Marion Ancillary Services (MAS) and they are now consolidated within the financial statements. Summarized unaudited financial information reported by unconsolidated entities accounted for on the equity method for the years ended June 30, 2013 and 2012 follows:

	2013	2012
	(In Thousands)	
Total assets	**$ 80,370**	$ 83,039
Total liabilities	**$ 39,109**	$ 43,186
Net revenues	**$ 121,254**	$ 177,847
Net earnings	**$ 19,342**	$ 22,648
OhioHealth's equity share	**1% - 50%**	1% - 55%
OhioHealth's share of income	**$ 8,225**	$ 9,423

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To the Board of Directors
OhioHealth Corporation

We have audited the consolidated financial statements of OhioHealth Corporation (OhioHealth or the "Corporation") as of and for the years ended June 30, 2013 and 2012. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating obligated group information in the accompanying schedules are presented for the purpose of additional analysis rather than to present the financial position, results of operations, and changes in net assets of the combined OhioHealth Obligated Group (as defined by the master trust indenture between Ohio Health Corporation and U.S. Bank National Association) and is not a required part of the consolidated financial statements. The OhioHealth Obligated Group special purpose financial statements were prepared in accordance with the accounting prescribed in the master trust indenture, and are not presented in accordance with generally accepted accounting principles. 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 consolidated financial statements. The consolidating obligated group information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

This report is intended solely for the information and use of the board of directors, management of OhioHealth Corporation, and the Trustee under the master trust indenture and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 1, 2013

OhioHealth Obligated Group

Combined Balance Sheets

	June 30 2013	2012
	(In Thousands)	
Assets		
Current Assets		
Cash and Cash Equivalents	**$ 172,394**	$ 144,893
Patient Accounts Receivable, Less Allowances for Doubtful Accounts ($119,378 in 2013, $99,050 in 2012)	**243,697**	226,064
Other Receivables	**22,192**	15,094
Inventories	**30,380**	29,959
Other Current Assets	**32,933**	31,814
Total Current Assets	**501,596**	447,824
Receivables Due from OhioHealth Affiliates	**-**	-
Property and Equipment, Less Accumulated Depreciation *(Note 3)*	**831,203**	730,441
Assets Limited As To Use *(Note 4)*		
Funds Held by Trustee	**26,988**	27,284
Funds Designated for Future Expansion	**2,368,327**	2,021,915
Total Assets Limited As To Use	**2,395,315**	2,049,199
Other Assets		
Other	**139,452**	111,529
Total Other Assets	**139,452**	111,529
Restricted Assets		
Restricted Foundation Investments *(Note 4)*	**121**	121
Restricted Pledges	**2,589**	2,388
Total Restricted Assets	**2,710**	2,509
Total Assets	**$ 3,870,276**	$ 3,341,502

OhioHealth Obligated Group

Combined Balance Sheets

	June 30 2013	June 30 2012
	(In Thousands)	
Liabilities and Net Assets		
Current Liabilities		
Line of Credit *(Note 6)*	**$ 260**	$ 260
Current Portion of Long-Term Debt *(Note 6)*	**15,463**	13,814
Long-Term Debt Subject to Short Term Remarketing Arrangements *(Note 6)*	**92,080**	61,240
Accounts Payable	**86,885**	86,894
Wages and Benefits Payable	**125,921**	116,872
Estimated Third-Party Settlements *(Note 2)*	**24,218**	20,553
Accrued Interest Payable	**3,435**	2,986
Other Current Liabilities	**96,702**	67,862
Total Current Liabilities	**444,964**	370,481
Payables Due to OhioHealth Affiliates	**839**	1,603
Long-Term Liabilities		
Long-Term Debt, Net of Unamortized Bond Premium and Discount *(Note 6)*	**721,788**	638,160
Accrued Malpractice, Pension and Other *(Note 5)*	**215,275**	269,568
Interest Rate Swap Liability *(Note 7)*	**31,269**	52,362
Total Long-Term Liabilities	**968,332**	960,090
Net Assets		
Unrestricted Net Assets	**2,453,431**	2,006,819
Temporarily Restricted Net Assets	**2,619**	2,418
Permanently Restricted Net Assets	**91**	91
Total Net Assets	**2,456,141**	2,009,328
Total Liabilities and Net Assets	**$ 3,870,276**	$ 3,341,502

See accompanying notes

OhioHealth Obligated Group

Combined Statements of Operations
and Changes in Net Assets

	Year Ended June 30	
	2013	**2012**
	(In Thousands)	
Revenues		
Patient Service Revenue Net of Contractual Adjustments	**$ 2,298,543**	$ 2,172,375
Provision for Bad Debts	**(99,822)**	(91,466)
Patient Service Revenue Net of Bad Debts	**2,198,721**	2,080,909
Operating Income from Equity Ventures	**7,467**	8,510
Other Revenues	**81,581**	58,031
Total Operating Revenues	**2,287,769**	2,147,450
Operating Expenses		
Salaries and Wages	**826,430**	771,974
Employee Benefits	**208,269**	199,024
Drugs and Supplies	**368,861**	354,619
Purchased Services	**301,868**	224,756
Depreciation and Amortization	**114,169**	106,746
Interest	**20,070**	20,652
Other	**137,147**	141,180
Total Operating Expenses	**1,976,814**	1,818,951
Net Operating Income	**310,955**	328,499
Nonoperating Income (Loss)		
Interest Income, Dividends and Realized Gains *(Note 4)*	**73,591**	52,502
Change in Net Unrealized (Losses) Gains on Trading Securities *(Note 4)*	**60,508**	(17,689)
Loss on Advance Refunding of Debt *(Note 6)*	**(1,975)**	-
Change in Fair Value of Interest Rate Swaps *(Note 7)*	**20,961**	(32,484)
Nonoperating Income from Equity Ventures	**561**	689
Gain on Purchase of Remaining Interest in Joint Ventures	**5,484**	-
Contributions and Other	**132**	(265)
Total Nonoperating Income	**159,262**	2,753
Excess of Revenues Over Expenses	**$ 470,217**	$ 331,252

(Continued on following page)

OhioHealth Obligated Group

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

	Year Ended June 30	
	2013	**2012**
	(In Thousands)	
Unrestricted Net Assets		
Excess of Revenues Over Expenses	**$ 470,217**	$ 331,252
Change in Net Unrealized Gains (Losses) on Alternative Investments *(Note 4)*	**25,062**	(4,703)
Transfers to Related Organizations	**(89,387)**	(92,543)
Pension Related Changes other than Net Periodic Pension Cost	**46,577**	(80,273)
Change in Fair Value of Interest Rate Swaps *(Note 7)*	**132**	132
Other	**(5,989)**	(7,346)
Increase in Unrestricted Net Assets	**446,612**	146,519
Temporarily Restricted Net Assets		
Contributions and Other	**201**	173
Increase in Temporarily Restricted Net Assets	**201**	173
Increase in Net Assets	**446,813**	146,692
Net Assets at Beginning of Year	**2,009,328**	1,862,636
Net Assets at End of Year	**$ 2,456,141**	$ 2,009,328

See accompanying notes

OhioHealth Obligated Group

Combined Statements of Cash Flows

	Year Ended June 30	
	2013	**2012**
	(In Thousands)	
Operating Activities		
Increase in Net Assets	**$ 446,813**	$ 146,692
Adjustments to Reconcile Increase in Net Assets to Cash Provided by Operating Activities:		
Depreciation	**113,852**	106,398
Amortization	**317**	348
Bad Debt Expense	**99,822**	91,466
Loss on Advance Refunding of Debt	**1,975**	-
Contributions of Cash for Long-lived Assets	**(1,243)**	(3,375)
Interest Income, Dividends and Realized Gains	**(73,591)**	(52,502)
Change in Net Unrealized Gains on Investments	**(85,570)**	22,392
Gain on Purchase of Remaining Interest in Joint Ventures	**(5,484)**	-
Pension Related Changes other than Net Periodic Pension Cost	**(46,577)**	80,273
Change in Fair Value of Interest Rate Swaps	**(21,093)**	32,352
Cash (Used for) Provided by Operating Assets and Liabilities		
Patient Accounts Receivable	**(117,455)**	(116,013)
Inventories, Other Receivables and Other Assets	**(33,369)**	(21,727)
Estimated Third-Party Settlements	**3,665**	(7,588)
Accounts Payable, Accrued Interest Payable and Other Current Liabilities	**29,280**	7,569
Receivable/Payable due from/to OhioHealth Affiliates	**(764)**	(13,162)
Wages and Benefits Payable	**9,049**	(10,550)
Accrued Malpractice and Other	**(7,717)**	8,217
Net Cash Provided by Operating Activities	**311,910**	270,790
Investing Activities		
Additions to Property and Equipment, Net	**(203,715)**	(122,555)
Contributions of Cash for Long-lived Assets	**1,243**	3,375
Purchases of Assets Limited As To Use and Restricted Assets	**(5,179,774)**	(6,915,647)
Sales of Assets Limited As To Use and Restricted Assets	**4,992,618**	6,744,882
Business Acquisition - Net of Cash Acquired	**(12,799)**	-
Net Cash Used for Investing Activities	**(402,427)**	(289,946)
Financing Activities		
Proceeds from Long-Term Debt Obligations	**246,456**	-
Refunding of Long-Term Debt Obligations	**126,838**	-
Principal Payments on Long-Term Debt Obligations	**(255,277)**	(10,827)
Net Cash Provided by (Used for) Financing Activities	**118,017**	(10,827)
Increase (Decrease) in Cash and Cash Equivalents	**27,500**	(29,983)
Cash and Cash Equivalents at Beginning of Year	**144,893**	174,876
Cash and Cash Equivalents at End of Year	**$ 172,393**	$ 144,893

See accompanying notes