Temple University Health System

Consolidated Financial Statements as of and for the Years Ended June 30, 2013 and 2012, Supplemental Schedules as of and for the Year Ended June 30, 2013, and Independent Auditors' Report

TEMPLE UNIVERSITY HEALTH SYSTEM

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Temple University Health System, Inc.
Philadelphia, Pennsylvania

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Temple University Health System (a wholly owned subsidiary of Temple University — Of the Commonwealth System of Higher Education) and its subsidiaries (the "Health System"), which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' 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. 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 Health System'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 Health System'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 opinion.

Opinion

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

Emphasis-of-Matter

As discussed in Note 2 to the consolidated financial statements, the Health System adopted the requirements of accounting guidance related to the presentation of the provision for bad debts in the 2013 and 2012 consolidated statements of operations. Our opinion is not modified with respect to this matter.

Report on Supplementary Consolidating Schedules

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating schedules on pages 49–56 are presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies, and are not a required part of the consolidated financial statements. These schedules are the responsibility of the Company's management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such schedules have been subjected to the auditing procedures applied in our audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such schedules 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, such schedules are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Deloitte & Touche LLP

October 23, 2013

TEMPLE UNIVERSITY HEALTH SYSTEM

CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2013 AND 2012
(In thousands)

	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 110,936	$ 103,590
Patient accounts receivable — net of allowance for doubtful accounts of $30,165 in 2013 and $23,784 in 2012	148,807	118,707
Other receivables — net of allowance for doubtful accounts of $698 in 2013 and $542 in 2012	40,061	25,482
Inventories and other current assets	33,086	25,235
Current portion of assets limited as to use	46,815	21,610
Investments	204,894	159,804
Current portion of workers' compensation fund	5,960	6,423
Current portion of self-insurance program receivables	1,900	12,200
Expenditures reimbursable by research grants and awards	5,788	-
Total current assets	598,247	473,051
PROPERTY, PLANT AND EQUIPMENT:		
Land and land improvements	13,750	9,008
Buildings	431,534	402,364
Fixed and movable equipment	404,382	366,396
Construction-in-progress	18,764	6,597
	868,430	784,365
Less accumulated depreciation	531,313	521,837
Net property, plant and equipment	337,117	262,528
ASSETS LIMITED AS TO USE	181,923	85,646
INVESTMENTS	32,835	46,414
WORKERS' COMPENSATION FUND	6,847	4,684
ESTIMATED SETTLEMENT WITH THIRD-PARTY PAYORS	1,582	119
SELF-INSURANCE PROGRAM RECEIVABLES	26,373	21,206
GOODWILL AND OTHER INTANGIBLES	24,524	896
BENEFICIAL INTEREST IN PERPETUAL TRUSTS	36,383	20,673
BENEFICIAL INTEREST IN THE ASSETS HELD BY EPISCOPAL FOUNDATION	20,816	18,622
BENEFICIAL INTEREST IN THE ASSETS HELD BY FOX CHASE CANCER CENTER FOUNDATION	41,771	-
OTHER ASSETS	24,948	27,969
TOTAL ASSETS	$ 1,333,366	$ 961,808

(Continued)

TEMPLE UNIVERSITY HEALTH SYSTEM

CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2013 AND 2012
(In thousands)

	2013	2012
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 10,896	$ 11,029
Accounts payable	72,341	57,982
Accrued expenses	85,162	49,988
Current portion of estimated settlements with third-party payors	2,613	2,744
Current portion of self-insurance program liabilities	39,663	58,669
Unexpended research grants and awards	1,569	-
Other current liabilities	32,562	29,055
Total current liabilities	244,806	209,467
LONG-TERM DEBT	527,352	315,668
ESTIMATED SETTLEMENTS WITH THIRD-PARTY PAYORS	990	502
SELF-INSURANCE PROGRAM LIABILITIES	150,563	121,341
ACCRUED POSTRETIREMENT BENEFITS	50,975	66,328
OTHER LONG-TERM LIABILITIES	29,243	26,535
Total liabilities	1,003,929	739,841
NET ASSETS:		
Unrestricted	202,394	178,828
Temporarily restricted	20,863	2,324
Permanently restricted	106,180	40,815
Total net assets	329,437	221,967
TOTAL LIABILITIES AND NET ASSETS	$ 1,333,366	$ 961,808

See notes to consolidated financial statements. (Concluded)

TEMPLE UNIVERSITY HEALTH SYSTEM

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012
(In thousands)

	2013	2012
UNRESTRICTED NET ASSETS:		
Unrestricted revenues and other support:		
Net patient service revenue before allowance for doubtful accounts	$1,282,632	$ 971,283
Allowance for doubtful accounts	(20,631)	(14,649)
Total net patient service revenue	1,262,001	956,634
Research revenue	41,573	-
Contribution revenue	7,124	1,602
Other revenue	40,227	29,801
Investment income	841	785
Net assets released from restrictions used for operations	4,135	1,389
Unrestricted revenues and other support	1,355,901	990,211
Expenses:		
Salaries	583,448	403,590
Employee benefits	166,589	111,483
Professional fees	70,942	87,071
Supplies and pharmaceuticals	230,765	154,147
Purchased services and other	141,358	103,387
Maintenance	16,023	14,010
Utilities	24,589	16,675
Leases	19,973	13,791
Insurance	41,732	43,140
Depreciation and amortization	50,810	38,254
Interest	27,226	19,249
Loss on disposal of fixed assets	670	314
Expenses	1,374,125	1,005,111
Operating loss	(18,224)	(14,900)
Other income (loss) — net:		
Investment income	14,690	22,791
Excess of fair value of net assets acquired over consideration paid	8,887	-
Other — net	2,701	(967)
Other income — net	26,278	21,824
Excess of revenues and other support over expenses	8,054	6,924

(Continued)

TEMPLE UNIVERSITY HEALTH SYSTEM

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012
(In thousands)

	2013	2012
Excess of revenues and other support over expenses	$ 8,054	$ 6,924
Other changes in unrestricted net assets:		
Transfers to the University	(8,554)	(8,829)
Net assets released from restrictions used for purchase of property and equipment	7,688	4,879
Net change in fair value of investments	(6,215)	(12,612)
Interfund transfers	(685)	-
Adjustment to funded status of pension and postretirement liabilities	23,278	(35,024)
Increase (decrease) in unrestricted net assets	23,566	(44,662)
TEMPORARILY RESTRICTED NET ASSETS:		
Contribution income	16,819	3,502
Net assets released from restrictions	(11,823)	(6,268)
Net unrealized gain (loss) on investments	312	(58)
Investment income	1,777	37
Interfund transfers	(465)	-
Excess of fair value of net assets acquired over consideration paid	11,919	-
Increase (decrease) in temporarily restricted net assets	18,539	(2,787)
PERMANENTLY RESTRICTED NET ASSETS:		
Contribution income	1,415	-
Change in beneficial interest in assets held by Episcopal Foundation	2,194	(548)
Change in beneficial interest in assets held by Fox Chase Cancer Center Foundation	6,412	-
Change in beneficial interest in perpetual trusts	2,404	(810)
Interfund transfers	1,150	-
Excess of fair value of net assets acquired over consideration paid	51,790	-
Increase (decrease) in permanently restricted net assets	65,365	(1,358)
INCREASE (DECREASE) IN NET ASSETS	107,470	(48,807)
NET ASSETS — Beginning of year	221,967	270,774
NET ASSETS — End of year	$ 329,437	$ 221,967

See notes to consolidated financial statements.

(Concluded)

TEMPLE UNIVERSITY HEALTH SYSTEM

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012
(In thousands)

	2013	2012
OPERATING ACTIVITIES:		
Increase (decrease) in net assets from continuing operations	$ 107,470	$ (48,807)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Net realized and unrealized gains on investments	(5,376)	(3,924)
Net realized and unrealized gains (losses) on beneficial interests in perpetual trusts and assets held by Episcopal Foundation and Fox Chase Cancer Center Foundation	(9,880)	1,358
Depreciation, amortization and accretion	49,951	38,254
Excess of fair value of net assets acquired over consideration paid	(72,596)	-
Intangible amortization	895	-
Impairment on intangibles	107	-
Amortization of bond premium and discount	(388)	131
Allowance for doubtful accounts	20,631	14,979
Loss on uncollectible pledges	267	-
Adjustment to funded status of pension and postretirement liabilities	(23,278)	35,024
Fair value adjustment of interest rate swaps	(70)	-
Loss on extinguishment of debt	808	-
Proceeds from contributions and investments restricted to property, plant and equipment and endowments	(7,688)	(3,481)
Loss on disposal of fixed assets	670	314
Permanently restricted gifts and donations received	(1,415)	-
Transfers to the University	8,554	8,829
Changes in operating assets and liabilities:	-	-
Patient accounts receivable	(17,714)	(10,004)
Other receivables	(5,545)	3,594
Pledges receivable — net	(4,136)	2
Inventories and other current assets	1,964	(5,334)
Expenditures reimbursable by research grants and awards	(3,338)	-
Other assets	13,756	(3,966)
Accounts payable	(1,839)	12,782
Accrued expenses	7,772	(2,701)
Estimated settlements with third-party payors	(1,106)	(2,158)
Self-insurance program receivables and liabilities	15,349	(10,545)
Unexpended research grants and awards	(6,352)	-
Other liabilities	(12,284)	2,909
Net cash provided by operating activities	55,189	27,256

(Continued)

TEMPLE UNIVERSITY HEALTH SYSTEM

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012
(In thousands)

	2013	2012
INVESTING ACTIVITIES:		
Purchase of AOH assets — net	$ (83,880)	$ -
Increase in restricted assets	(12,719)	-
Purchases of property, plant and equipment	(58,827)	(40,283)
Purchases of investments	(514,675)	(270,306)
Proceeds from sales of investments	405,987	258,018
Proceeds from sale of fixed assets	354	419
Net cash acquired from excess of fair value of net assets acquired over consideration paid	6,953	-
Net cash used in investing activities	(256,807)	(52,152)
FINANCING ACTIVITIES:		
Proceeds from contributions and investments restricted to property, plant and equipment and endowments	7,688	3,481
Repayment of long-term debt	(107,376)	(9,253)
Repayment of capital lease obligations	(3,525)	-
Proceeds from issuance of long-term debt	315,391	2,846
Proceeds from line of credit	3,925	-
Permanently restricted gifts and donations received	1,415	-
Transfers to the University	(8,554)	(8,829)
Net cash provided by (used in) financing activities	208,964	(11,755)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,346	(36,651)
CASH AND CASH EQUIVALENTS — Beginning of year	103,590	140,241
CASH AND CASH EQUIVALENTS — End of year	$ 110,936	$ 103,590
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION — Cash paid for interest	$ 18,361	$ 18,886

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITY:

Amounts recorded for purchases of property and equipment in excess of amounts paid were $412,000 and $2,301,000 in 2013 and 2012, respectively.

The cost of assets acquired through capitalized leases in 2013 and 2012 was $59,000 and $364,000, respectively.

See notes to consolidated financial statements. (Concluded)

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Temple University Health System, Inc. ("TUHS") is a Pennsylvania nonprofit corporation of which Temple University — Of The Commonwealth System of Higher Education (the "University" or "TU") is the sole member. TUHS was incorporated in August 1995 and serves principally to coordinate the activities and plans of its health care subsidiaries in Philadelphia and the surrounding area. TUHS is the sole member of these subsidiaries. The subsidiaries and affiliates (herein referred to as "corporate members") of TUHS (collectively, with TUHS, referred to as the "Health System"), all of which operate in Philadelphia and the surrounding area, include the following:

- Temple University Hospital, Inc. ("TUH"), a nonprofit corporation, operating a 728-bed acute care teaching hospital with additional outpatient locations in Philadelphia and Montgomery Counties;

- Temple University Health System Foundation ("TUHSF"), a nonprofit corporation, is a wholly owned subsidiary of TUH formed to support the health-care-related activities of TUHS;

- Temple East, Inc. ("TE"), a nonprofit corporation, operated a 189-bed acute care hospital doing business as Northeastern Hospital ("NEH") and ceased operations on June 29, 2009. On July 1, 2013, the Corporation was dissolved;

- Temple East Real Estate Inc. ("TERE"), a nonprofit corporation, was a title holding, supporting organization that facilitated the provision of health care services of TUH. On July 5, 2012, the Corporation was dissolved;

- Jeanes Hospital ("JH"), a nonprofit corporation, 176-bed acute care hospital located in the Fox Chase section of Philadelphia;

- Episcopal Hospital ("Episcopal"), a nonprofit corporation, providing clinical outpatient health care services;

- Temple Health System Transport Team, Inc. ("T3"), a nonprofit corporation, is a critical care ambulance company;

- Temple Physicians, Inc. ("TPI"), a nonprofit corporation formed to develop and acquire community-based primary care practices located in the service area of TUHS;

- TUHS Insurance Company, Ltd. ("TUHIC"), a captive insurance company established to reinsure the professional liability claims of certain subsidiaries of TUHS. TUHS is the beneficial owner of TUHIC which is domiciled in Bermuda;

- On July 1, 2012, TUHS became the sole member of American Oncologic Hospital d/b/a The Hospital of the Fox Chase Cancer Center ("AOH"), a nonprofit corporation, which is a 100 licensed bed specialty hospital that provides advanced inpatient and outpatient care to cancer patients;

- On July 1, 2012, AOH became the sole member of the Institute for Cancer Research d/b/a the Research Institute of Fox Chase Cancer Center ("ICR"), a nonprofit corporation, which is primarily engaged in basic research, including programs in cancer biology, developmental therapeutics, immune cell development and host disease, cancer epigenetics, and cancer prevention and control and is a National Cancer Institute designated Comprehensive Cancer Center;

- On July 1, 2012, AOH became the sole member of Fox Chase Cancer Center Medical Group, Inc. ("MGI"), a nonprofit corporation, that provides physician services to the Fox Chase family of organizations;

- On July 1, 2012, AOH became the sole member of Fox Chase Network, Inc. ("Network"), a nonprofit corporation, that provides cancer related clinical and administrative services to cancer programs of community hospitals and physicians;

- On July 1, 2012, AOH became the sole member of FCCC Select, Inc. ("Select"), a captive insurance company established to reinsure the general and professional liability claims of the Fox Chase family of corporations. Select ceased operations on January 1, 2013. Substantially all of the assets and liabilities of Select were novated to TUHIC upon dissolution; and

- On July 1, 2012, AOH became the sole member of Fox Chase, Ltd. ("Limited"), which is a business corporation that holds minority interests in joint ventures with area hospitals.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and include the accounts of the Health System. All significant intercompany transactions and balances have been eliminated in consolidation.

Cash and Cash Equivalents — Cash equivalents consist primarily of highly liquid investments, such as money market funds and debt instruments with original maturities of three months or less at the time of purchase. At June 30, 2013 and 2012, the Health System had cash balances in financial institutions, which exceed federal depository insurance limits. Management believes that credit risks related to these deposits is minimal. Cash and cash equivalents are carried at cost, which approximates market value.

Investments — Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. Investment income or loss (including realized gains and losses, interest, and dividends) is included in other income unless the income is restricted by donor or law, except for investment income on borrowed funds held by trustees as collateral on outstanding debt. This investment income is included in unrestricted revenue and other support. Unrealized gains and losses on equity securities with readily determinable fair values and all investments in debt securities are excluded from the excess of revenues over expenses unless the amount was recorded as part of the other-than-temporary impairment adjustment as disclosed in Note 7.

The Health System also invests in various limited partnerships which are private equity funds. Such investments are accounted for on the equity basis of accounting, which approximates fair value as determined by the fund managers and financial information provided by the limited partnership. This financial information includes assumptions and methods that were reviewed by the Health System. The Health System believes that the estimated fair value is reasonable as of June 30, 2013 and 2012. Because these investments are not readily marketable, the estimated fair values are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market existed, and such differences could be material. These investments vary as to their level of liquidity, with differing requirements for notice prior to redemption or withdrawal. Investment gains and losses on these funds are included in other income.

Investments, in general, are exposed to various risks such as interest rate, credit and overall market volatility. As such, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

The Health System reviews its investments to identify those for which market value is below cost. The Health System then makes a determination as to whether investments are other-than-temporarily impaired based on guidelines established in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 320.

Assets Limited as to Use — Assets limited as to use primarily include assets held by trustees under indenture and insurance agreements, designated assets set aside by the Board for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes and donor restricted assets. Amounts required to meet current liabilities of the Health System have been classified as current assets in the consolidated balance sheets.

Inventories — Inventories are stated at the lower of cost or market.

Property, Plant and Equipment — Property, plant and equipment are stated at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Depreciation expense was $49,808,000 and $38,133,000 for the years ended June 30, 2013 and 2012, respectively. Expenditures for maintenance and repairs necessary to maintain property, plant and equipment are charged to operations. Costs of renewals and betterments are capitalized. The amount of capitalized leases is $14,218,000 and $8,981,000, at June 30, 2013 and 2012, respectively, and is included in the property, plant and equipment balances. Amortization of these assets is included with depreciation expense. At June 30, 2013 and 2012, the accumulated depreciation balance included $11,069,000 and $5,809,000, respectively, of accumulated amortization of capital leased assets. Interest costs incurred on borrowed funds during the period of construction of capital assets, net of interest earned on the unexpended proceeds of tax-exempt borrowings specifically incurred for construction, are capitalized as a component of the cost of acquiring those assets. The amounts of capitalized interest costs for the fiscal years ended June 30, 2013 and 2012 were $2,800,000 and $0, respectively.

Long-Lived Assets Review — The Health System reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the carrying value of a long-lived asset is considered impaired, a loss is recognized by which the carrying value exceeds the fair value (less any costs related to disposal or abandonment, if applicable). There was no impairment of long-lived assets recorded during the fiscal years ended June 30, 2013 and 2012.

Goodwill and Other Intangibles — Goodwill and other intangible assets are accounted for in accordance with the accounting guidance in FASB ASC Topic 350 for Intangibles — Goodwill and Other. Goodwill and indefinite-lived intangible assets are not amortized, but are evaluated for impairment annually or when indicators of a potential impairment are present. The Health System's annual impairment date is June 30th. The annual evaluation for impairment of goodwill and indefinite-lived intangibles is based on valuation models that incorporate assumptions and internal projections of expected future cash flows and operating plans. Based on the results of the Health System's reviews, no impairment loss was recognized in the results of operations for fiscal years ended June 30, 2013 and 2012. Subsequent to the latest review, there have been no events or circumstances that indicate any potential impairment of the Health System's goodwill and indefinite-lived intangible asset balance.

The cost of intangible assets with determinable useful lives is amortized to reflect the pattern of economic benefits consumed on a straight-line basis over the estimated periods benefited. Patents, technology and other intangibles with contractual terms are generally amortized over their respective legal or contractual lives. When certain events or changes in operating conditions occur, an impairment assessment is performed and lives of intangible assets with determinable lives may be adjusted and impairment charges recorded. Refer to Note 9 for impairment charges recorded during fiscal year 2013.

Asset Retirement Obligations — The Health System recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred, in accordance with FASB ASC Topic 410, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the Health System capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. The value of the asset, when established in 2006, was $1,144,000. Over time, the liability is accreted to its present value each period using a discount rate between 5% and 6%, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statement of operations and changes in net assets. At June 30, 2013 and 2012, the recorded asset retirement obligation liability is $4,128,000 and $3,080,000, respectively. Accretion costs for 2013 and 2012 were $241,000 and $203,000, respectively.

Deferred Financing Costs — Deferred financing costs are amortized over the term of the related debt. Gross deferred financing costs as of June 30, 2013 and 2012, were $5,911,000 and $2,281,000, respectively. Accumulated amortization of deferred financing costs was $633,000 and $1,073,000 as of June 30, 2013 and 2012, respectively. Deferred financing costs are reported as other assets.

Net Assets — Net assets are categorized according to externally (donor) imposed restrictions. A description of the three net asset categories follows:

Unrestricted Net Assets — are those assets that are available for the support of operations and whose use is not externally restricted, although their use may be limited by other factors such as by contract or board designation.

Temporarily Restricted Net Assets — are those assets whose use by the Health System has been limited by donors to a specific time period or purpose.

Permanently Restricted Net Assets — include gifts, trusts and pledges that require by donor restrictions that the corpus be invested in perpetuity, with only the income available for operations or in accordance with donor restrictions.

Beneficial Interest in Perpetual Trusts — The Health System is the irrevocable beneficiary of the income from certain perpetual trusts administered by third parties. The Health System's beneficial interest is reported at the fair value of the underlying trust assets. Because the trusts are perpetual and the original corpus cannot be used, these funds are reported as permanently restricted net assets.

Contracts, Grants and Awards — Income from contracts, grants and awards, including overhead allowances, is recorded as the related direct expenses are incurred. Indirect cost revenues on agency grants and contracts are subject to audit and possible adjustment by governmental payors. Appropriate allowances are made currently for estimated adjustments to governmental arrangements.

Contributions — The Health System records unconditional promises to give (pledges) as receivables and revenues, and distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Upon expiration of donor restrictions, amounts are reclassified as unrestricted and reported as net assets released from restriction.

Performance Indicator — In the accompanying consolidated statements of operations and changes in net assets, the primary indicator of the Health System's results is "Excess of revenues and other support over expenses". Changes in unrestricted net assets which are excluded from the excess of revenues and other support over expenses, consistent with industry practice, include unrealized gains and losses on investments, permanent transfers of assets to and from affiliates for other than goods or services, contributions of long lived assets, certain adjustments to pension and postretirement liabilities, and gains and losses related to discontinued operations.

Net Patient Service Revenue and Estimated Settlements with Third-Party Payors — The Health System records gross patient service revenue in the period that the services are rendered. Net patient service revenue before allowance for doubtful accounts represents gross patient service revenue less provisions for contractual adjustments. Payments for services rendered to patients covered by Medicare, Medicaid and other government programs are generally less than billed charges and, therefore, provisions for contractual adjustments are made to reduce gross patient service revenue to the estimated cash receipts based on each program's principles of payment/reimbursement. Estimates of contractual allowances for services rendered to patients covered by commercial insurance, including managed care health plans, are primarily based on the payment terms of contractual arrangements, such as predetermined rates per diagnosis, per diem rates or discounted fee for service rates. In addition, the Health System receives medical assistance payments for the reimbursement of services for charity and uncompensated care services. The federal funding of such costs is subject to an upper payment limit and retrospective settlement. Coinsurance and deductibles within the third-party payer agreements are the patient's responsibility and the Health System considers these amounts in its determination of the allowance for doubtful accounts.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered or when known by the Health System and adjusted in future periods as final settlements or changes in estimates are determined. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term (see Note 4).

Other Revenue — Other revenue includes amounts earned from cafeteria operations, parking garage operations, transport services provided by T3, and other non-patient care services.

Other revenue also includes "meaningful use" payments received from The Centers for Medicare and Medicaid Services ("CMS") relating to certain provisions of the American Recovery and Reinvestment Act of 2009 ("ARRA"). The ARRA defines "meaningful use" of electronic health records ("EHR") technology and makes federal incentive payments to healthcare entities that qualify by demonstrating improved quality, safety and effectiveness of care. Under the Medicare EHR incentive program, providers can earn up to four annual payments that are earned by achieving and maintaining objectives established by CMS. Medicaid providers that are acute care that have at least 10% of patient volume to Medicaid patients may also be eligible for Medicaid EHR payments. Medicaid payment amounts are determined in the first year of participation and "meaningful use" status must be achieved and maintained in subsequent years in order to qualify for additional payments.

The Health System recognizes EHR incentive payments in accordance with the Internal Accounting Standard 20 (“IAS20”) Grant Accounting Model. Under the IAS20 Grant Accounting Model, EHR incentive payments are recognized ratably over a compliance period once management is reasonably assured of program compliance for the entire 90-day period (in the first payment year) or 365-day period (in the second through fourth payment years). During fiscal year 2013 and 2012, the Health System recognized $1,328,000 and $800,000, and $2,205,000 and $1,963,000 from Medicare and Medicaid EHR incentive payments, respectively.

Charity Care — The Health System provides care without charge or at a standard rate discounted for uninsured patients that is not related to published charges to patients who meet certain criteria under the Health System’s charity care policy. Some patients qualify for charity care based on federal poverty guidelines or their financial condition being such that requiring payment would impose a hardship on the patient. Because the Health System does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue.

Income Taxes — Substantially all of the individual members of the Health System are nonprofit corporations and have been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. A wholly owned subsidiary, which is currently inactive, in which the Health System exercises control is a for-profit corporation that is subject to federal and state income tax. Such taxes are immaterial and have been reported with other expenses in the accompanying consolidated financial statements.

The Health System’s federal Exempt Organization Business Income Tax Returns for 2013, 2012, 2011, and 2010 remain subject to examination by the Internal Revenue Service (“IRS”).

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates comprise the allowances for doubtful accounts, contractual allowances, estimated settlements with third-party payors, self-insurance program assets and liabilities, accrued postretirement benefits, estimated asset retirement obligations and the value of alternative investments.

Recovery of FICA Taxes Paid in Prior Years — During 2010, the Health System recognized a recovery of the employer portion of Federal Insurance Contributions Act (“FICA”) taxes paid by the Health System during the years 1995 through 2005 on the compensation of its medical residents. The recovery, net of consulting fees, was credited to employee benefits expense. During fiscal year 2013, the Health System received $11,245,000 of the amount owed. In addition, during 2013 the Health System received interest on the reimbursement totaling $3,379,000, which was recorded as a non-operating gain within other income in the consolidated statements of operations.

Recently Issued Accounting Pronouncements — In May 2011, the FASB issued Accounting Standards Update (“ASU”) No. 2011-04 which amends fair value measurements and disclosures. This amendment provides that the inputs and measures used to value assets that fall within Level 3 of the valuation hierarchy be quantitatively presented as well as various other fair value disclosure requirements. Application is required prospectively for interim and annual periods beginning after December 15, 2011. The Health System adopted the provisions of this amendment beginning July 1, 2012. Other than the enhanced disclosures, this ASU did not have an impact on the Health System’s financial position, results of operations or cash flows.

In July 2011, the FASB issued ASU 2011-07 which requires health care entities to present the allowance for bad debts related to patient service revenue as a deduction from patient service revenue in the statement of operations and changes in net assets rather than as an operating expense. The guidance provided in this ASU is effective for fiscal years ending after December 15, 2012. Additional disclosures relating to the Health System's sources of patient revenue and its allowance for doubtful accounts related to patient accounts receivable are required. The Health System adopted ASU 2011-07 in 2013 and it did not have any impact on the Health System's financial condition, overall results of operations or cash flows. All periods presented on the consolidated statements of operations have been reclassified in accordance with the provisions of ASU 2011-07 and the additional required disclosures are noted above and in Note 4.

In July 2012, the FASB issued ASU 2012-02, which relates to testing indefinite-lived intangible assets for impairment. Under the new guidance, entities may make a qualitative assessment of the likelihood of goodwill impairment in order to determine whether a detailed quantitative analysis is required. This new guidance is effective for annual and interim impairment tests performed for the fiscal years beginning after September 15, 2012. Early adoption is permitted, including for annual and interim impairment tests performed as of a date before July 27, 2012. The Health System adopted the new guidance on July 1, 2012, and determined that it did not have an impact on the Health System's financial position, results of operations, or cash flows.

In October 2012, the FASB issued ASU 2012-05 which requires a Not-for-Profit Entity to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash. Application is required prospectively for fiscal years, and interim periods within those years, beginning after June 15, 2013. The Health System is currently assessing the impact the adoption of this ASU will have on its consolidated financial statements.

In February 2013, the FASB issued ASU 2013-04 which requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. The guidance in this update also requires an entity to disclose the nature and the amount of the obligation as well as other information about those obligations. Application is required for the first annual period ending on or after December 15, 2014 and interim and annual periods thereafter. The Health System is currently assessing the impact the adoption of this ASU will have on its consolidated financial statements.

In April 2013, the FASB issued ASU 2013-06 which requires a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Application is required prospectively for fiscal years beginning after June 15, 2014. The Health System is currently assessing the impact the adoption of this ASU will have on its consolidated financial statements.

Reclassifications — The Health System has reclassified certain amounts in the consolidated balance sheet, consolidated statement of operations and Note 21 to conform to the 2013 presentation. In the consolidated balance sheet, goodwill and other intangibles represents a new financial statement line item as a result of the increase of goodwill and other intangibles arising from the affiliation with AOH. In the consolidated statement of operations, the allowance for doubtful accounts is shown as a deduction from patient service revenue rather than as an operating expense as a result of the adoption of ASU 2011-07. In conjunction with this adoption, the allowance for doubtful accounts was removed from functional expenses within Note 21. Also within the consolidated statement of operations, contribution revenue represents a new financial statement line item as a result of the increase of contribution revenue arising from the affiliation with AOH.

3. AFFILIATION

TUHS entered into an affiliation agreement with Fox Chase Cancer Center and its affiliates. Effective July 1, 2012, TUHS became the sole member of AOH. Together with ICR, AOH is a National Cancer Institute-designated Comprehensive Cancer Center located in the Fox Chase section of Philadelphia, Pennsylvania. As part of the affiliation, AOH became the sole member of ICR, MGI, Network, Select and Limited. See description of entities in Note 1. AOH will significantly expand its outpatient and surgical-care services within its existing facilities and through the use of leased space at neighboring Jeanes Hospital, a member of the Health System since 1996 that offers a full range of medical, surgical and emergency services. The contribution to this transaction was an $83,880,000 cash payment made to AOH on July 2, 2012.

In connection with the terms of the affiliation agreement, on July 2, 2012, the Health System issued $311,105,000 aggregate principal Revenue Bonds, a portion of which was used to provide financing for the affiliation. See Note 10 for further information on the bond transaction.

Also in connection with the transaction, the Health System incurred incremental expenses related to legal, accounting and valuation services which are reflected in professional fees expenses within our consolidated statements of operations. The additional expenses incurred were $342,000 and $1,825,000 for the years ended June 30, 2013 and 2012, respectively.

Since TUHS is now the sole member of AOH, TUHS applied acquisition accounting to AOH and their results of operations are included in our consolidated results of operations for the fiscal year ended June 30, 2013.

In accordance with the authoritative guidance, the assets and liabilities of AOH were recorded at the fair market value as of the date of the affiliation as follows (in thousands):

Total current assets	$ 61,364
Property, plant and equipment, net	66,325
Goodwill and other intangibles	24,359
Non-current assets	85,025
Total assets acquired	$ 237,073
Total current liabilities	$ 53,033
Non-current liabilities	111,444
Total liabilities assumed	$ 164,477
Unrestricted	$ 8,887
Temporarily restricted	11,919
Permanently restricted	51,790
Net assets acquired	$ 72,596

4. NET PATIENT SERVICE REVENUE

Net patient accounts receivable includes the allowance for doubtful accounts of $30,165,000 and $23,784,000 at June 30, 2013 and 2012, respectively. The allowance for doubtful accounts is estimated based on the Health System's belief that a patient has the ability to pay for services but payment is not expected to be received.

Accounts receivable are written off against the allowance for doubtful accounts when management determines that recovery is unlikely and the Health System ceases collection efforts. Overall, the total self-pay write-offs has not changed significantly for the year ended June 30, 2013. The Health System has not experienced significant changes in write-off trends nor has the Health System changed its charity care policy.

Net patient service revenue recognized from these major payer sources based on primary insurance designation is as follows for the year ended June 30, 2013 (in thousands):

Medicare and Medicaid	$ 826,406
Self-pay	18,587
Other third-party payers	437,639
Total	$ 1,282,632

Net patient service revenue also includes estimates of reimbursement from third-party payers. For the fiscal years ended June 30, 2013 and 2012, net patient service revenue increased by $2,378,000 and $11,599,000, respectively, as a result of settlements related to prior years or changes in estimates related thereto.

5. BUSINESS AND CREDIT CONCENTRATION

The Health System provides diversified health care services primarily to area residents through its inpatient and outpatient care facilities in the Greater Philadelphia Metropolitan Area. As a function of its mission and location, the Health System serves a disproportionately high number of poor or indigent patients; consequently, the Health System derives a substantial portion of its revenue from the Medicare (federal government) and the Medical Assistance (Commonwealth of Pennsylvania, Department of Public Welfare ("DPW") programs).

The distribution of inpatient services provided from continuing operations (TUH, JH and AOH) based upon patient discharges (excluding newborns) by class of payor for the years ended June 30, 2013 and 2012, is as follows (unaudited):

	2013		2012	
	Discharges	**%**	**Discharges**	**%**
Continuing operations:				
Medical assistance:				
Fee for service	4,462	10.8 %	4,001	10.8 %
Managed care	11,304	27.4	11,611	31.3
Total medical assistance	15,766	38.2	15,612	42.1
Medicare:				
Fee for service	9,244	22.5	7,477	20.2
Managed care	7,556	18.3	7,093	19.1
Total Medicare	16,800	40.8	14,570	39.3
Independence Blue Cross*	5,261	12.8	3,978	10.7
All other	3,381	8.2	2,921	7.9
	41,208	100.0 %	37,081	100.0 %

*Includes Traditional, Personal Choice and Keystone Health Plan East insurance plans.

Health Choices is a DPW program that requires all Medical Assistance recipients in the Philadelphia five-county area to join a Medicaid HMO. Under Health Choices, DPW has entered into capitation arrangements with five Medicaid HMOs, four of which the Health Systems contracts with, which in turn negotiate separate payment rates with health care providers. The Medical Assistance-managed care category above includes the four Medicaid HMOs under the Health Choices program with which the Health System contracts.

The Health System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of net receivables from third-party payors and patients at June 30, 2013 and 2012, is as follows:

	2013	**2012**
Medical assistance:		
Fee for service (FFS)	10.6 %	12.5 %
Managed care	17.2	19.7
Medicare (FFS only)	13.8	12.2
Independence Blue Cross	22.1	22.0
Aetna U.S. Healthcare	8.0	7.5
Commercial	7.5	6.9
Managed care/HMOs (including Medicare)	16.9	17.0
Other	3.9	2.2
	100.0 %	100.0 %

6. CHARITY CARE

The Health System maintains detailed records to identify and monitor the level of charity care it provides to its patients. Charity care costs are estimated by applying an overall cost to charge ratio to charity care charges. The cost to charge ratio is calculated by dividing total expenses less bad debt by total gross patient service revenue. The estimated costs and expenses incurred to provide charity care, including the estimated unreimbursed cost of services in excess of payments from Medical Assistance programs, were $153,007,000 and $148,861,000 for the fiscal years ended June 30, 2013 and 2012, respectively (see Note 19).

7. INVESTMENTS

Assets Limited as to Use — The composition of assets limited as to use at June 30, 2013 and 2012, is set forth in the following table (in thousands):

	2013	2012
Under indenture agreements-held by trustee:		
Debt service funds	$ 15,501	$ 14,433
Debt service reserve funds	50,099	35,333
Construction fund	76,109	-
Capitalized interest fund	4,397	-
	146,106	49,766
Under debt agreements	3,925	163
Under insurance arrangements (primarily TUHIC)	48,308	44,017
Board designated	16,496	8,985
Donor restricted	12,927	3,986
Workers' and unemployment compensation	976	339
	228,738	107,256
Less amounts required for current liabilities	46,815	21,610
	$ 181,923	$ 85,646

By security classification (in thousands):

	2013	2012
U.S. government securities	$ 128,406	$ 54,306
Fixed income mutual funds	394	-
Corporate bonds, notes, and other debt securities	12,830	10,950
Cash, money market funds, and certificates of deposit	85,571	40,313
Equity securities and mutual funds	1,537	1,687
	$ 228,738	$ 107,256

Workers' Compensation Fund — Workers' compensation fund at June 30, 2013 and 2012, consisted of (in thousands):

	2013	2012
U.S. government securities	$ 7,436	$ 5,793
Corporate bonds, notes, and other debt securities	4,558	5,025
Cash, money market funds, and certificates of deposit	98	289
	$ 12,092	$ 11,107

Investments — Investments at June 30, 2013 and 2012, consisted of (in thousands):

	2013	2012
U.S. government securities	$ 24	$ -
Fixed income mutual funds	173,650	159,555
Cash, money market funds, and certificates of deposit	-	1,625
Corporate bonds, notes, and other debt securities	268	-
Equity securities and mutual funds	33,075	7,081
Real estate	7,548	-
Alternative funds	10,114	15,486
Limited liability partnerships	11,636	22,005
Limited liability corporations and joint ventures	854	-
Other	560	466
	$ 237,729	$ 206,218

Investment Income — Investment income and gains (losses) from investments, including assets limited as to use and cash and cash equivalents, are comprised of the following for the years ended June 30, 2013 and 2012 (in thousands):

	2013	2012
Interest and dividend income	$ 14,544	$ 9,582
Net realized gains on sales of investments	3,508	15,436
Recognition of other-than-temporary impairment	(744)	(1,405)
Net unrealized losses	(5,903)	(12,670)
	$ 11,405	$ 10,943

Interest, dividends, realized and unrealized gains (losses) are reported as follows (in thousands):

	2013	2012
Consolidated statements of operations and changes in net assets:		
Unrestricted revenues — investment income	$ 841	$ 785
Unrestricted other income — investment income	14,690	22,791
Other changes in unrestricted net assets — net change in fair value	(6,215)	(12,612)
Temporarily restricted net assets — net unrealized gains (losses)	312	(58)
Temporarily restricted net assets — investment income	1,777	37
	$ 11,405	$ 10,943

Unrealized gains (losses) are reported as a component of other changes in unrestricted net assets in the consolidated statements of operations and changes in net assets unless their use is restricted by donor.

The following tables provide information on the gross unrealized losses and fair market value of the Health System's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2013 and 2012 (in thousands):

	At June 30, 2013					
	Less Than 12 months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government securities	$ 24	$ (1)	$ -	$ -	$ 24	$ (1)
Fixed income mutual funds	173,650	(4,029)	-	-	173,650	(4,029)
Corporate bonds, notes, and other debt securities	269	(2)	-	-	269	(2)
Equity securities and mutual funds	33,075	(145)	-	-	33,075	(145)
Total temporarily impaired securities	$207,018	$(4,177)	$ -	$ -	$207,018	$(4,177)

	At June 30, 2012					
	Less Than 12 months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed income mutual funds	$ 15,365	$(1,153)	$17,914	$ (3)	$ 33,279	$(1,156)
Total temporarily impaired securities	$ 15,365	$(1,153)	$17,914	$ (3)	$ 33,279	$(1,156)

With respect to the debt and equity securities in an unrealized loss position as of June 30, 2013 and 2012, the Health System has determined it is not more likely than not that the Health System may be required to sell its available-for-sale securities before their anticipated recoveries. In assessing whether it is more likely than not that the Health System will be required to sell a security before its anticipated recovery, the Health System considers various factors including its future cash flow requirements, legal and regulatory requirements, the level of its cash, cash equivalents, short term investments and fixed maturity investments available-for-sale in an unrealized gain position, and other relevant factors.

In evaluating credit losses, the Health System considers a variety of factors in the assessment of a security including: (1) the time period during which there has been a significant decline below cost; (2) the extent of the decline below cost and par; (3) the potential for the security to recover in value; (4) an analysis of the financial condition of the issuer; (5) the rating of the issuer; and (6) failure of the issuer of the security to make scheduled interest or principal payments.

During fiscal years 2013 and 2012, the Health System recorded other-than-temporarily impairment charges of $744,000 and $1,405,000, respectively, on certain investments in debt and equity securities.

TUHIC Debt Securities — At June 30, 2012 and 2011, TUHIC held investments in debt securities. These securities are included as assets limited as to use in the Health System's consolidated balance sheets. The amortized cost and estimated fair value of debt securities at June 30, 2013 and 2012, by contractual maturity, are shown below (in thousands). Expected maturities may differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties. Gross unrealized holding gains on these securities aggregated $228,000 and $1,103,000 at June 30, 2013 and 2012, respectively. Gross unrealized holding losses on these securities aggregated $647,000 and $13,000 at June 30, 2013 and 2012, respectively.

	2013		2012	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due within one year	$ 1,290	$ 1,299	$ 553	$ 559
Due after one year through five years	22,728	22,780	18,572	18,752
Due after five years through ten years	21,196	20,685	18,900	19,570
	45,214	44,764	38,025	38,881
Mortgage and asset-backed securities	3,433	3,463	4,606	4,840
	$ 48,647	$ 48,227	$ 42,631	$ 43,721

8. PLEDGES

As of June 30, 2013 and 2012, pledges are included in the consolidated financial statements at their net present value, less estimated uncollectible amounts, as follows (in thousands):

	2013	2012
Total value of pledges	$ 5,695	$ 767
Unamortized discount for gross pledges	(579)	-
Reserve for uncollectible pledges	(213)	-
Reported value for pledges	$ 4,903	$ 767

The discount rate applied to pledges was 4.4% for 2013 and 0% for 2012.

Based upon payment schedules that are either specified by donors or estimated by the Health System, payments on pledges are due as follows (in thousands):

	2013	2012
Amounts due within one year	$ 1,540	$ 767
Amounts due in two to five years	2,941	-
Amounts due thereafter	422	-
Reported value for pledges	$ 4,903	$ 767

The current and long-term portion of pledges receivable are presented within other receivables and other assets, respectively, on the consolidated balance sheet.

9. GOODWILL AND OTHER INTANGIBLES

At June 30, 2012 the Health System had $896,000 of other intangibles related to the acquisitions of community-based primary care practices by TPI. Intangible assets acquired during 2013 relates to goodwill of $524,000 and other intangible assets of $23,834,000 arising from the affiliation with AOH and other intangible assets of $272,000 related to additional acquisitions by TPI.

Goodwill and other intangibles at June 30, 2013 and 2012 are summarized as follows (in thousands):

	Goodwill	Other Intangible Assets	Total
Balance at June 30, 2012	$ -	$ 896	$ 896
Adjustments:			
Intangible assets acquired	524	24,106	24,630
Impairment	-	(107)	(107)
Amortization	-	(895)	(895)
Balance at June 30, 2013	$ 524	$ 24,000	$ 24,524

At June 30, 2013, the intangible assets with indefinite lives were $15,787,000. There were no intangible assets with indefinite lives at June 30, 2012. The following table summarizes intangible assets with indefinite lives at June 30, 2013 (in thousands):

	Gross	Impairment	Net
AOH trade name	$ 13,803	$ -	$ 13,803
Research and development of intellectual property	1,984	-	1,984
Total intangibles with indefinite lives	$ 15,787	$ -	$ 15,787

At June 30, 2013 and 2012, amortizing intangible assets were $8,213,000 and $896,000, respectively. The following table summarizes amortizing intangible assets at June 30, 2013 and 2012 (in thousands):

	2013			
	Gross	Accumulated Amortization	Impairment	Net
Intellectual property	$ 5,615	$ (412)	$ -	$ 5,203
Contracts and agreements	1,860	(145)	-	1,715
Physician contracts	1,288	(333)	(107)	848
Other	619	(172)	-	447
Total amortizing intangibles	$ 9,382	$ (1,062)	$ (107)	$ 8,213

	2012			
	Gross	Accumulated Amortization	Impairment	Net
Intellectual property	$ -	$ -	$ -	$ -
Contracts and agreements	-	-	-	-
Physician contracts	1,018	(122)	-	896
Other	45	(45)	-	-
Total amortizing intangibles	$ 1,063	$ (167)	$ -	$ 896

The following table summarizes the weighted average lives of intangible assets newly acquired during fiscal year 2013 (in thousands):

	Gross Carrying Amount	Weighted Average Life
Intellectual property	$ 5,615	13.9 years
Contracts and agreements	1,860	13.8 years
Physician contracts	271	4.6 years
Other	573	9.3 years
Total newly acquired intangibles	$ 8,319	

Aggregate amortization expense was $895,000 for the year ended June 30, 2013. Amortization expense for the next five years and thereafter is expected to be as follows (in thousands):

2014	$ 826
2015	826
2016	822
2017	754
2018	635
Thereafter	4,350
Total	$ 8,213

10. LONG-TERM DEBT

Long-term debt at June 30, 2013 and 2012, was as follows (in thousands):

	2013	2012
2012 TUHS Series A and B Hospital Revenue Bonds issued by the Hospitals and Higher Education Facilities Authority of Philadelphia (the "Authority") at fixed interest rates of 5.0%, 5.625%, and 6.25% due in installments through 2043, (net of unamortized bond premium of $4,442 and bond discount of $6,847 at June 30, 2013)	$ 308,700	$ -
2007 TUHS Series A and B Hospital Revenue Bonds, issued by the Authority at fixed interest rates of 5.0% and 5.5%, due in installments through 2035, (net of unamortized bond premium of $661 and $703 and bond discount of $1,358 and $1,445 at June 30, 2013 and 2012, respectively)	210,763	213,293
1993 TUH Hospital Revenue Bonds, issued by the Authority at a fixed interest rate of 6.625%, due in installments through 2023 (net of unamortized bond discount of $0 and $530 at June 30, 2013 and 2012, respectively)	-	102,715
Loan payable to Episcopal Healthcare Foundation due in December 2020 at a fixed interest rate of 4.0%	4,324	4,809
Loan payable to PNC due in September 2013 at a fixed interest rate of 1.44%	3,925	-
Various capital lease obligations due in installments through 2015 at a fixed interest rate of 6.0%	3,027	3,499
Equipment financing arrangement due in installments through 2017 fixed interest rates of 2.12% and 2.32%	7,509	2,381
	538,248	326,697
Less current portion of long-term debt	10,896	11,029
	$ 527,352	$ 315,668

In July 2012, the Health System issued, through the Authority, $311,105,000 aggregate principal Revenue Bonds consisting of $219,210,000 Series A Bonds and $91,895,000 Series B Bonds. The proceeds of the Series A Bonds were used to provide financing for the affiliation and for various capital projects throughout the Health System. The proceeds of the Series B Bonds were used to defease the Authority's outstanding Revenue Bond Series of 1993, resulting in a loss of approximately ($808,000) which has been recorded as a non-operating loss in other income.

In connection with the issuance of the 2012 Bonds, the Health System entered into a line of credit arrangement with a participating bank allowing for outstanding borrowings not to exceed $13,425,000 and maturing in September 2013. Borrowings at June 30, 2013 were $3,925,000.

The bond issues and notes payable are generally collateralized by the assets and gross revenues of the TUHS Obligated Group and are subject to various financial covenants. The TUHS Obligated Group includes TUHS, TUH, JH, TPI, T3, AOH, ICR, MGI and Network. The Health System is not aware of any instances of non-compliance with its debt covenants for fiscal years 2013 and 2012.

At June 30, 2013, total aggregate principal payments under long-term debt and capital lease obligations for the next five years and thereafter are (in thousands):

	Long-Term Debt	Capital Leases
2014	$ 4,726	$ 2,246
2015	4,737	658
2016	12,941	92
2017	13,247	25
2018	12,550	6
Thereafter	486,197	-
Total	$ 534,398	$ 3,027

11. LEASE COMMITMENTS

The Health System leases certain property and equipment under operating lease agreements with remaining terms expiring at various dates through 2044. There are various financial covenants as part of these leases that are calculated based on the individual results of each member. Lease expenses for 2013 and 2012 were $19,973,000 and $13,791,000, respectively.

At June 30, 2013, future minimum payments by year and in the aggregate under non-cancelable operating leases with initial or remaining terms of more than one year are as follows (in thousands):

2014	$ 14,263
2015	10,865
2016	9,218
2017	8,080
2018	7,343
Thereafter	30,554
Total	$ 80,323

12. INTEREST RATE SWAPS

Interest rate swap agreements are used to manage interest rate risk. AOH entered into two unsecured swap agreements with Wells Fargo Bank as summarized below:

Inception Date	Notional Amount	AOH Pays	AOH Receives	Maturity Date
January 23, 2002	$8,000,000	4.395% Fixed	70% of USD-LIBOR	February 1, 2017
December 12, 2006	$8,000,000	70% of USD-LIBOR	61.2% of USD-ISDA	February 1, 2017

These agreements had negative fair values of $610,000 as of June 30, 2013 and are included in other long-term liabilities on the consolidated balance sheet. The change in fair value of these interest rate swaps is recorded in the consolidated statement of operations as part of non-operating activities.

13. RELATED PARTY TRANSACTIONS

Temple University — The Health System has made various transfers of unrestricted net assets to the University to be used for health-related programs and initiatives. In fiscal years 2013 and 2012, $8,554,000 and $8,829,000, respectively, in net asset transfers were recognized. All of the 2013 and 2012 transfers were disbursed by June 30, 2013 and 2012, respectively.

The Health System and University allocate certain costs for services provided to each other. Costs billed to the Health System by the University in 2013 and 2012 include (in thousands):

	Health System Expense	
	2013	**2012**
Medical school clinical physicians	$ 35,174	$ 52,765
Maintenance	7,238	6,862
Telecommunications	4,996	5,224
Institutional support	3,811	4,228
Security	1,790	1,739
Employee tuition	1,061	946
Other administrative support	9,771	10,238
Total expenses billed	$ 63,841	$ 82,002

The University also billed the Health System for capital projects in the amount of $1,488,000 and $1,080,000 for the years ended June 30, 2013 and 2012, respectively.

TUH is the teaching hospital for Temple University School of Medicine and its clinical practice plan physicians ("TUP"). TUH purchases administrative, supervisory and teaching physician services from TUP. TUH also provides other support to TUP to further the missions of TUH and the medical school. These charges are recorded on the consolidated statements of operations and changes in net assets as a professional fee expense.

The Health System charges the University for the cost of services provided to the University. Amounts billed to the University in 2013 and 2012 include (in thousands):

	2013	**2012**
Salaries and fringe benefits, primarily for residents	$ 7,659	$ 6,512
Rent	4,619	2,838
Other	7,431	3,242
Total expenses billed to the University	$ 19,709	$ 12,592

Such amounts are included as other revenue or a reduction of expenses reported in the consolidated financial statements.

At June 30, 2013 and 2012, $25,145,000 and $25,065,000, respectively, are due to the University for transactions during those years and are included in accounts payable.

Health Partners — TUH and Episcopal are participants and governing members in a Medicaid HMO known as Health Partners ("HP"). Under certain of its contracts with HP, the Health System is the beneficiary of, or is responsible for, allocated HP gains and losses, respectively, based primarily on the number of HP members enrolled in the Health System's primary care physicians' network and other factors as approved by the HP board. The Health System's percentage allocation was 30% and 33% for the fiscal years ended June 30, 2013 and 2012, respectively.

For fiscal years 2013 and 2012, HP's annual premium revenues were approximately $947,124,000 and $1,043,942,000, respectively. For fiscal year 2013, the Health System recognized $8,265,000 in total net patient service revenue from HP members. The Health System's estimated gains are included in the accompanying consolidated statements of operations and changes in net assets as a component of net patient service revenue.

14. MEDICAL PROFESSIONAL LIABILITY AND WORKERS' COMPENSATION INSURANCE

The Health System members participate in the Health System's insurance programs for medical professional liability claims. Primary coverage is provided by an insurance company and reinsured to TUHIC.

Because primary losses are reinsured through TUHIC, primary losses are essentially self-insured up to certain limits, which are coordinated with statutory excess coverage provided through the Pennsylvania Medical Care Availability and Reduction of Error Fund ("MCare Fund"). Also, additional excess liability coverage has been obtained through a commercial insurance carrier.

The Health System accrues liabilities for the estimated losses on asserted and unasserted claims. The discount rate used in determining the liability at June 30, 2013 and 2012, was 1.25% and 1.00%, respectively. The liabilities are comprised of asserted claims for self-insured components of the program and accruals for unasserted claims. Asserted claims are specifically identified, with actuarial determination of the ultimate liability on asserted and unasserted claims based on claims settlement history. The estimated discounted liability accrued for asserted and unasserted claims for the Health System was $159,958,000 and $157,334,000 at June 30, 2013 and 2012, respectively. The estimated liability accrued for asserted and unasserted claims for TUHIC was $35,972,000 and $27,311,000 at June 30, 2013 and 2012, respectively. The Health System incurred net medical professional liability insurance expense of $40,886,000 and $41,244,000 in 2013 and 2012, respectively. These costs are recorded in the consolidated statement of operations and changes in net assets as insurance expense.

The activity in the liability for claims reported and claims incurred but not reported for TUHIC for the years ended June 30, 2013 and 2012, is summarized as follows (in thousands):

	2013	2012
Outstanding	$ 13,197	$ 12,220
Incurred but not reported	22,775	15,091
	$ 35,972	$ 27,311
Balance — July 1	$ 27,311	$ 25,498
Incurred related to current year	14,865	11,760
Incurred related to prior year	3,800	4,336
	18,665	16,096
Paid related to current year	336	486
Paid related to prior year	9,668	13,797
	10,004	14,283
Net balance — June 30	$ 35,972	$ 27,311

As a result of changes in estimates of insured events in prior years, loss and loss adjustment expenses relating to prior years have increased by $3,800,000 and $4,337,000 for the years ended June 30, 2013 and 2012, respectively.

TUHIC is registered under the Bermuda Insurance Act of 1978, amendments thereto and the Related Regulations (the “Insurance Act”) and is obliged to comply with various provisions of the Insurance Act regarding solvency and liquidity. The minimum statutory capital and surplus at June 30, 2013 and 2012, was $3,597,000 and $2,731,000, respectively, and the actual statutory capital and surplus was $14,207,000 and $16,979,000, respectively. The minimum required level of liquid assets was $30,188,000 and $27,522,000 and actual liquid assets were $54,458,000 and $53,675,000 at June 30, 2013 and 2012, respectively.

The Health System is primarily self-insured for workers’ compensation. Program assets at June 30, 2013 and 2012, were $12,841,000 and $11,107,000, respectively. Program liabilities were determined using a discount rate of 2.00% and 1.50% for fiscal years 2013 and 2012, respectively. The estimated discounted liability accrued at June 30, 2013 and 2012, was $30,268,000 and $22,676,000, respectively. Workers’ compensation expense was $6,994,000 and $7,901,000 for fiscal years 2013 and 2012, respectively. These costs are recorded in the consolidated statements of operations and changes in net assets as employee benefit expense.

As discussed in Note 2, the Health System adopted ASU No. 2010-24 during 2012 on a prospective basis, which requires recognition of additional offsetting assets and liabilities on the balance sheet relating to workers' compensation and medical professional liability. The current and long-term asset balances recorded due to this guidance are reflected on the consolidated balance sheet as current portion of self-insurance program receivables and self-insurance program receivables, while the offsetting liabilities are reflected within current portion of self-insurance liabilities and self-insurance liabilities. The amounts below are also included in the disclosure of liabilities within this footnote above. The balances recorded for the year-ended June 30, 2013 are summarized as follows (in thousands):

	2013			2012		
	Current	Long-Term	Total	Current	Long-Term	Total
Workers' compensation:						
Open reserves in excess of retention	$ -	$ 3,604	$ 3,604	$ -	$ 844	$ 844
Incurred but not recorded reserves in excess of retention	-	2,536	2,536	-	2,052	2,052
Professional liability:						
Claims settled within the MCare Layer	1,900	-	1,900	12,200	-	12,200
Open reserves within the MCare Layer	-	7,650	7,650	-	5,200	5,200
Incurred but not recorded reserves in excess of the MCare Layer	-	7,080	7,080	-	-	-
Incurred but not recorded reserves in excess of the Buffer Layer	-	5,469	5,469	-	13,110	13,110
	$ 1,900	$ 26,339	$ 28,239	$ 12,200	$ 21,206	$ 33,406

15. PENSION AND OTHER POSTRETIREMENT BENEFITS

The Health System sponsors various defined benefit plans at the individual affiliate level based on prescribed eligibility requirements and certain Health System employees participate in the University's defined benefit plan. In addition, certain Health System members participate in the defined contribution retirement plans and defined benefit retirement plans for eligible employees that provide benefits through contributions made by the Health System and its employees. Beginning January 1, 2007, the Health System established new defined contribution plans for its employees and no longer actively participated in the University's defined contribution plans. Also, on November 1, 2007, the last of the TUHS defined benefit retirement plans was closed to new participants; only certain grandfathered employees are eligible to participate in the defined benefit pension plans. These employees are not eligible to participate in the Health System's defined contribution plans.

The Health System makes contributions to participants' accounts under the Health System's defined contribution plans based on a defined percentage of the employee's base wages and length of service. The Health System contributions to the plans for fiscal years 2013 and 2012 were $21,164,000 and $11,531,000, respectively. Contributions to the plans for fiscal year 2014 are expected to be $24,165,000.

Multiemployer Plans — Also, certain Health System employees participate in multiemployer pension plans based on collective-bargaining agreements. The Health System contributes to two multiemployer pension plans under the terms of collective-bargaining agreements that cover these union-represented employees. The risks of participating in these multiemployer plans are different from a single-employer plan in the following aspects:

a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

c. If the Health System chooses to stop participating in one or both of its multiemployer plans, the Company may be required to pay that plan(s) an amount based on the underfunded status of the plan(s), referred to as a withdrawal liability.

The Health System's participation in these plans for the annual period ended June 30, 2013, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number ("EIN") and the three-digit plan number, if applicable. The most recent Pension Protection Act ("PPA") zone status available in 2013 and 2012 is also noted below. The zone status is based on information that the Health System received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented. The last column lists the expiration date(s) of the collective-bargaining agreement(s) to which the plans are subject.

		Pension Protection Act Zone Status		FIP/RP Status	Contributions of TUHS			Expiration Date of Collective
Pension Fund	EIN/Pension Plan Number	2013	2012	Pending/ Implemented	2013	2012	Surcharge Imposed	Bargaining Agreement
The Pension Fund for Hospital and Health Care Employees Philadelphia and Vicinity (1)	23-2627428/001	Yellow	Red	Yes	$3,866,000	$3,361,000	No	Various up to 2018
Central Pension Fund of the International Union of Operating Engineers and Participating Employers (2)	36-6052390/001	Green	Green	No	94,000	98,000	No	November 1, 2013
Total contributions					$3,960,000	$3,459,000		

(1) Plan years began 1/1/12 and 1/1/11
(2) Plan years began 2/1/12 and 2/1/11

The Health System was listed in its plans' 5500 as providing more than 5% of the total contributions for the following plan and plan year:

Pension Fund	Year Contributions to the Plan Exceeded More Than 5% of Total Contributions (as of December 31 of the Plan's Year End)
The Pension Fund for Hospital and Health Care Employees — Philadelphia and Vicinity	2012

At the date these financial statements were issued, Forms 5500 were not available for the plan year ending in 2013.

Certain Health System employees participate in the University's postretirement health and life insurance plan. Benefits begin for eligible employees at age 62, and upon the accumulation of 10 years service.

Postretirement Health Care Plan Trends — For measurement purposes, 8.6% and 7.8% annual rates of increase in the per-capita cost of postretirement benefits were assumed for 2013 compared to a rate of 9.2% for 2012. For 2013, these rates are assumed to decrease gradually to 5.0% in 2018 and 4.5% in 2028, respectively, and to remain at those levels thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement benefit plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects on the year ended June 30, 2013 (in thousands) for all Health System and University participants:

	1% Increase	1% (Decrease)
Incremental effect on total of service and interest cost components	$ 4,940	$ (4,049)
Incremental effect on postretirement benefit obligation	47,481	(40,008)

Defined Benefit Pension, Defined Contribution and Postretirement Benefit Plans — Total defined benefit pension, defined contribution, and other postretirement benefit plans expense under all Health System programs amounted to $31,509,000 and $20,171,000 for the fiscal years ended June 30, 2013 and 2012, respectively.

The following table sets forth the activity of the pension and other postretirement benefit plans (which includes the joint Health System and University plans) as of and for the years ended June 30, 2013 and 2012 (dollars in thousands). A measurement date of June 30 is used for the plans.

	Pensions		Other Postretirement Benefit Plan	
	2013	2012	2013	2012
Change in benefit obligation:				
Benefit obligation — beginning of year	$173,736	$146,806	$ 367,665	$ 313,303
Affiliation impact	-	-	7,255	-
Service cost	1,519	1,834	16,948	13,801
Interest cost	7,447	8,010	15,831	15,955
Plan participant contributions	195	171	2,614	2,596
Actuarial (gain) loss	(8,227)	24,305	(18,779)	64,837
Benefits paid	(6,814)	(5,996)	(15,990)	(15,996)
Administrative expenses paid	(1,564)	(813)	-	-
Changes in plan provisions	-	-	-	(26,831)
Settlement	-	(581)	-	-
Benefit obligation — end of year	166,292	173,736	375,544	367,665
Change in plan assets:				
Fair value of plan assets — beginning of year	135,301	136,187	240,684	228,658
Actual return on plan assets	14,813	2,829	19,790	13,563
Employer contributions	3,599	3,504	15,684	11,863
Plan participant contributions	195	171	2,614	2,596
Plan expenses	(1,564)	(813)	-	-
Benefits paid	(6,814)	(5,996)	(15,990)	(15,996)
Settlement	-	(581)	-	-
Fair value of plan assets — end of year	145,530	135,301	262,782	240,684
Funded status	(20,762)	(38,435)	(112,762)	(126,981)
Less University prepaid (accrued) cost	929	352	(87,060)	(102,235)
Net amount recognized — TUHS Only	$ (21,691)	$ (38,787)	$ (25,702)	$ (24,746)
Amount recognized in the balance sheets, include:				
Other noncurrent assets	$ 4,370	$ 2,816	$ -	$ -
Other current liabilities	-	-	(788)	(21)
Accrued postretirement benefits — noncurrent	(26,061)	(41,603)	(24,914)	(24,725)
Net amount recognized — TUHS Only	$ (21,691)	$ (38,787)	$ (25,702)	$ (24,746)

	Pensions		Other Postretirement Benefit Plan	
	2013	2012	2013	2012
Amounts recognized in unrestricted net assets:				
Prior service cost (credit)	$ 3	$ 4	$(13,499)	$ -
Net actuarial loss	73,470	90,447	17,308	16,071
Net amount recognized in unrestricted net assets	$ 73,473	$ 90,451	$ 3,809	$ 16,071
Weighted-average assumptions to determine benefit obligation:				
Discount rate	4.75%–5.05%	4.30%–4.55%	2.95%–4.80%	2.85%–4.30%
Rate of compensation increase	3.00%–4.00%	4.00%–4.50%	N/A	N/A
Weighted-average assumptions to determine net periodic cost:				
Discount rate	4.30%–4.55%	5.45%–5.70%	2.85%–4.3%	3.70%–5.35%
Rate of compensation increase	3.00%–4.00%	4.00–4.50%	N/A	N/A
Expected return on plan assets	7.00%–7.50%	7.00–7.50%	7.50 %	7.50 %
Components of net periodic cost (benefit):				
Service cost	$ 1,519	$ 1,834	$ 16,948	$ 13,801
Interest cost	7,447	8,010	15,831	15,955
Expected return on plan assets	(10,205)	(10,080)	(18,190)	(16,981)
Amortization	2	2	(8,092)	(5,601)
Recognized net actuarial loss	4,816	2,816	10,592	3,498
Net periodic cost (benefit)	3,579	2,582	17,089	10,672
Less University net periodic benefit (cost)	(99)	130	(14,184)	(8,203)
TUHS net periodic cost (benefit)	$ 3,480	$ 2,712	$ 2,905	$ 2,469

The estimated net actuarial loss and net prior service costs for the defined benefit plans that will be amortized from unrestricted net assets into net periodic benefit cost in fiscal year 2014 is $3,878,000 and $2,000, respectively. The estimated net actuarial loss and net prior service credit for the postretirement health and life insurance plan that will be amortized from unrestricted net assets into net periodic benefit cost in fiscal year 2014 is $6,343,000 and $(8,092,000).

After the closure of NEH on June 29, 2009, some participants requested lump-sum cash payments. For the years-ended June 30, 2013 and 2012, the amount of the settlements recognized totaled $0 and $581,000, respectively, which resulted in an actuarial gain of $0 and $71,000, respectively.

Assets Allocations — The following details the Health System's defined benefit plans asset allocations:

Pension Plans Assets	Target Allocation Fiscal Year Ending June 30, 2014	Percentage of Plan Assets at June 30, 2013	Percentage of Plan Assets at June 30, 2012
Equity funds and alternative funds	55–95%	75 %	72 %
Cash and fixed income	5–45%	25	28
Total		100 %	100 %

The following details the University-sponsored pension and other postretirement defined benefit plan asset allocations:

Pension and Other Postretirement Benefit Plan Assets	Target Allocation Fiscal Year Ending June 30, 2014	Percentage of Plan Assets at June 30, 2013	June 30, 2012
Equity funds and securities	40–60%	55 %	51 %
Cash and fixed income	40–60%	45	49
Total		100 %	100 %

Investment Strategy — The long-term investment strategy for pension and other postretirement benefit plans assets is to: meet present and future benefit obligations to all participants and beneficiaries; cover reasonable expenses incurred to provide such benefits; and provide a total return that maximizes the ratio of assets to liabilities by maximizing investment return at the appropriate level of risk.

The pension plans assets of the joint Health System and Temple University plans were $145,531,000 and $135,301,000 at June 30, 2013 and 2012, respectively. The fair values of the pension plan assets at June 30, 2013, by asset category are as follows (in thousands):

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 4,113	$ -	$ -	$ 4,113
Equity funds and securities	75,854	26,592	-	102,446
Alternative funds	-	-	6,421	6,421
Fixed income mutual funds	15,506	15,233	-	30,739
US government securities	1,812	-	-	1,812
Total market value	$ 97,285	$ 41,825	$ 6,421	$ 145,531

The fair values of the pension plan assets at June 30, 2012, by asset category are as follows (in thousands):

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 2,289	$ -	$ -	$ 2,289
Equity funds and securities	70,415	21,305	-	91,720
Alternative funds	-	-	6,094	6,094
Fixed income mutual funds	15,334	-	-	15,334
US government securities	-	19,864	-	19,864
Total market value	$ 88,038	$ 41,169	$ 6,094	$ 135,301

Transfers between Levels 1 and 2 — During the year ended June 30, 2013 and 2012, there were no transfers between Levels 1 and 2.

Transfers into or out of Level 3 — Transfers into or out of Levels are reflected as of the beginning of the period when significant inputs, including market inputs or performance attributes, used for the fair value measurement become observable/unobservable, or when the Health System determines it has the ability, or no longer has the ability, to redeem in the near term certain investments that the Health System values using a NAV (or a capital account).

The following is a reconciliation of investments in securities for which significant unobservable inputs (Level 3) were used in determining fair value (in thousands) for the year ended June 30, 2013:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
		Total Realized/Unrealized Gains (Losses) Included in:						
	Balance, July 1	Net Income	Net Assets	Purchases	Sales	Transfers Into Level 3	Transfers Out of Level 3	Balance, June 30
Year Ended June 30, 2013:								
Alternative funds	$6,094	$ 35	$ 463	$ 5	$(176)	$ -	$ -	$6,421
Total investments	$6,094	$ 35	$ 463	$ 5	$(176)	$ -	$ -	$6,421

The following is a reconciliation of investments in securities for which significant unobservable inputs (Level 3) were used in determining fair value (in thousands) for the year ended June 30, 2012:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
		Total Realized/Unrealized Gains (Losses) Included in:						
	Balance, July 1	Net Income	Net Assets	Purchases	Sales	Transfers Into Level 3	Transfers Out of Level 3	Balance, June 30
Year Ended June 30, 2012:								
Alternative funds	$1,770	$ 22	$(173)	$ -	$(143)	$5,774	$(1,156)	$6,094
Total investments	$1,770	$ 22	$(173)	$ -	$(143)	$5,774	$(1,156)	$6,094

Detailed information for Level 2 and Level 3 investments as of June 30, 2013 and 2012, follows. The fair values of these investments have been estimated using a net asset value equivalent (e.g. ownership interest in partners' capital to which a proportionate share of net assets is attributable).

	Fair Value (In Thousands)	Unfunded Commitments (In Thousands)	Redemption Frequency (If Currently Eligible)	Redemption Notice Period (If Applicable)
Year Ended June 30, 2013:				
Multi-Strategy Hedge Funds (a)	$ 26,830	$ -	Daily,Quarterly	0–95 days
Real Estate Funds (b)	3,479	-	Quarterly	45 days
	$ 30,309	$ -		
Year Ended June 30, 2012:				
Multi-Strategy Hedge Funds (a)	$ 24,327	$ -	Daily,Quarterly	0–95 days
Real Estate Funds (b)	3,072	-	Quarterly	45 days
	$ 27,399	$ -		

(a) This category includes investments that seek to earn above-average, risk adjusted, long-term returns that have a low correlation to traditional equity and fixed income markets. The investments include futures contracts, call options, warrants and structured products all of which are referenced as derivative instruments.

(b) This category includes investments that maintain exposure to real estate and natural resources through public and private investments whose value is strongly controlled by commodities and real estate and may act as a hedge against unanticipated inflation.

The postretirement plan assets of the joint Health System and Temple University were $262,782,000 and $240,684,000 at June 30, 2013 and 2012, respectively, of which only a portion of this pool of assets belongs to the Health System. The fair values of the postretirement plan assets at June 30, 2013, by asset category are as follows (in thousands):

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 14,265	$ -	$ -	$ 14,265
Equity funds and securities	124,703	23,296	-	147,999
U.S. government securities	11,076	-	-	11,076
Fixed income index funds	-	89,442	-	89,442
Total market value	$ 150,044	$ 112,738	$ -	$ 262,782

The fair values of the postretirement plan assets at June 30, 2012, by asset category are as follows (in thousands):

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 4,141	$ -	$ -	$ 4,141
Equity funds and securities	98,969	27,114	-	126,083
U.S. government securities	12,483	-	-	12,483
Fixed income index funds	-	97,977	-	97,977
Total market value	$ 115,593	$ 125,091	$ -	$ 240,684

Expected Return on Plan Assets — The expected long-term rate of return for the plans' total assets is based on the expected return of each of the above investment categories, weighted based on the median of the target allocation for each class. Equity securities are expected to return 7% to 10% over the long-term, while fixed income is expected to return between 3% and 5%.

Expected Cash Flows — The following table shows expected cash flows related to the defined benefit pension and other postretirement benefit plans (in thousands):

	Pension Plans TU/Health System	Other Postretirement Benefit Plan TU/Health System
Expected Health System contributions for fiscal year ending June 30, 2014:		
Expected employer contributions	$ 2,981	$ 15,288
Expected employee contributions	176	2,614
Estimated future benefit payments from plan assets reflecting expected future service for the fiscal year ending:		
June 30, 2014	7,742	19,014
June 30, 2015	8,249	20,042
June 30, 2016	8,704	20,861
June 30, 2017	9,208	22,098
June 30, 2018	9,671	23,100
June 30, 2019 to June 30, 2023	54,010	127,374

16. ENDOWMENT

The Health System's endowment consists of several funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law — The Health System classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment when explicit donor stipulations requiring permanent maintenance of the historical fair value are present, and (b) the original value of the subsequent gifts to the permanent endowment when explicit donor stipulations requiring permanent maintenance of the historical fair value are present. The remaining portion of the donor-restricted endowment fund comprised of accumulated investment earnings not required to be maintained in perpetuity is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Health System in a manner consistent with the donor's stipulations. The Health System considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: duration and preservation of the fund, purposes of the donor-restricted endowment funds, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Health System, and the investment policies of the Health System.

Endowment net asset composition by type of fund as of June 30, 2013 (in thousands):

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 9,760	$ 7,210	$ 16,970

Endowment net asset composition by type of fund as of June 30, 2012 (in thousands):

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 900	$ 1,520	$ 2,420

Changes in endowment net assets for the fiscal years ended June 30, 2012 and 2013 (in thousands):

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets — June 30, 2011	$ 1,475	$ 1,520	$ 2,995
Contributions			
Investment return — investment loss	(20)	-	(20)
Appropriations of endowment assets for expenditure	(555)	-	(555)
Endowment net assets — June 30, 2012	900	1,520	2,420
Assets acquired from affiliation	8,393	2,398	10,791
Contributions	51	3,254	3,305
Investment return — investment loss	2,145	38	2,183
Appropriations of endowment assets for expenditure	(1,729)	-	(1,729)
Endowment net assets — June 30, 2013	$ 9,760	$ 7,210	$ 16,970

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Health System to retain as a fund of perpetual duration. There were no such deficiencies at June 30, 2013 and 2012.

Investment Return Objectives and Spending Policy — The Health System has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner to generate returns at least equal to and preferably greater than the consumer price index plus 4.5%. To satisfy its long-term rate-of-return objectives, the Health System targets a diversified asset allocation that places a greater emphasis on equity based investments within prudent risk constraints.

The Health System has a policy of appropriating for distribution each year 2% to 7% of its endowment fund's average fair value over the prior three years. The Board of Directors approved an appropriation of 4.5% for each of the years ended June 30, 2013 and 2012.

17. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets were held for the following purposes at June 30, 2013 and 2012 (in thousands):

	2013	2012
Property and equipment additions	$ 1,150	$ 1,099
Specific health care programs	19,713	1,225
	$ 20,863	$ 2,324

Permanently restricted net assets consist of the following at June 30, 2013 and 2012 (in thousands):

	2013	2012
Endowment funds, income from which is expendable for specific health care programs (income is temporarily restricted)	$ 7,210	$ 1,520
Beneficial interest in perpetual trusts, income from which is expendable to support health care services (income reported as unrestricted)	36,383	20,673
Beneficial interest in assets held by Episcopal Foundation	20,816	18,622
Beneficial interest in assets held by Fox Chase Cancer Center Foundation	41,771	-
	$ 106,180	$ 40,815

The Episcopal Healthcare Foundation (the "EH Foundation") controls certain investments that, according to its organizational structure, are held for the benefit of TUH's Episcopal campus operations. TUH has recognized the fair market value of investments held by the EH Foundation as an asset (beneficial interest in the assets held by Episcopal Foundation) and permanently restricted net assets of $20,816,000 and $18,622,000 at June 30, 2013 and 2012, respectively.

The Fox Chase Cancer Center Foundation (the “FCCC Foundation”) controls certain investments that, according to its organizational structure, are held for the benefit of ICR’s research operations and AOH’s clinical operations. ICR and AOH have recognized the fair market value of investments held by the FCCC Foundation as an asset (beneficial interest in the assets held by Fox Chase Cancer Center Foundation) and permanently restricted net assets of $41,771,000 at June 30, 2013.

As reported by the respective trustees, the composition of the above funds in which the Health System has a beneficial interest is approximately 79% and 63% marketable equity securities and 21% and 37% fixed income securities at June 30, 2013 and 2012, respectively.

18. COMMITMENTS AND CONTINGENCIES

The Commonwealth of Pennsylvania owns the land on which certain TUH facilities are located. The land is leased to the University for a term ending December 31, 2043, for a nominal rent. The University subleases these facilities to TUH.

The Friends Fiduciary Corporation owns the land that JH facilities are located. The land is leased to JH for a term ending June 30, 2044, for a nominal rent.

JH has committed to making $219,000 in additional investments at June 30, 2013, into partnerships (a private equity fund and a real estate fund), which may be requested through capital calls from the partnerships. Detail regarding the unfunded commitments is disclosed in Note 20.

TUHIC holds cash and investments in debt securities in the amount of $48,308,000 and $44,018,000 as of June 30, 2013 and 2012, respectively, which are being held in trust in order to secure TUHIC’s liabilities under certain reinsurance contracts.

In addition, the Health System is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Health System’s financial position, results of operations, or cash flows.

19. COMMONWEALTH OF PENNSYLVANIA, DEPARTMENT OF PUBLIC WELFARE GRANTS AND OTHER SUPPORT

The following grants and support relate mainly to providing access to health care services including care for the uninsured and indigent population (See Note 6 — “Charity Care”). For the fiscal years ended June 30, 2013 and 2012, the Health System received grants from the Commonwealth of Pennsylvania’s Department of Public Welfare in the amounts of $35,264,000 and $19,539,000, respectively. Also, the Health System received Commonwealth funding for inpatient and outpatient disproportionate share and other funding, primarily from the proceeds from the tobacco settlement. In fiscal years 2013 and 2012, the disproportionate share payments received by the Health System amounted to $28,983,000 and $28,232,000, respectively, funding for the Academic Health Center amounted to $6,402,000 and $6,515,000, respectively, funding for medical education amounted to $12,485,000 and $12,450,000, respectively, and other funding received amounted to $14,398,000 and $19,653,000, respectively. These amounts are included in net patient service revenue in the accompanying consolidated statements of operations and changes in net assets. There is no guarantee that this funding will continue in future years. Under certain circumstances, the Health System could be required to repay certain of the grants received from the Commonwealth. Management believes that the likelihood of such repayment is remote.

20. FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, which defines fair value, provides a framework for measuring fair value, and expands disclosures required for fair value measurements.

FASB ASC Topic 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, FASB ASC Topic 820 establishes 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 assumption about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

FASB ASC Topic 820 classifies the inputs used to measure fair value into the following hierarchy:

Level 1 — Level 1 inputs are quoted prices in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 — Level 2 inputs include the following:

- Quoted prices in active markets for similar assets or liabilities.
- Quoted prices in markets that are not active for identical or similar assets or liabilities.
- Inputs other than quoted prices, that are observable for the asset or liability.
- Inputs that are derived primarily from or corroborated by observable market data by correlation or other means.

Level 3 — Level 3 inputs are unobservable inputs for the asset or liability.

The following table sets forth, by level within the fair value hierarchy, the financial assets and liabilities recorded at fair value on a recurring basis and its equity method alternative investments as of June 30, 2013 (in thousands):

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets limited as to use:				
U.S. government securities	$ 39,636	$ 88,770	$ -	$128,406
Fixed income mutual funds	394	-	-	394
Corporate bonds, notes, and other debt securities	-	12,830	-	12,830
Cash, money market funds, and certificates of deposit	84,597	974	-	85,571
Equity securities and mutual funds	1,537	-	-	1,537
	126,164	102,574	-	228,738
Workers' compensation fund:				
U.S. government securities	5,999	1,437	-	7,436
Corporate bonds, notes, and other debt securities	-	4,558	-	4,558
Cash, money market funds, and certificates of deposit	98	-	-	98
	6,097	5,995	-	12,092
Investments:				
U.S. government securities	24	-	-	24
Fixed income mutual funds	173,650	-	-	173,650
Corporate bonds, notes, and other debt securities	-	268	-	268
Equity securities and mutual funds	33,075	-	-	33,075
Real estate	-	7,548	-	7,548
Alternative funds	-	731	9,383	10,114
Limited liability partnerships	-	7,054	3,577	10,631
	206,749	15,601	12,960	235,310
Beneficial interest in perpetual trusts	-	-	36,383	36,383
Beneficial interest in the assets held by Episcopal Foundation	-	-	20,816	20,816
Beneficial interest in the Fox Chase Cancer Center Foundation	-	-	41,771	41,771
Total assets	$339,010	$124,170	$111,930	$575,110
Liabilities				
Interest rate swaps	$ -	$ 610	$ -	$ 610
Total liabilities	$ -	$ 610	$ -	$ 610

The following table sets forth, by level within the fair value hierarchy, the financial assets recorded at fair value on a recurring basis and its equity method alternative investments as of June 30, 2012 (in thousands):

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets limited as to use:				
U.S. government securities	$ 30,710	$ 23,596	$ -	$ 54,306
Corporate bonds, notes, and other debt securities	-	10,950	-	10,950
Cash and money market funds	40,313	-	-	40,313
Equity securities and mutual funds	1,687	-	-	1,687
	72,710	34,546	-	107,256
Workers' compensation fund:				
U.S. government securities	3,578	2,215	-	5,793
Corporate bonds, notes, and other debt securities	-	5,025	-	5,025
Cash and money market funds	289	-	-	289
	3,867	7,240	-	11,107
Investments:				
Fixed income mutual funds	159,555	-	-	159,555
Cash and money market funds	1,625	-	-	1,625
Equity mutual funds	7,081	-	-	7,081
Alternative funds	-	-	15,486	15,486
Limited liability partnerships	-	11,205	9,788	20,993
	168,261	11,205	25,274	204,740
Beneficial interest in perpetual trusts	-	-	20,673	20,673
Beneficial interest in the assets held by Episcopal Foundation	-	-	18,622	18,622
Total	$244,838	$ 52,991	$ 64,569	$362,398

Transfers between Levels 1 and 2 — During the year ended June 30, 2013 and 2012, there were no transfers between Levels 1 and 2.

Transfers into or out of Level 3 — Transfers in and/or out of Levels are reflected as of the beginning of the period when significant inputs, including market inputs or performance attributes, used for the fair value measurement become observable/unobservable, or when the Health System determines it has the ability, or no longer has the ability, to redeem in the near term certain investments that the Health System values using a NAV (or a capital account). For the year ended June 30, 2013, all transfers in relate to the affiliation. Refer to Note 3 for further information related to the affiliation.

The following is a reconciliation of financial instruments for which significant unobservable inputs (Level 3) were used in determining fair value (in thousands) for the year ended June 30, 2013:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
		Total Realized/Unrealized Gains (Losses) Included in:						
	July 1, 2012	Net Income (Loss)	Net Asset	Purchases	Sales	Transfer Into Level 3	Transfer Out of Level 3	June 30, 2013
Year ended June 30, 2012:								
Assets — investments:								
Alternative funds	$15,486	$1,222	$ -	$ -	$ (6,594)	$ -	$(731)	$ 9,383
Limited liability partnerships	9,788	918	-	66	(7,195)	-	-	3,577
Total investments	$25,274	$2,140	$ -	$ 66	$(13,789)	$ -	$(731)	$12,960
Beneficial interest in perpetual trusts	$20,673	$ -	$1,309	$ -	$ -	$14,401	$-	$36,383
Beneficial interest in the assets held by Episcopal Foundation	$18,622	$ -	$2,194	$ -	$ -	$ -	$-	$20,816
Beneficial interest in Fox Chase Cancer Center Foundation	$ -	$ -	$ -	$ -	$ -	$41,771	$-	$41,771

The following is a reconciliation of financial instruments for which significant unobservable inputs (Level 3) were used in determining fair value (in thousands) for the year ended June 30, 2012:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)						
		Total Realized/Unrealized Gains (Losses) Included in:					
	July 1, 2011	Net Income (Loss)	Net Asset	Purchases	Sales	Transfer Out of Level 3	June 30, 2012
Year ended June 30, 2012:							
Assets — investments:							
Alternative funds	$ 9,857	$ (34)	$ -	$ 6,750	$(1,087)	$ -	$15,486
Limited liability partnerships	11,048	393	-	422	(2,075)	-	9,788
Total investments	$20,905	$ 359	$ -	$ 7,172	$(3,162)	$ -	$25,274
Beneficial interest in perpetual trusts	$21,483	$ -	$ (810)	$ -	$ -	$ -	$20,673
Beneficial interest in the assets held by Episcopal Foundation	$19,170	$ -	$ (548)	$ -	$ -	$ -	$18,622

U.S. government securities, money market funds, equity securities and mutual funds classified as Level 1 are measured using quoted market prices.

Marketable debt securities classified as Level 1 were classified as such due to the usage of observable market prices for identical securities that are traded in active markets. These debt securities primarily include US Treasury Bonds.

The marketable debt securities classified as Level 2 were classified as such due to the usage of observable market prices for similar securities that are traded in less active markets or when observable market prices for identical securities are not available, marketable debt instruments are priced using: non-binding market consensus prices that are corroborated with observable market data; quoted market prices for similar instruments; or pricing models, such as a discounted cash flow model, with all significant inputs derived from or corroborated with observable market data. These debt securities primarily include government bonds, corporate bonds, notes and other debt securities.

The alternative investments classified as Level 3 were classified as such due to the lack of observable market data. These investments include equity funds, mutual funds and limited liability partnerships that are valued by the fund manager based on the pro-rata interest in the net assets of the underlying investments which approximates fair value and by financial information provided by the limited partnerships. In accordance with ASU 2009-12, however, those investments that are measured at net asset value per share and are redeemable at the measurement date are classified as Level 2.

The estimated fair values of the Health System's beneficial interest in perpetual trusts and in the assets held by Episcopal Foundation are classified as Level 3 due to lack of observable market data. Currently there is no market in which beneficial interest in trusts are traded and as such, no observable exit price exists for these assets. The fair values are determined based on information provided by the trustees.

Interest rate swaps classified as Level 2 are valued using techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves. The valuation incorporates credit valuation adjustments to appropriately reflect both our nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value for the effect of nonperformance risk, the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees, was considered. The majority of the inputs used fall within Level 2 of the fair value hierarchy, the credit valuation adjustments utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of June 30, 2013, the credit valuation adjustments are not significant to the overall valuation. As a result, the valuations in their entirety are appropriately classified in Level 2.

Detailed information for Level 2 and Level 3 investments as of June 30, 2013 and 2012, follows. The fair values of these investments have been estimated using a net asset value equivalent (e.g. ownership interest in partners' capital to which a proportionate share of net assets is attributable).

	Fair Value (In thousands)	Unfunded Commitments (In thousands)	Redemption Frequency (if Currently Eligible)	Redemption Notice Period (if Applicable)
Year ended June 30, 2013:				
Multi-Strategy Hedge Funds (a)	$ 9,931	$ -	Annual, Quarterly	45–95 days
Distressed Debt Hedge Funds (b)	331	-		
Long/Short Hedge Funds (c)	383	-	Annual	95 days
Private Equity Funds (d)	1,296	167		
Stock Funds (e)	731	-		
Real Estate Funds (g)	8,073	52	Monthly	45 days
	$ 20,745	$ 219		
Year ended June 30, 2012:				
Multi-Strategy Hedge Funds (a)	$ 15,991	$ -	Tri-annual, Quarterly	45–95 days
Distressed Debt Hedge Funds (b)	489	-		
Long/Short Hedge Funds (c)	3,674	-	Annual	95 days
Private Equity Funds (d)	1,631	119		
Stock Funds (e)	3,284	-	Annual, Monthly	6–90 days
Global/Macro Hedge Funds (f)	3,760	-	Monthly	10 days
Real Estate Funds (g)	7,650	195	Monthly	45 days
	$ 36,479	$ 314		

(a) This category includes investments in hedge funds that use a variety of strategies. These strategies may include long/short equity, long/short credit, event-driven, capital structure arbitrage, fixed income arbitrage, credit of distressed companies, and restructuring and underpriced companies. The remaining restriction period for these investments ranged from three to twelve months.

(b) This category includes investments in hedge funds that invest in debt obligations of distressed companies at a discount and sell the obligations following reorganization or restructuring of the companies. In September 2010, Private Advisors Distressed Opportunities Fund notified the Health System that the fund has begun liquidation. Investors are no longer eligible for voluntary redemptions.

(c) This category includes investments in hedge funds that invest with managers or private investment funds that take short positions and long positions in equity securities and use leverage to augment the effects of stock selection. Investments in this category can be redeemed annually.

(d) This category includes investments in private equity partnerships whose strategy is to add 5% in value comparable public investments and that will be in the top 25% of comparable private equity managers. In 2012, investments in this category could not be redeemed until November 2020 subject to two one year extensions. In 2013, investments representing 98% of the value of the investments in this category cannot be redeemed.

(e) This category includes investments (typically through traditional, long-only stock managers) that maintain (beta) exposure to stocks and achieve (alpha) value added of at least 2% per year over a passive portfolio. Investments in this category are not currently eligible for redemption.

(f) This category includes investment in a broad diversity of asset classes and geographic markets. They may invest in equity, global fixed income, currency and commodity sectors.

(g) This category includes investments that maintain exposure to real estate and natural resources through public and private investments whose value is strongly controlled by commodities and real estate and may act as a hedge against unanticipated inflation. In 2013 and 2012, investments representing approximately 1% and 19%, respectively, in this category cannot be redeemed until the termination of the funds. These termination dates range from December 2013 to December 2015.

The fair value of the Health System's Pension assets is disclosed in Note 15.

The following methods and assumptions were used by the Health System in estimating fair value for disclosures in the consolidated financial statements:

Long-Term Debt — The fair value of long-term debt is based on quoted market prices or is estimated using discounted cash flow analyses for similar types of borrowing arrangements based on incremental borrowing rates. The carrying and fair values of long-term debt, excluding capital lease obligations, the Episcopal Healthcare Foundation debt and equipment financing arrangements at June 30, 2013, are $519,463,000 and $525,209,000 respectively. The carrying and fair values of long-term debt, excluding capital lease obligations, the Episcopal Healthcare Foundation debt, payables from lines of credit and equipment financing arrangements at June 30, 2012, are $316,008,000 and $314,456,000, respectively.

Other — Cash and cash equivalents, patient and other accounts receivable, and all other current assets and liabilities are reported at amounts that approximate fair value due to the relatively short period to maturity.

21. FUNCTIONAL EXPENSES

The Health System provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows (in thousands):

	2013	2012
Health care services	$ 1,046,145	$ 825,907
Research	42,072	-
General and administrative	283,730	179,204
Institutional Support	2,178	-
	$ 1,374,125	$ 1,005,111

22. SUBSEQUENT EVENTS

The Health System has evaluated subsequent events through October 23, 2013, the date the financial statements were issued. There were no additional subsequent events requiring recording or disclosure in the consolidated financial statements.

* * * * * *

SUPPLEMENTAL SCHEDULES

TEMPLE UNIVERSITY HEALTH SYSTEM

SUPPLEMENTAL SCHEDULE OF CONSOLIDATING BALANCE SHEET INFORMATION
AS OF JUNE 30, 2013
(In thousands)

ASSETS	Temple University Hospital, Inc.	Jeanes Hospital	Institute for Cancer Research	American Oncologic Hospital	FCCC Medical Group, Inc.	Fox Chase Network, Inc.	Temple Physicians Inc.	Temple Health System Transport Team, Inc.	TUHS Parent Company (1)	Obligated Group Eliminations	Obligated Group Consolidated
CURRENT ASSETS:											
Cash and cash equivalents	$ 40,915	$ 1,641	$ 1,695	$ 5,251	$ 666	$ 6	$ 1,538	$ 349	$ 42,326	$ -	$ 94,387
Patient accounts receivable — net of allowance for doubtful accounts	93,640	14,403	-	29,733	5,327	-	5,704	-	-	-	148,807
Other receivables — net of allowance for doubtful accounts	27,699	2,167	1,476	1,034	659	734	167	501	4,494	-	38,931
Inventories and other current assets	15,972	4,974	1,197	5,220	14	-	302	13	1,108	-	28,800
Current portion of assets limited as to use	-	-	7,034	7,139	43	-	-	-	31,164	-	45,380
Investments	136,044	24,249	-	22	-	-	-	-	15,509	-	175,824
Current portion of workers' compensation fund	5,229	476	-	-	-	-	50	-	-	-	5,755
Current portion of self-insurance program receivables	-	-	-	-	-	-	-	-	1,900	-	1,900
Expenditures reimbursable by research grants and awards	-	-	5,788	-	-	-	-	-	-	-	5,788
Due from affiliates — current portion	13,672	5,086	3,115	35,057	508	1,948	3,680	103	13,028	(75,777)	420
Total current assets	333,171	52,996	20,305	83,456	7,217	2,688	11,441	966	109,529	(75,777)	545,992
PROPERTY, PLANT AND EQUIPMENT:											
Land and land improvements	5,574	1,785	1,056	5,083	-	-	-	-	9	-	13,507
Buildings	280,620	79,828	7,877	23,178	-	-	4,038	-	23,617	-	419,158
Fixed and movable equipment	263,079	45,134	14,631	16,964	171	-	5,805	485	58,109	-	404,378
Construction-in-progress	2,901	290	12,645	2,563	-	-	-	-	365	-	18,764
	552,174	127,037	36,209	47,788	171	-	9,843	485	82,100	-	855,807
Less accumulated depreciation	362,728	100,333	4,025	6,425	70	-	4,645	459	43,304	-	521,989
Net property, plant and equipment	189,446	26,704	32,184	41,363	101	-	5,198	26	38,796	-	333,818
ASSETS LIMITED AS TO USE	3,775	367	-	-	-	-	-	-	130,629	-	134,771
INVESTMENTS	14,675	7,571	8,251	2,059	-	-	-	-	37	-	32,593
WORKERS' COMPENSATION FUND	4,934	775	-	-	-	-	130	176	-	-	6,015
ESTIMATED SETTLEMENT WITH THIRD PARTY PAYOR	-	-	-	1,582	-	-	-	-	-	-	1,582
SELF-INSURANCE PROGRAM RECEIVABLES	15,607	2,257	-	43	60	-	4,001	-	26,339	(21,934)	26,373
INVESTMENT IN TUHIC	-	-	-	-	-	-	-	-	14,215	-	14,215
GOODWILL AND INTANGIBLES	-	-	7,188	14,249	-	2,239	848	-	-	-	24,524
BENEFICIAL INTEREST IN PERPETUAL TRUSTS	5,132	16,219	14,400	-	-	-	-	-	-	-	35,751
BENEFICIAL INTEREST IN ASSETS HELD BY EPISCOPAL FOUNDATION	20,816	-	-	-	-	-	-	-	-	-	20,816
BENEFICIAL INTEREST IN THE ASSETS HELD BY FOX CHASE CANCER CENTER FOUNDATION	-	-	37,040	4,731	-	-	-	-	-	-	41,771
DUE FROM AFFILIATES	16,862	-	-	-	-	-	-	-	342,320	(359,182)	-
OTHER ASSETS	11,566	506	5,476	1,035	24	-	68	-	5,748	-	24,423
TOTAL ASSETS	$615,984	$107,395	$124,844	$148,518	$7,402	$4,927	$21,686	$1,168	$667,613	$(456,893)	$1,242,644

(1) TUHS Parent Company accounts for its investment in TUHIC under the equity method. The remaining entities are accounted for at cost.

(Continued)

TEMPLE UNIVERSITY HEALTH SYSTEM

SUPPLEMENTAL SCHEDULE OF CONSOLIDATING BALANCE SHEET INFORMATION
AS OF JUNE 30, 2013
(In thousands)

	Temple East, Inc	Episcopal Hospital	TUHS Insurance Company, Ltd.	TUHS Foundation	Fox Chase Limited	Fox Chase Select	Non-Obligated Group Eliminations	Non-Obligated Group Consolidated	Remaining Eliminations	Temple University Health System Consolidated
ASSETS										
CURRENT ASSETS:										
Cash and cash equivalents	$ 182	$ 3,865	$ 1,531	$10,971	$ -	$ -	$ -	$ 16,549	$ -	$ 110,936
Patient accounts receivable — net of allowance for doubtful accounts	-	-	-	-	-	-	-	-	-	148,807
Other receivables — net of allowance for doubtful accounts	-	726	364	40	-	-	-	1,130	-	40,061
Inventories and other current assets	-	23	4,263	-	-	-	-	4,286	-	33,086
Current portion of assets limited as to use	55	-	1,380	-	-	-	-	1,435	-	46,815
Investments	-	4,902	-	24,168	-	-	-	29,070	-	204,894
Current portion of workers' compensation fund	205	-	-	-	-	-	-	205	-	5,960
Current portion of self-insurance program receivables	-	-	-	-	-	-	-	-	-	1,900
Expenditures reimbursable by research grants and awards	-	-	-	-	-	-	-	-	-	5,788
Due from affiliates — current portion	-	181	-	-	4	-	-	185	(605)	-
Total current assets	442	9,697	7,538	35,179	4	-	-	52,860	(605)	598,247
PROPERTY, PLANT AND EQUIPMENT:										
Land and land improvements	12	231	-	-	-	-	-	243	-	13,750
Buildings	111	12,265	-	-	-	-	-	12,376	-	431,534
Fixed and movable equipment	-	4	-	-	-	-	-	4	-	404,382
Construction-in-progress	-	-	-	-	-	-	-	-	-	18,764
	123	12,500	-	-	-	-	-	12,623	-	868,430
Less accumulated depreciation	32	9,292	-	-	-	-	-	9,324	-	531,313
Net property, plant and equipment	91	3,208	-	-	-	-	-	3,299	-	337,117
ASSETS LIMITED AS TO USE	224	-	46,928	-	-	-	-	47,152	-	181,923
INVESTMENTS	-	-	-	-	242	-	-	242	-	32,835
WORKERS' COMPENSATION FUND	832	-	-	-	-	-	-	832	-	6,847
ESTIMATED SETTLEMENT WITH THIRD PARTY PAYOR	-	-	-	-	-	-	-	-	-	1,582
SELF-INSURANCE PROGRAM RECEIVABLES	6,523	-	-	-	-	-	-	6,523	(6,523)	26,373
INVESTMENT IN TUHIC	-	-	-	-	-	-	-	-	(14,215)	-
GOODWILL AND INTANGIBLES	-	-	-	-	-	-	-	-	-	24,524
BENEFICIAL INTEREST IN PERPETUAL TRUSTS	632	-	-	-	-	-	-	632	-	36,383
BENEFICIAL INTEREST IN ASSETS HELD BY EPISCOPAL FOUNDATION	-	20,816	-	-	-	-	-	20,816	(20,816)	20,816
BENEFICIAL INTEREST IN THE ASSETS HELD BY FOX CHASE CANCER CENTER FOUNDATION	-	-	-	-	-	-	-	-	-	41,771
DUE FROM AFFILIATES	-	-	-	-	-	-	-	-	-	-
OTHER ASSETS	-	525	-	-	-	-	-	525	-	24,948
TOTAL ASSETS	$8,744	$34,246	$54,466	$35,179	$246	$ -	$ -	$132,881	$(42,159)	$1,333,366

(Continued)

TEMPLE UNIVERSITY HEALTH SYSTEM

SUPPLEMENTAL SCHEDULE OF CONSOLIDATING BALANCE SHEET INFORMATION
AS OF JUNE 30, 2013
(In thousands)

LIABILITIES AND NET ASSETS	Temple University Hospital, Inc.	Jeanes Hospital	Institute for Cancer Research	American Oncologic Hospital	FCCC Medical Group, Inc.	Fox Chase Network, Inc.	Temple Physicians Inc.	Temple Health System Transport Team, Inc.	TUHS Parent Company (1)	Obligated Group Eliminations	Obligated Group Consolidated
CURRENT LIABILITIES:											
Current portion of long-term debt	$ 1,249	$ 158	$ -	$ 4,726	$ -	$ -	$ -	$ -	$ 4,259	$ -	$ 10,392
Accounts payable	45,832	5,279	6,395	10,290	1,075	-	130	17	1,724	-	70,742
Accrued expenses	33,427	6,827	3,220	11,718	3,024	-	2,922	204	40,046	(12,246)	89,142
Current portion of estimated settlements with third-party payors	2,350	263	-	-	-	-	-	-	-	-	2,613
Current portion of self-insurance program liabilities	22,374	932	165	1,738	38	-	424	-	2,078	-	27,749
Unexpended research grants and awards	-	-	1,514	55	-	-	-	-	-	-	1,569
Due to affiliates — current portion	12,718	5,692	34,705	4,942	1,279	1,129	1,849	456	13,235	(75,777)	228
Other current liabilities	9,863	2,984	247	443	80	-	593	-	13,352	-	27,562
Total current liabilities	127,813	22,135	46,246	33,912	5,496	1,129	5,918	677	74,694	(88,023)	229,997
LONG-TERM DEBT	469	43	-	269	-	-	-	-	522,752	-	523,533
ESTIMATED SETTLEMENTS WITH THIRD-PARTY PAYORS	-	990	-	-	-	-	-	-	-	-	990
SELF-INSURANCE PROGRAM LIABILITIES	65,913	16,991	651	4,669	1,140	-	12,291	254	26,769	(9,688)	118,990
ACCRUED POSTRETIREMENT BENEFITS	22,969	9,518	1,686	3,025	547	-	-	-	-	-	37,745
DUE TO AFFILIATES	209,115	46,740	10,485	75,981	-	-	-	-	16,861	(359,182)	-
OTHER LONG-TERM LIABILITIES	16,532	1,199	2,490	2,825	118	108	-	-	2,526	-	25,798
Total liabilities	442,811	97,616	61,558	120,681	7,301	1,237	18,209	931	643,602	(456,893)	937,053
NET ASSETS (DEFICIT):											
Unrestricted	143,399	(6,702)	(5,088)	16,251	101	3,690	3,477	237	24,006	-	179,371
Temporarily restricted	2,515	186	14,019	4,083	-	-	-	-	5	-	20,808
Permanently restricted	27,259	16,295	54,355	7,503	-	-	-	-	-	-	105,412
Total net assets (deficit)	173,173	9,779	63,286	27,837	101	3,690	3,477	237	24,011	-	305,591
TOTAL LIABILITIES AND NET ASSETS	$615,984	$107,395	$124,844	$148,518	$7,402	$4,927	$21,686	$1,168	$667,613	$(456,893)	$1,242,644

(1) TUHS Parent Company accounts for its investment in TUHIC under the equity method. The remaining entities are accounted for at cost.

(Continued)

TEMPLE UNIVERSITY HEALTH SYSTEM

SUPPLEMENTAL SCHEDULE OF CONSOLIDATING BALANCE SHEET INFORMATION
AS OF JUNE 30, 2013
(In thousands)

LIABILITIES AND NET ASSETS	Temple East, Inc	Episcopal Hospital	TUHS Insurance Company, Ltd.	TUHS Foundation	Fox Chase Limited	Fox Chase Select	Non-Obligated Group Eliminations	Non-Obligated Group Consolidated	Remaining Eliminations	Temple University Health System Consolidated
CURRENT LIABILITIES:										
Current portion of long-term debt	$ -	$ 504	$ -	$ -	$ -	$ -	$ -	$ 504	$ -	$ 10,896
Accounts payable	-	99	-	1,500	-	-	-	1,599	-	72,341
Accrued expenses	-	348	29	-	-	-	-	377	(4,357)	85,162
Current portion of estimated settlements with third-party payors	-	-	-	-	-	-	-	-	-	2,613
Current portion of self-insurance program liabilities	580	-	11,334	-	-	-	-	11,914	-	39,663
Unexpended research grants and awards	-	-	-	-	-	-	-	-	-	1,569
Due to affiliates — current portion	32	174	-	-	171	-	-	377	(605)	-
Other current liabilities	409	341	4,250	-	-	-	-	5,000	-	32,562
Total current liabilities	1,021	1,466	15,613	1,500	171	-	-	19,771	(4,962)	244,806
LONG-TERM DEBT	-	3,819	-	-	-	-	-	3,819	-	527,352
ESTIMATED SETTLEMENTS WITH THIRD-PARTY PAYORS	-	-	-	-	-	-	-	-	-	990
SELF-INSURANCE PROGRAM LIABILITIES	6,935	2,166	24,638	-	-	-	-	33,739	(2,166)	150,563
ACCRUED POSTRETIREMENT BENEFITS	3,290	9,940	-	-	-	-	-	13,230	-	50,975
DUE TO AFFILIATES	-	-	-	-	-	-	-	-	-	-
OTHER LONG-TERM LIABILITIES	1,673	22,588	-	-	-	-	-	24,261	(20,816)	29,243
Total liabilities	12,919	39,979	40,251	1,500	171	-	-	94,820	(27,944)	1,003,929
NET ASSETS (DEFICIT):										
Unrestricted	(4,998)	(5,733)	14,215	33,679	75	-	-	37,238	(14,215)	202,394
Temporarily restricted	55	-	-	-	-	-	-	55	-	20,863
Permanently restricted	768	-	-	-	-	-	-	768	-	106,180
Total net assets (deficit)	(4,175)	(5,733)	14,215	33,679	75	-	-	38,061	(14,215)	329,437
TOTAL LIABILITIES AND NET ASSETS	$ 8,744	$34,246	$54,466	$35,179	$246	$ -	$ -	$132,881	$(42,159)	$1,333,366

(Concluded)

TEMPLE UNIVERSITY HEALTH SYSTEM

SUPPLEMENTAL SCHEDULE OF CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS INFORMATION FOR THE YEAR ENDED JUNE 30, 2013
(In thousands)

	Temple University Hospital, Inc.	Jeanes Hospital	Institute for Cancer Research	American Oncologic Hospital	FCCC Medical Group, Inc.	Fox Chase Network, Inc.	Temple Physicians Inc.	Temple Health System Transport Team, Inc.	TUHS Parent Company (1)	Obligated Group Eliminations	Obligated Group Consolidated
UNRESTRICTED NET ASSETS:											
Unrestricted revenues and other support:											
Net patient service revenue before allowance for doubtful accounts	$ 820,483	$ 142,645	$ -	$ 248,307	$ 32,780	$ -	$ 42,174	$ -	$ -	$ (5,065)	$ 1,281,324
Allowance for doubtful accounts	(12,161)	(3,422)	-	(3,490)	(783)	-	(775)	-	-	-	(20,631)
Total net patient service revenue	808,322	139,223	-	244,817	31,997	-	41,399	-	-	(5,065)	1,260,693
Research revenue	-	-	41,573	-	-	-	-	-	-	-	41,573
Contribution revenue	459	10	6,265	142	-	-	-	-	248	-	7,124
Other revenue	18,083	6,921	1,060	1,330	3,867	2,326	15,346	4,448	90,478	(104,399)	39,460
Investment income	-	-	-	-	-	-	-	-	841	-	841
Net assets released from restrictions used for operations	245	21	3,534	335	-	-	-	-	-	-	4,135
Unrestricted revenues and other support	827,109	146,175	52,432	246,624	35,864	2,326	56,745	4,448	91,567	(109,464)	1,353,826
Expenses:											
Salaries	302,665	60,901	40,465	73,432	39,004	707	39,922	3,494	20,778	1,347	582,715
Employee benefits	91,386	17,669	11,655	22,605	6,670	147	7,713	856	5,729	423	164,853
Professional fees	55,743	13,017	510	4,643	130	200	1,467	-	6,956	(11,648)	71,018
Supplies and pharmaceuticals	130,470	25,964	6,249	62,164	100	2	2,237	146	3,271	1	230,604
Purchased services and other	133,298	25,585	4,552	33,309	921	239	4,762	1,012	11,598	(74,270)	141,006
Maintenance	12,038	2,832	-	-	-	-	148	28	729	-	15,775
Utilities	12,246	1,732	4,136	3,269	-	-	986	53	1,638	-	24,060
Leases	11,968	1,106	208	4,122	-	-	3,038	1,458	4,514	(4,070)	22,344
Insurance	26,483	582	173	160	3,937	-	7,801	38	4	495	39,673
Depreciation and amortization	24,123	6,190	4,438	6,557	70	145	1,506	28	7,017	-	50,074
Interest	11,962	2,718	916	5,590	55	-	-	-	27,545	(21,742)	27,044
Loss (gain) on disposal of fixed assets	290	428	6	4	-	-	(5)	-	38	-	761
Expenses	812,672	158,724	73,308	215,855	50,887	1,440	69,575	7,113	89,817	(109,464)	1,369,927
Operating gain (loss)	14,437	(12,549)	(20,876)	30,769	(15,023)	886	(12,830)	(2,665)	1,750	-	(16,101)
Other income — net:											
Investment income	7,614	4,945	795	(10)	41	-	299	4	(556)	-	13,132
Excess of fair value of net assets acquired over consideration paid	-	-	3,405	64	(11)	2,804	-	-	-	-	6,262
Other (loss) income	2,352	-	-	479	-	-	-	-	-	-	2,831
Other income — net	9,966	4,945	4,200	533	30	2,804	299	4	(556)	-	22,225
Excess (deficiency) of revenues and other support over expenses from continuing operations	24,403	(7,604)	(16,676)	31,302	(14,993)	3,690	(12,531)	(2,661)	1,194	-	6,124

(1) TUHS Parent Company accounts for its investment in TUHIC under the equity method. The remaining entities are accounted for at cost.

(Continued)

TEMPLE UNIVERSITY HEALTH SYSTEM

SUPPLEMENTAL SCHEDULE OF CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013
(In thousands)

	Temple East, Inc	Episcopal Hospital	TUHS Insurance Company, Ltd.	TUHS Foundation	Fox Chase Limited	Fox Chase Select	Non-Obligated Group Eliminations	Non-Obligated Group Consolidated	Remaining Eliminations	Temple University Health System Consolidated
UNRESTRICTED NET ASSETS:										
Unrestricted revenues and other support:										
Net patient service revenue before allowance for doubtful accounts	$ 292	$ 1,016	$ -	$ -	$ -	$ -	$ -	$ 1,308	$ -	$ 1,282,632
Allowance for doubtful accounts	-	-	-	-	-	-	-	-	-	(20,631)
Total net patient service revenue	292	1,016	-	-	-	-	-	1,308	-	1,262,001
Research revenue	-	-	-	-	-	-	-	-	-	41,573
Contribution revenue	-	-	-	-	-	-	-	-	-	7,124
Other revenue	53	3,084	16,531	-	-	1,404	(4,786)	16,286	(15,519)	40,227
Investment income	-	-	-	-	-	-	-	-	-	841
Net assets released from restrictions used for operations	-	-	-	-	-	-	-	-	-	4,135
Unrestricted revenues and other support	345	4,100	16,531	-	-	1,404	(4,786)	17,594	(15,519)	1,355,901
Expenses:										
Salaries	23	710	-	-	-	-	-	733	-	583,448
Employee benefits	812	924	-	-	-	-	-	1,736	-	166,589
Professional fees	4	(80)	-	-	-	-	-	(76)	-	70,942
Supplies and pharmaceuticals	-	161	-	-	-	-	-	161	-	230,765
Purchased services and other	(42)	262	102	-	-	131	-	453	(101)	141,358
Maintenance	-	248	-	-	-	-	-	248	-	16,023
Utilities	-	529	-	-	-	-	-	529	-	24,589
Leases	-	-	-	-	-	-	-	-	(2,371)	19,973
Insurance	2,344	327	18,800	-	-	792	(4,786)	17,477	(15,418)	41,732
Depreciation and amortization	3	733	-	-	-	-	-	736	-	50,810
Interest	-	182	-	-	-	-	-	182	-	27,226
Loss (gain) on disposal of fixed assets	-	(91)	-	-	-	-	-	(91)	-	670
Expenses	3,144	3,905	18,902	-	-	923	(4,786)	22,088	(17,890)	1,374,125
Operating gain (loss)	(2,799)	195	(2,371)	-	-	481	-	(4,494)	2,371	(18,224)
Other income — net:										
Investment income	188	43	655	1,308	(108)	127	(155)	2,058	(500)	14,690
Excess of fair value of net assets acquired over consideration paid	-	-	-	-	183	2,442	-	2,625	-	8,887
Other (loss) income	-	(130)	-	-	-	-	-	(130)	-	2,701
Other income — net	188	(87)	655	1,308	75	2,569	(155)	4,553	(500)	26,278
Excess (deficiency) of revenues and other support over expenses from continuing operations	(2,611)	108	(1,716)	1,308	75	3,050	(155)	59	1,871	8,054

(Continued)

TEMPLE UNIVERSITY HEALTH SYSTEM

SUPPLEMENTAL SCHEDULE OF CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013
(In thousands)

	Temple University Hospital, Inc.	Jeanes Hospital	Institute for Cancer Research	American Oncologic Hospital	FCCC Medical Group, Inc.	Fox Chase Network, Inc.	Temple Physicians, Inc.	Temple Health System Transport Team, Inc.	TUHS Parent Company (1)	Obligated Group Eliminations	Obligated Group Consolidated
Excess (deficiency) of revenues and other support over expenses from continuing operations	$ 24,403	$ (7,604)	$(16,676)	$ 31,302	$(14,993)	$3,690	$(12,531)	$(2,661)	$ 1,194	$ -	$ 6,124
Other changes in unrestricted net assets:											
Transfers (to) from affiliates/the University	(27,354)	(7,000)	6,607	(15,227)	15,042	-	16,221	2,292	6,087	-	(3,332)
Net assets released from restrictions used for	-	-	-	-		-	-	-	-	-	
purchase of property and equipment	1,948	130	5,605	-	-	-	-	-	-	-	7,683
Net change in fair value of investments	(1,449)	(1,340)	(82)	(133)	-	-	(2)	(2)	(1,940)	-	(4,948)
Interfund transfers	-	-	(704)	19	-	-	-	-	-	-	(685)
Adjustment to funded status of pension and postretirement liabilities	9,673	5,914	162	290	52	-	-	-	-	-	16,091
Increase (decrease) in unrestricted net assets	7,221	(9,900)	(5,088)	16,251	101	3,690	3,688	(371)	5,341	-	20,933
TEMPORARILY RESTRICTED NET ASSETS:											
Contribution income	2,401	138	13,169	1,107	-	-	-	-	4	-	16,819
Net assets released from restrictions	(2,193)	(151)	(9,139)	(335)	-	-	-	-	-	-	(11,818)
Net unrealized gains on investments	204	-	92	16	-	-	-	-	-	-	312
Investment income	38	-	1,537	202	-	-	-	-	-	-	1,777
Interfund transfers	-	-	(446)	(19)	-	-	-	-	-	-	(465)
Excess of fair value of net assets acquired over consideration paid	-	-	8,807	3,112	-	-	-	-	-	-	11,919
Increase (decrease) in temporarily restricted net assets	450	(13)	14,020	4,083	-	-	-	-	4	-	18,544
PERMANENTLY RESTRICTED NET ASSETS:											
Contribution income	-	-	263	1,152	-	-	-	-	-	-	1,415
Change in beneficial interest in assets held by Episcopal Foundation	20,194	-	-	-	-	-	-	-	-	-	20,194
Change in beneficial interest in assets held by Fox Chase Cancer Center Foundation	-	-	5,669	743	-	-	-	-	-	-	6,412
Change in beneficial interest in perpetual trusts	237	1,040	1,090	-	-	-	-	-	-	-	2,367
Interfund transfers	-	-	1,150	-	-	-	-	-	-	-	1,150
Affiliate transfers	-	-	(3,625)	3,625	-	-	-	-	-	-	-
Excess of fair value of net assets acquired over consideration paid	-	-	49,807	1,983	-	-	-	-	-	-	51,790
Increase in permanently restricted net assets	20,431	1,040	54,354	7,503	-	-	-	-	-	-	83,328
INCREASE (DECREASE) IN NET ASSETS	28,102	(8,873)	63,286	27,837	101	3,690	3,688	(371)	5,345	-	122,805
NET ASSETS (DEFICIT) — Beginning of year	163,071	18,652	-	-	-	-	(211)	608	18,666	(16,987)	183,799
NET ASSETS (DEFICIT) — End of year	$191,173	$ 9,779	$ 63,286	$ 27,837	$ 101	$3,690	$ 3,477	$ 237	$24,011	$(16,987)	$306,604

(1) TUHS Parent Company accounts for its investment in TUHIC under the equity method. The remaining entities are accounted for at cost.

(Continued)

TEMPLE UNIVERSITY HEALTH SYSTEM

SUPPLEMENTAL SCHEDULE OF CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013
(In thousands)

	Temple East, Inc.	Episcopal Hospital	TUHS Insurance Company, Ltd.	TUHS Foundation	Fox Chase Limited	Fox Chase Select	Non-Obligated Group Eliminations	Non-Obligated Group Consolidated	Remaining Eliminations	Temple University Health System Consolidated
Excess (deficiency) of revenues and other support over expenses from continuing operations	$(2,611)	$ 108	$ (1,716)	$ 1,308	$75	$ 3,050	$(155)	$ 59	$1,871	$ 8,054
Other changes in unrestricted net assets:										
Transfers (to) from affiliates/the University	2,641	-	-	(4,813)	-	(3,050)	-	(5,222)	-	(8,554)
Net assets released from restrictions used for purchase of property and equipment	5	-	-	-	-	-	-	5	-	7,688
Net change in fair value of investments	(7)	(117)	(1,056)	(1,143)	-	-	-	(2,323)	1,056	(6,215)
Interfund transfers	-	-	-	-	-	-	-	-	-	(685)
Adjustment to funded status of pension and postretirement liabilities	2,193	4,994	-	-	-	-	-	7,187	-	23,278
Increase (decrease) in unrestricted net assets	2,221	4,985	(2,772)	(4,648)	75	-	(155)	(294)	2,927	23,566
TEMPORARILY RESTRICTED NET ASSETS:										
Contribution income	-	-	-	-	-	-	-	-	-	16,819
Net assets released from restrictions	(5)	-	-	-	-	-	-	(5)	-	(11,823)
Net unrealized gains on investments	-	-	-	-	-	-	-	-	-	312
Investment income	-	-	-	-	-	-	-	-	-	1,777
Interfund transfers	-	-	-	-	-	-	-	-	-	(465)
Excess of fair value of net assets acquired over consideration paid	-	-	-	-	-	-	-	-	-	11,919
Increase (decrease) in temporarily restricted net assets	(5)	-	-	-	-	-	-	(5)	-	18,539
PERMANENTLY RESTRICTED NET ASSETS:										
Contribution income	-	-	-	-	-	-	-	-	-	1,415
Change in beneficial interest in assets held by Episcopal Foundation	-	-	-	-	-	-	-	-	-	2,194
Change in beneficial interest in assets held by Fox Chase Cancer Center Foundation	-	-	-	-	-	-	-	-	-	6,412
Change in beneficial interest in perpetual trusts	37	-	-	-	-	-	-	37	-	2,404
Interfund transfers	-	-	-	-	-	-	-	-	-	1,150
Affiliate transfers	-	-	-	-	-	-	-	-	-	-
Excess of fair value of net assets acquired over consideration paid	-	-	-	-	-	-	-	-	-	51,790
Increase in permanently restricted net assets	37	-	-	-	-	-	-	37	-	65,365
INCREASE (DECREASE) IN NET ASSETS	2,253	4,985	(2,772)	(4,648)	75	-	(155)	(262)	2,927	107,470
NET ASSETS (DEFICIT) — Beginning of year	(6,428)	(10,718)	16,987	38,327	-	-	-	38,168	-	221,967
NET ASSETS (DEFICIT) — End of year	$(4,175)	$ (5,733)	$14,215	$33,679	$75	$ -	$(155)	$37,906	$2,927	$329,437

(Concluded)