OWENSBORO MEDICAL HEALTH SYSTEM, INC.
AND AFFILIATED ENTITIES

Consolidated Financial Statements and Supplemental Schedules

May 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

OWENSBORO MEDICAL HEALTH SYSTEM, INC.
AND AFFILIATED ENTITIES

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KPMG LLP
Suite 1000
401 Commerce Street
Nashville, TN 37219-2422

Independent Auditors' Report

The Board of Directors
Owensboro Medical Health System, Inc.:

We have audited the accompanying consolidated financial statements of Owensboro Medical Health System, Inc. and affiliated entities (the System), which comprise the consolidated balance sheets as of May 31, 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.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of Owensboro Medical Health System, Inc. and affiliated entities as of May 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 2(r) to the consolidated financial statements, the System changed its presentation of provision for bad debts as a result of the adoption of Accounting Standards Update No. 2011-07: *Health Care Entities: Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole. The supplementary information included in schedule 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

KPMG LLP

August 28, 2013

OWENSBORO MEDICAL HEALTH SYSTEM, INC.
AND AFFILIATED ENTITIES

Consolidated Balance Sheets

May 31, 2013 and 2012

(In thousands)

Assets		**2013**	**2012**
Current assets:			
Cash and cash equivalents	$	58,963	115,855
Investments		160,737	139,083
Patient accounts receivable, net of estimated uncollectibles of $30,740 and $37,411, respectively		53,846	58,353
Inventories		9,348	7,890
Prepaid expenses and other current assets		8,487	7,099
Assets limited as to use, current portion		21,828	16,218
Total current assets		313,209	344,498
Assets limited as to use, less current portion		37,997	146,093
Property and equipment, net		636,538	502,876
Deferred compensation plan assets		5,194	4,247
Other assets		18,469	18,103
Total assets	$	1,011,407	1,015,817
Liabilities and Net Assets			
Current liabilities:			
Current maturities of long-term debt	$	6,118	6,258
Accounts payable		26,750	17,612
Accrued payroll and related liabilities		18,630	21,793
Other current liabilities		33,879	33,591
Due to third-party payors		21,257	22,671
Total current liabilities		106,634	101,925
Deferred compensation plan obligations		5,194	4,247
Long-term debt, less current maturities		504,562	510,520
Accrued pension cost		46,010	51,644
Other long-term liabilities		987	6,469
Total liabilities		663,387	674,805
Net assets:			
Unrestricted		345,458	337,506
Temporarily restricted		1,872	2,270
Total net assets attributable to Owensboro Medical Health System, Inc.		347,330	339,776
Noncontrolling interests		690	1,236
Total net assets		348,020	341,012
Commitments and contingencies			
Total liabilities and net assets	$	1,011,407	1,015,817

See accompanying notes to consolidated financial statements.

OWENSBORO MEDICAL HEALTH SYSTEM, INC.
AND AFFILIATED ENTITIES

Consolidated Statements of Operations

Years ended May 31, 2013 and 2012

(In thousands)

		2013	2012
Unrestricted revenue:			
Net patient service revenue	$	442,769	440,752
Provision for bad debts		(33,299)	(33,671)
Net patient service revenue less provision for bad debts		409,470	407,081
Other operating revenue		19,310	13,127
Total unrestricted revenue		428,780	420,208
Patient service and other expenses:			
Personnel		219,217	204,506
Professional fees		27,329	26,560
Drugs and supplies		81,808	80,973
Plant maintenance and operation		15,542	15,058
Kentucky provider tax		3,839	4,142
Other expenses		30,945	22,083
Depreciation and amortization		65,417	35,976
Interest expense		4,854	5,172
Total patient service and other expenses		448,951	394,470
Operating income (loss)		(20,171)	25,738
Nonoperating gains (losses):			
Investment income (loss), net		20,124	(2,031)
Contributions and other		747	(1,261)
Nonoperating gains (losses), net		20,871	(3,292)
Excess of revenue and gains over expenses and losses before noncontrolling interests		700	22,446
Noncontrolling interests		(653)	(1,016)
Excess of revenue and gains over expenses and losses		47	21,430
Accrued pension cost adjustment		7,905	(16,826)
Increase in unrestricted net assets	$	7,952	4,604

See accompanying notes to consolidated financial statements.

OWENSBORO MEDICAL HEALTH SYSTEM, INC.
AND AFFILIATED ENTITIES

Consolidated Statements of Changes in Net Assets

Years ended May 31, 2013 and 2012

(In thousands)

		2013	2012
Unrestricted net assets:			
Excess of revenue and gains over expenses and losses	$	47	21,430
Accrued pension cost adjustment		7,905	(16,826)
Increase in unrestricted net assets		7,952	4,604
Temporarily restricted net assets:			
Contributions		382	1,091
Net assets released from restrictions used for operations		(780)	(387)
Increase (decrease) in temporarily restricted net assets		(398)	704
Noncontrolling interests:			
Excess of revenue and gains over expenses and losses		653	1,016
Partnership investment		(606)	(132)
Distributions to minority shareholders		(593)	(953)
Decrease in noncontrolling interests		(546)	(69)
Increase in total net assets		7,008	5,239
Net assets, beginning of year		341,012	335,773
Net assets, end of year	$	348,020	341,012

See accompanying notes to consolidated financial statements.

OWENSBORO MEDICAL HEALTH SYSTEM, INC.
AND AFFILIATED ENTITIES

Consolidated Statements of Cash Flows

Years ended May 31, 2013 and 2012

(In thousands)

		2013	2012
Cash flows from operating activities:			
Increase in total net assets	$	7,008	5,239
Adjustments to reconcile increase in total net assets to net cash provided by operating activities:			
Depreciation and amortization		65,417	35,976
Provision for bad debts		33,299	33,671
Distributions to noncontrolling interests		593	953
Noncash interest expense		105	180
Net unrealized (gains) losses on investments		(12,620)	6,702
(Gain) loss on disposal of property and equipment		(8)	28
Accrued pension cost adjustments		(7,905)	16,826
Increase (decrease) in cash due to changes in:			
Patient accounts receivable		(28,792)	(34,427)
Inventories		(1,458)	(159)
Prepaid expenses and other current assets		(1,388)	90
Other assets		(1,464)	(440)
Accounts payable		6,186	(2,010)
Accrued payroll and related liabilities		(3,163)	368
Accrued pension cost		2,271	(946)
Other liabilities		(4,247)	(925)
Due to third-party payors		(1,414)	(2,195)
Net cash provided by operating activities		52,420	58,931
Cash flows from investing activities:			
Acquisition and construction of property and equipment		(198,235)	(204,655)
Cash paid for acquisition		(3,739)	—
Purchases of investment securities		(90,976)	(58,603)
Proceeds from sales and maturities of investment securities		78,537	53,944
Change in assets limited as to use		105,891	178,783
Net cash used in investing activities		(108,522)	(30,531)
Cash flows from financing activity:			
Payments on long-term debt		(197)	(646)
Distributions to noncontrolling interests		(593)	(953)
Net cash used in financing activity		(790)	(1,599)
Net increase (decrease) in cash and cash equivalents		(56,892)	26,801
Cash and cash equivalents, beginning of year		115,855	89,054
Cash and cash equivalents, end of year	$	58,963	115,855
Supplemental disclosures of cash flow information:			
Assets purchased under previous capital lease obligations	$	5,901	—
Cash paid during the year for:			
Interest		33,167	33,168
Noncash activity:			
Accrued but unpaid costs of property and equipment additions		10,427	7,475

See accompanying notes to consolidated financial statements.

(1) Organization and Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Owensboro Medical Health System, Inc. (OMHS), a Kentucky nonstock, nonprofit corporation, and its affiliated entities (the System). OMHS' wholly owned and controlled affiliated entities include Cooperative Health Services, Inc. (CHS), Owensboro Medical Center Laboratory, Inc. (OMCL); The Foundation for Health, Inc.; OMHS Cardiovascular, LLC; Kentucky BioProcessing, LLC (KBP); and Commonwealth Medical Management, LLC (CMM). Owensboro Ambulatory Surgical Facility Ltd. (OASF), a 65.8% owned affiliated entity, is also included in the consolidated financial statements.

On March 29, 2006, KBP, a single-member LLC of OMHS, purchased the physical plant, equipment, and intellectual property of Large Scale Biology Corporation and Large Scale Bioprocessing, Inc. based in Owensboro, Kentucky. The KBP operation consists of a 30,000 square foot manufacturing space and 22,000 square feet of green houses, and manufactures plant-made pharmaceuticals and other plant-based proteins as a contract research and manufacturing organization.

The consolidated entity renders acute and other healthcare services in Daviess County and surrounding counties. The consolidated activities hereinafter are referred to as the System. All material intercompany balances and transactions have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management of the System to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent 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.

(b) Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt investments with maturities of three months or less at date of purchase.

(c) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value at the consolidated balance sheet date. Investment income or loss (including both unrealized and realized gains and losses on investments, interest, and dividends) is included in the excess of revenue and gains over expenses and losses, unless the income or loss is restricted by donor or law, as all investments are considered trading securities.

(d) Inventories

Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost (first-in, first-out method) or replacement market.

(e) Assets Limited as to Use

Assets limited as to use include assets held by trustees under indenture and other funding agreements. Amounts required to meet current liabilities of the System are classified as current assets in the accompanying consolidated balance sheets.

(f) Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the accompanying consolidated financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues and gains over expenses and losses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(g) Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of

Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less estimated costs to sell.

(h) Other Assets

Other assets consist primarily of goodwill, which represents the excess of the purchase price over the actual fair value of assets acquired, bond issuance costs incurred related to the 2010 Series A and B revenue bonds issued in March 2010, certain intangibles related to KBP, and other assets. Goodwill was approximately $13,195,000 at May 31, 2013 and 2012. The 2011 bond series issuance cost of approximately $2,705,000 is being amortized over the term of the bonds using the effective-interest method. Accumulated amortization is approximately $54,000 and $35,000 at May 31, 2013 and 2012, respectively. The intangibles related to KBP are being amortized over the life of the patent, approximately 15 years. Accumulated amortization is approximately $787,000 and $660,000 at May 31, 2013 and 2012, respectively.

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(i) Basis of Accounting

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the System and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations. Such stipulations may be met either by actions of the System and/or by the passage of time.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor-restricted net assets whose restrictions are met within the same year as received are reported as restricted net assets and as net assets released from restrictions in the accompanying consolidated financial statements.

(j) Excess of Revenue and Gains over Expenses and Losses

The accompanying consolidated statements of operations include excess of revenue and gains over expenses and losses. Changes in unrestricted net assets, which are excluded from excess of revenue and gains over expenses and losses, consistent with industry practice, include the recognition of pension liability adjustments arising during the current period, the cumulative effect of accounting principle changes, permanent transfers of assets to and from nonconsolidated affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions that were restricted for the purposes of acquiring such assets).

(k) Net Patient Service Revenue

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

(l) Charity Care

The System provides care to patients who meet certain criteria under its charity care policy at amounts less than its established rates or without charge. Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

(m) Income Taxes

OMHS and its affiliated entities, CHS and the Foundation for Health, Inc., are nonprofit corporations and have been recognized as tax exempt under Section 501(a) of the Internal Revenue Code (IRC) as entities described in Section 501(c)(3) of the IRC. OMHS Cardiovascular, LLC, KBP, and CMM are single-member LLCs with 100% of their profits and losses attributable to OMHS. For OASF, a partnership, the liability for any income taxes is the responsibility of the OASF partners. OMCL is a for-profit corporation subject to federal income taxes. OMCL has incurred losses and has federal net operating loss carryforwards for income tax purposes, which have been fully reserved.

The System applies Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 (Topic 740), *Accounting for Uncertainty in Income Taxes*. Topic 740 provides guidance on when tax positions are recognized in an entity's financial statements and how the values of these positions are determined. There is currently no impact on the System's consolidated financial statements as a result of the application Topic 740.

(n) Computer Software Costs

Certain costs related to the development or purchase of internal-use software are capitalized and amortized over the estimated life of the software. In addition, costs related to the preliminary project stage and the post implementation/operations stage in an internal-use computer software development project are expensed as incurred. The System capitalized approximately $10,955,000 and $28,216,000 in 2013 and 2012, respectively, of costs related to its development of new system software.

(o) Pension Accounting Standard

The System follows the recognition and disclosure provisions of FASB ASC Subtopic 715-20, *Defined Benefit Plans* (Subtopic 715-20). Subtopic 715-20 (among other things) requires that the System recognize the unfunded status of its defined-benefit pension plan on its consolidated balance sheets. The System measures the plan at May 31 each year.

Subtopic 715-20 also requires that the System provide enhanced disclosures related to pension plan assets, including disclosures related to the fair value of the plan assets. These enhanced disclosures are included in these consolidated financial statements at note 12.

(p) Fair Value Measurements

The System follows the following financial accounting and reporting literature regarding fair value measurements:

- FASB ASC Topic 820 (Topic 820), *Fair Value Measurements*, which defines fair value, establishes an enhanced framework for measuring fair value, and expands disclosures about fair value measurements;
- FASB Accounting Standards Update (ASU) 2010-06, *Improving Disclosures about Fair Value Measurements*, which amended Topic 820 and also requires that the System provide additional enhanced disclosures related to its fair value measurements; and

- The measurement provisions of FASB ASU No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, as it applies to certain investments in funds that do not have readily determinable fair values – including private equity investments, hedge funds, real estate, and other funds. This guidance amends Topic 820 and permits, as a practical expedient, the use of net asset value or its equivalent for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. Net asset value, in many instances, may not equal fair value that would be calculated pursuant to Topic 820.

(q) Noncontrolling Interests

Effective June 1, 2010, the System adopted ASU No. 2010-07, *Not-for-Profit Entities: Mergers and Acquisitions*, which amends ASC Topic 958, *Not-for-Profit Entities* (NFP Entities). The amendments in this standard provide guidance on accounting for consolidation of NFP Entities. It defines a merger of NFP Entities as one in which one NFP Entity cedes control to another NFP Entity. In the case of a merger, the carryover method applies, which requires combining the assets and liabilities as of the merger date. Combinations are accounted for as acquisitions when consideration is transferred to the former owner or designee. Acquisitions are accounted for by applying fair market values to acquired assets and liabilities, including identifiable intangible assets and the recognition of goodwill in the case of NFP Entities with operations not predominately supported by contributions. Any resulting goodwill is analyzed for impairment annually, or if business conditions indicate an analysis is necessary, and is no longer amortized. The guidance requires that noncontrolling ownership interests in subsidiaries held by parties other than the parent be clearly identified, labeled, and presented in the consolidated balance sheets within net assets, but separate from the parent’s net assets. In addition, the standard requires that a consolidated schedule of changes in net assets attributable to the parent and noncontrolling interests be provided for each class of net assets for which a noncontrolling interest exists during the reporting period.

(r) New Accounting Standards

The FASB issued ASC Topic 954 (Topic 954), *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. This ASU changed the System’s presentation for provision for bad debts in the consolidated statements of operations from an operating expense to a deduction from net patient service revenue. It also expands disclosures regarding policies for recognizing revenue, assessing contra revenue line items, and activity in the allowance for uncollectible accounts. The System adopted the provisions of the standard effective June 1, 2012, and retrospectively applied the presentation requirements to all periods presented.

(s) Healthcare Industry Environment

The U.S. economy appears to be slowly recovering from ongoing characteristics associated with the downturn of the past several years. System management monitors economic conditions closely, both with respect to potential impacts on the healthcare provider industry and from a more general business perspective. While the System was able to achieve certain objectives of importance in the current economic environment, management recognizes that economic conditions may continue to impact the System in a number of ways, including (but not limited to) uncertainties associated with U.S. financial system reform and rising self-pay patient volumes and corresponding increases in uncompensated care.

Additionally, the general healthcare industry environment is increasingly uncertain, especially with respect to the impacts of federal healthcare reform legislation, which was passed in the spring of 2010. Potential impacts of ongoing healthcare industry transformation include, but are not limited to:

- Significant (and potentially unprecedented) capital investment in healthcare information technology (HCIT);
- Continuing volatility in the state and federal government reimbursement programs;
- Lack of clarity related to the health benefit exchange framework mandated by reform legislation, including important open questions regarding the constitutionality of the legislation, exchange reimbursement levels, changes in combined state/federal disproportionate share payments, and impact on the healthcare “demand curve” as the previously uninsured enter the insurance system;
- Effective management of multiple major regulatory mandates, including achievement of meaningful use of HCIT and the transition to lCD-I 0; and
- Significant potential business model changes throughout the healthcare ecosystem, including within the healthcare commercial payor industry.

The business of healthcare in the current economic, legislative, and regulatory environment is volatile. Any of the above factors, along with others both currently in existence and/or, which may arise in the future, could have a material adverse impact on the System’s financial position and operating results.

(3) Charity Care

Self-pay revenues are primarily derived from patients who do not have any form of healthcare coverage and from patient responsibility after insurances have paid their obligations. The revenues associated with self-pay patients are generally reported at the System’s gross charges. The System evaluates these patients, after the patient’s medical condition is determined to be stable, for their ability to pay based upon federal and state poverty guidelines, qualifications for Medicaid, or other governmental assistance programs, as well as the System’s policy for charity care. The System provides assistance in applying for Medicaid and/or other governmental assistance programs if the evaluation determines they may be eligible for such a program.

The System provides care without charge to patients that qualify under the System’s charity care policy. The policy takes into consideration family size, income, and medical indigence in determining eligibility. Patients at 225% and below the Federal Poverty Income Level are eligible for 100% financial assistance with a sliding scale up to 375% of Federal Poverty Guidelines for eligibility of 25% financial assistance.

The System’s management estimates its costs of care provided under its charity care programs utilizing a calculated ratio of total costs (less bad debt expense) to gross charges multiplied by the System’s gross charity care charges provided to charity patients for the period. The System's gross charity care charges include only services provided to patients who are unable to pay and qualify under the charity care policy. The System does not report a charity care patient's charges in net patient service revenue or in the estimated uncollectibles as it is the System's policy not to pursue collection of amounts related to these patients.

The following information measures the level of charity care provided during the years ended May 31, 2013 and 2012 (in thousands):

		2013	2012
Charges forgone, based on established rates	$	35,952	36,520
Estimated costs and expenses incurred to provide charity care		14,018	13,724
Equivalent percentage of charity care charges to all charges		4.0%	4.3%

The System received approximately $1,768,000 and $1,558,000 in 2013 and 2012, respectively, from the Commonwealth of Kentucky as a Disproportionate Share Hospital (DSH) payment for the provision of care to indigent citizens.

(4) Business and Credit Concentration

The System provides healthcare service through its inpatient and outpatient care facilities located primarily in Owensboro, Kentucky. The System grants credit to its patients and generally does not require collateral or other security in extending credit to patients. However, the System routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, health maintenance organizations, and commercial insurance policies).

Patient accounts receivable include net receivables from the federal government (Medicare), the Commonwealth of Kentucky (Medicaid), and Blue Cross at May 31, 2013 and 2012 as follows (in thousands):

		2013	2012
Medicare	$	16,706	18,815
Medicaid		6,325	4,547
Blue Cross		13,350	13,737
Total	$	36,381	37,099

At May 31, 2013 and 2012, the System had deposits at financial institutions of approximately $56,467,000 and $52,635,000, respectively, in excess of the Federal Deposit Insurance Corporation limits. Further, investments in U.S. government and U.S. government agency securities are not guaranteed by the U.S. government or otherwise insured.

(Continued)

(5) Investments and Assets Limited as to Uses

In accordance with Topic 820, the System has categorized its financial instruments, based on the priority of inputs used in related valuation techniques, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

When available, the System generally uses quoted market prices to determine fair value, and classifies such items as Level 1. The System's Level 2 securities are bonds whose fair values are determined by independent vendors. The vendors compile prices from various sources and may apply matrix pricing for similar bonds or loans where no price is observable in an actively traded market. If available, the vendor may also use quoted prices for recent trading activity of assets with similar characteristics to the bond being valued. The System had no significant transfers of assets and liabilities into or out of Levels 1 and 2 during 2013 or 2012.

The System's Level 3 securities are comprised of alternative investments that have less liquidity, a stale quoted price, or varying price from independent sources. The System's Level 3 alternative investments' prices are obtained from the related fund manager. For the System's funds of funds, the manager receives account statements directly from independent administrators or the underlying hedge fund managers, who are responsible for the pricing of these funds. Before relying on these valuations, the System evaluates the fair value estimation processes and control environment, the investee fund's policies and procedures in estimating the fair value of underlying investments, the investee fund's use of independent third-party valuation experts, the portion (approximately 100% for the System) of the underlying securities traded on active markets and the professional reputation and standing of the investee fund's auditor.

Investments, stated at fair value, at May 31, 2013 and 2012 include the following (in thousands):

		2013	2012
Cash and cash equivalents	$	15,668	14,070
U.S. Treasury obligations		14,230	6,714
Federal mortgage-backed securities		1,961	5,430
Municipal obligations		160	—
Corporate bonds		36,386	36,750
Equity securities		16,342	12,055
Mutual funds		70,466	63,501
Certificates of deposit		5,283	283
Accrued interest receivable		241	280
Total investments	$	160,737	139,083

The fair value hierarchy of investments is as follows (in thousands):

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 15,668	—	—	15,668
U.S. Treasury obligations	14,230	—	—	14,230
Federal mortgage-backed securities:				
Residential	—	1,961	—	1,961
Municipal obligations	—	160	—	160
Corporate bonds:				
Domestic	—	24,477	—	24,477
International	—	11,909	—	11,909
Equity securities:				
Consumer discretionary	2,073	—	—	2,073
Consumer staples	344	—	—	344
Energy	2,315	—	—	2,315
Financial	5,031	—	—	5,031
Healthcare	3,223	—	—	3,223
Industrials	1,086	—	—	1,086
Information technology	1,750	—	—	1,750
Materials	294	—	—	294
Utilities	226	—	—	226
Mutual funds:				
Large cap equity securities	—	—	16,034	16,034
Small and mid cap equity securities	15,977	—	—	15,977
International equity securities	11,934	—	—	11,934
Bond funds	26,521	—	—	26,521
Certificate of deposit	5,283	—	—	5,283
Accrued interest receivable	241	—	—	241
	$ 106,196	38,507	16,034	160,737

	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 14,070	—	—	14,070
U.S. Treasury obligations	6,714	—	—	6,714
Federal mortgage-backed securities:				
Residential	—	5,430	—	5,430
Corporate bonds:				
Domestic	—	25,770	—	25,770
International	—	10,980	—	10,980
Equity securities:				
Consumer discretionary	1,980	—	—	1,980
Consumer staples	321	—	—	321
Energy	1,032	—	—	1,032
Financial	3,117	—	—	3,117
Healthcare	2,131	—	—	2,131
Industrials	1,235	—	—	1,235
Information technology	1,771	—	—	1,771
Materials	130	—	—	130
Telecommunication services	133	—	—	133
Utilities	205	—	—	205
Mutual funds:				
Large cap equity securities	—	—	13,306	13,306
Small and mid cap equity securities	12,802	—	—	12,802
International equity securities	9,430	—	—	9,430
Bond funds	27,963	—	—	27,963
Certificates of deposit	283	—	—	283
Accrued interest receivable	280	—	—	280
	$ 83,597	42,180	13,306	139,083

The rollforward of Level 3 investments is as follows (in thousands):

	2013	**2012**
Beginning of year	$ 13,306	13,259
Net realized and unrealized gains (losses)	2,527	(144)
Purchases, sales, dividends, contributions, and withdrawals	201	191
Transfers into and/or out of Level 3	—	—
End of year	$ 16,034	13,306

(Continued)

Assets limited as to use, stated at fair value, at May 31, 2013 and 2012 include the following (in thousands):

		2013	2012
Cash and cash equivalents	$	59,824	53,009
U.S. Treasury obligations		—	108,539
Accrued interest receivable		1	763
Total assets limited as to use		59,825	162,311
Less amounts required to meet current obligations		21,828	16,218
	$	37,997	146,093

As of May 31, 2013 and 2012, all of assets limited as to use were considered Level 1 investments.

Assets limited as to use in the accompanying consolidated balance sheets were established in accordance with the requirements of the indentures related to the various revenue bond issues discussed in note 9, which require the following funds (in thousands):

		2013	2012
Debt service reserve funds	$	37,974	39,029
Interest funds		21,828	23,650
Construction funds		—	99,609
Expense funds		23	23
	$	59,825	162,311

The interest funds are used to pay interest on the various bond issues. The debt service reserve funds secure any potential deficiencies in the interest funds. Construction funds are restricted for the financing of capital projects and related expenditures as defined in associated bond documents. Expense funds are used to pay for expenses related to the issuance of the bonds.

(6) Investment Income (Loss)

Investment income (loss) comprised the following for the years ended May 31, 2013 and 2012 (in thousands):

		2013	2012
Investment income (loss):			
Interest and dividend income	$	3,855	3,488
Net realized gains on sales of securities		3,967	1,500
Net unrealized gains (losses) on trading securities		12,620	(6,702)
Management fees and other		(318)	(317)
Investment income (loss), net	$	20,124	(2,031)

(7) Property and Equipment

A summary of property and equipment at May 31, 2013 and 2012 is as follows (in thousands):

		2013	2012
Land	$	14,251	14,091
Land improvements		3,145	3,125
Buildings		217,896	213,405
Fixed equipment		36,393	37,900
Major movable equipment and capitalized software costs		206,056	192,058
		477,741	460,579
Less accumulated depreciation and amortization		338,635	275,635
		139,106	184,944
Construction in progress		497,432	317,932
	$	636,538	502,876

Construction in progress at May 31, 2013 consists primarily of costs incurred for the construction of a new replacement hospital. The replacement hospital will be a 9-story acute care hospital containing approximately 650,000 square feet of space located 2.5 miles from the existing hospital on a 147-acre parcel of land. The project was completed in June 2013. At May 31, 2013, the remaining commitments on construction contracts for the new replacement hospital approximated $7,752,000.

In conjunction with the completion of the replacement hospital, the Board has adopted a plan to demolish approximately half of the existing facility after the completion of the transfer of activities. In addition, the System identified fixed and major movable equipment that would no longer be utilized after the transfer to the new facility. The System has adjusted the useful lives of these assets to correspond to the transfer of activities and has, therefore, accelerated depreciation of the remaining book value of the building and equipment through May 31, 2013. The total accelerated depreciation as of May 31, 2013 and 2012 was approximately $41,963,000 and $9,300,000, respectively.

The System capitalized approximately $31,752,000 and $26,805,000 of interest expense and associated construction fund investment income as part of major construction and development projects in 2013 and 2012, respectively.

There was no property and equipment under capital lease obligations at May 31, 2013. Property and equipment (included above) under capital lease obligations at May 31, 2012 are as follows (in thousands):

		2012
Land	$	1,650
Buildings		2,550
Major movable equipment		1,743
		5,943
Less accumulated depreciation and amortization		1,968
	$	3,975

(8) Net Patient Service Revenue

OMHS and its affiliated entities (collectively the System) participate in the Medicare and Medicaid programs (the Programs). The Programs reimburse the System at amounts different from the established billing rates. Contractual adjustments under the Programs represent the difference between the System’s billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

Medicare – The System is paid for substantially all services rendered to inpatient Medicare Program beneficiaries under prospectively determined rates per discharge. Those rates vary according to a classification system that is based on clinical, diagnostic, and other factors. The Medicare Program reimburses the System on a prospective payment system for hospital outpatient services known as the Ambulatory Payment Classification (APC) system. Under the APC system, outpatient services are classified into an APC category based on the CPT-4 Code for the service provided, and payment for the APC category is determined using prospectively determined federal payment rates adjusted for regional wage differences. Depreciation and other defined capital costs are reimbursed under a capital prospective payment system. Reimbursement is calculated based on a federal capital payment rate per discharge. The System receives cash payments at a tentative rate with final settlement determined after the System’s submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The System’s classification of patients under the Medicare Prospective Payment System and the appropriateness of the patients’ admissions are subject to validation reviews by the Medicare peer review organization with which the System is required by law to contract for the performance of such reviews. Revenue from the Medicare program total approximately 38% and

36% of the System's net patient service revenue for the years ended May 31, 2013 and 2012, respectively.

Medicaid – The System is paid for substantially all services rendered to inpatient Medicaid Program beneficiaries under prospectively determined rates per discharge. Those rates vary according to a classification system that is based on clinical, diagnostic, and other factors. Outpatient services, except for lab, emergency services, surgery, and certain radiology services, are reimbursed by the Medicaid program based upon a cost-reimbursement methodology. Final reimbursement rates are determined after submission of annual cost reports by the System and audits by third-party intermediaries. Lab, emergency services, surgery, and certain radiology services are reimbursed on a predetermined fee schedule based upon the CPT-4 Code for the service provided. Revenue from the Medicaid program total approximately 8% and 7% of the System's net patient service revenue for the years ended May 31, 2013 and 2012, respectively.

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

The Kentucky General Assembly enacted a temporary tax on all healthcare providers beginning July 1, 1993. The tax on hospitals is 2.5% of net patient service revenue and contributions received. The tax expense recognized was approximately $5,789,000 and $5,790,000 for 2013 and 2012, respectively. The legislation also provided payments to qualifying hospitals for the care of indigent patients. The System's tax was reduced by approximately $1,950,000 and $1,648,000 of such payments for 2013 and 2012, respectively.

Amounts due to third-party payors represent the excess of interim payments received or receivable over estimated final payment rates. In the opinion of management, adequate provision has been made in the accompanying consolidated financial statements for the effects of estimated final settlements on open years. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue increased approximately $1,510,000 and $2,273,000 for the years ending May 31, 2013 and 2012, respectively, as a result of prior year final settlements in excess of amounts previously estimated and the removal of liabilities related to prior years that are no longer necessary as such years are no longer subject to audits, reviews, and investigations. The increase for the year ended May 31, 2013 primarily consisted of approximately $1,076,000 in third-party estimates that were above actual amounts paid. The increase for the year ended May 31, 2012 primarily consisted of approximately $1,650,000 in third-party estimates that were above actual amounts paid.

The composition of net patient service revenue follows (in thousands):

		2013	2012
Gross patient service revenue	$	994,647	954,349
Less provision for contractual and other adjustments		551,878	513,597
Net patient service revenue	$	442,769	440,752

Patient accounts receivable are reduced by an allowance for bad debts. In evaluating the collectibility of accounts receivable, the System analyzes historical collections and write-offs and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for bad debts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluation of the sufficiency of the allowance for bad debts. For receivables associated with services provided to patients who have third-party coverage, the System analyzes contractually due amounts and provides an allowance for bad debts, allowance for contractual adjustments, provision for bad debts, and contractual adjustments on accounts for which the third-party payor has not yet paid or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely. For receivables associated with self-pay patients or with balances remaining after the third-party coverage has already paid, the System records a significant provision for bad debts in the period of service on the basis of its historical collections, which indicates that many patients decline to pay the portion of their bill for which they are financially responsible. The difference between the discounted rate and the amounts collected after all reasonable collection efforts have been exhausted is written off against the allowance for bad debts. The System's self-pay write-offs increased approximately $468,000 from $30,500,000 for fiscal year 2012 to approximately $30,968,000 for fiscal year 2013 as a result of negative trends experienced in the collection of amounts from self-pay patients in fiscal year 2013. The System has not changed it charity care or uninsured discount policies during fiscal year 2013 or 2012, but has adjusted the scales to meet Federal Poverty guidelines. The System maintains an allowance for estimated uncollectible accounts from other third-party payors, which is not material.

In the spring of 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, the Health Care Acts) were signed into law by President Obama. The impact of the Health Care Acts is complicated and difficult to predict, but the System anticipates its reimbursement in the future will be affected by major elements of the Health Care Acts designed to (1) increase insurance coverage, (2) change provider and payor behavior, and (3) encourage alternative payment and delivery models. Many healthcare reform variables remain unknown and are, among other things, dependent on implementation by federal and state governments and reactions by providers, payors, employers, and individuals. The System continues to monitor developments in healthcare reform and participates actively in contemplating and designing new programs that are encouraged and/or required by the Health Care Acts.

The Health Information Technology for Economic and Clinical Health (HITECH) Act was enacted as part of the American Recovery and Reinvestment Act of 2009 and signed into law in February 2009. In the context of the HITECH Act, the System must implement a certified Electronic Health Record (EHR) in an effort to promote the adoption and "meaningful use" of health information technology. The HITECH Act includes significant monetary incentives and payment penalties meant to encourage the adaption of EHR technology. The System anticipates that its current enterprise-wide EHR will enable its compliance with the meaningful use objectives mandated in the HITECH legislation. The System has recorded approximately $3,767,000 in other revenue as of May 31, 2013, related to the HITECH Act.

(9) Long-Term Debt

A summary of long-term debt and capital lease obligations at May 31, 2013 and 2012 is as follows (in thousands):

	2013	2012
2010 revenue bonds, Series A, under a Master Trust Indenture, interest from 5.00% to 6.50%, through March 2045	$ 460,645	460,645
2010 revenue bonds, Series B, under a Master Trust Indenture, interest from 4.00% to 6.40%, through March 2040	66,695	66,695
Notes payable, bearing interest at 3.25% at May 31, 2013 and 2012. Principal payment due December 2019	3,096	3,494
Notes payable of OASF to co-general partner, bearing interest at 5.79% at May 31, 2013 and 2012 payable through 2016	213	296
Capital lease obligation, imputed interest between 5.74% and 6.11%, collateralized by equipment	—	447
Capital lease obligation, imputed interest of 13.96%, collateralized by leased land and building	—	5,314
Total contractual long-term debt	530,649	536,891
Unamortized premiums and discounts, net	(19,969)	(20,113)
Total long-term debt	510,680	516,778
Less current portion	6,118	6,258
	$ 504,562	510,520

In March 2010, the System, through the Kentucky Economic Development Finance Authority, issued Hospital Revenue Bonds, Series 2010A and Hospital Revenue Refunding Bonds, Series 2010B (collectively, 2010 revenue bonds) in the amount of $460,645,000 and $66,695,000, respectively, totaling $527,340,000. The proceeds from the issuance were used to provide funding to finance the cost of acquiring, constructing, and equipping a new 9-story replacement acute care hospital and related service buildings, refund $152,000,000 in aggregate principal amount of the 2001 revenue bonds, fund a debt service reserve fund to be used to pay down future debt service, fund a portion of the interest on the 2010 Series A bonds, and pay certain expenses incurred in connection with the issuance.

In June 2001, the System, through the City of Owensboro, Kentucky, issued Health System Variable Revenue Bonds Auction Rate Securities, 2001 Series A, B, and C (collectively, 2001 revenue bonds) in the amount of $70,400,000, $65,500,000, and $65,525,000, respectively, totaling $201,425,000. The funds were designated to reimburse the System for the cost of certain capital expenditures, certain future capital expenditures, certain advance refunding, and principal payments of the Series 1992 and 1996 bonds, and to pay the costs of issuance of the 2001 revenue bonds. The 2001 revenue bonds had interest at a variable rate following a 35-day auction period. The outstanding balance of $152,000,000 was refunded in March 2010 through the use of proceeds of the 2010 revenue bonds described above.

The 2010 revenue bonds are collateralized by related bond trust funds and pledged revenues. The System has also agreed under the Master Trust Indenture to subject the Obligated Group to various operational and financial covenants typical of such agreements. The Obligated Group includes OMHS and CHS, excluding its subsidiary, OMCL. In addition, the System has granted to the Master Trustee, a deed of trust lien on the land and buildings owned by OMHS and a security interest in OMH’s accounts receivable to secure payment of the outstanding revenue bonds.

In January, 2013, the System, per the terms of their capital lease agreement, exercised its right to purchase the land and building for a fixed price of approximately $5,300,000.

Scheduled principal repayments on long-term debt and payments on capital lease obligations are as follows (in thousands):

		Long-term debt
Year ending May 31:		
2014	$	6,118
2015		6,344
2016		6,551
2017		6,873
2018		7,216
Thereafter		497,547
	$	530,649

(10) Operating Leases

The System leases certain buildings and equipment under noncancelable operating leases with terms ranging from 2 to 10 years. Rent expense under these leases approximated $359,000 and $507,000 for the years ended May 31, 2013 and 2012, respectively. Rental expense, including short-term cancelable rentals was $1,487,000 and $1,694,000 for the years ended May 31, 2013 and 2012, respectively.

Future minimum lease payments under these noncancelable operating leases with initial or remaining terms in excess of one year are as follows (in thousands):

Year ending May 31:		
2014	$	207
2015		66
2016		23
2017		11
2018		—
Thereafter		—
Total minimum lease payments	$	307

(11) Temporarily Restricted Net Assets

Temporarily restricted net assets at May 31, 2013 and 2012 are available for use as follows (in thousands):

		2013	2012
Cancer center	$	352	325
HOPE fund		57	77
Lifespring		2	4
Mammograms for Life		11	13
McAuley Clinic		132	148
Medicus		73	70
New Hospital Campaign		830	1,315
Owensboro Cancer Research Program		77	77
Palliative Care		18	18
Riherd Scholarship		43	41
School Health Services		42	46
Other		235	136
Total temporarily restricted net assets	$	1,872	2,270

(12) Retirement Plan

The System has a defined-benefit pension plan, the Owensboro Medical Health System Retirement Plan (the Plan), a single-employer pension trust fund. The Plan is available to employees age 21 or older who have completed one year of continuous service and have 1,000 hours of annual service. The benefits are based upon years of service and the employee's average monthly earnings.

The funding policy of the System is to contribute amounts to the Plan at least equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974 (ERISA) and subsequent amendments. The System expects to contribute approximately $8,911,000 to the Plan during fiscal year 2014.

The following table summarizes the allocation of the assets available for plan benefits at May 31:

	2013	2012
Cash and cash equivalents	10.0%	8.8%
Equities	58.4	54.7
Fixed income	31.6	36.5

The Plan utilizes an investment strategy that focuses on maximizing total return and places limited emphasis on generating income. The Plan's average asset allocation target is 60% equities, 38% fixed income, and 2% cash. The Plan's diversification offers the expectation of higher and more stable returns that will meet the obligations of the Plan.

The actuarially computed net periodic pension cost for 2013 and 2012 included the following components (in thousands):

	2013	2012
Service cost – benefits earned during the year	$ 8,300	6,851
Interest cost on projected benefit obligation	4,184	4,447
Expected return on plan assets	(4,887)	(4,724)
Net amortization and deferral	2,800	1,443
Net periodic pension cost	$ 10,397	8,017

The following are the estimated amounts that will be amortized from unrestricted net assets over the next fiscal year (in thousands):

Amortization of prior service cost	$ 8
Amortization of loss	2,008
	$ 2,016

The following tables set forth the Plan's funded status (measured at May 31, 2013 and 2012) and amounts recognized in the System's accompanying consolidated financial statements at May 31, 2013 and 2012 (in thousands):

		2013	2012
Accumulated benefit obligation	$	(95,149)	(87,749)
Change in projected benefit obligation:			
Projected benefit obligation at the beginning of measurement year	$	(116,961)	(97,198)
Service cost		(8,300)	(6,851)
Interest cost		(4,184)	(4,447)
Actuarial loss		(413)	(13,462)
Benefits paid		6,016	4,997
Projected benefit obligation at the end of measurement year	$	(123,842)	(116,961)

		2013	2012
Change in plan assets:			
Fair value of plan assets at the beginning of measurement year	$	65,317	61,434
Actual return on plan assets		10,405	(83)
Employer contributions		8,126	8,963
Benefits paid		(6,016)	(4,997)
Fair value of plan assets at the end of measurement year	$	77,832	65,317
Funded status	$	(46,010)	(51,644)
Unrecognized net actuarial loss		—	—
Unrecognized prior service cost		—	—
Accrued pension cost	$	(46,010)	(51,644)

		2013	2012
Employer contributions	$	8,126	8,963
Plan participants' contributions		—	—
Benefits paid		6,016	4,997

The benefits expected to be paid from the Plan in each year from 2014 to 2018 are approximately \$10,902,000, \$10,109,000, \$10,919,000, \$11,204,000, and \$10,490,000, respectively. The aggregate expected benefits to be paid in the five years from 2019 to 2023 are approximately \$58,704,000. The expected benefits to be paid are based on the same assumptions used to measure the Plan's benefit obligation at May 31 and include estimated future employee service.

Weighted average assumptions used to determine benefit obligation at May 31, 2013 and 2012 were as follows:

	2013	2012
Discount rate	4.05%	3.84%
Rate of compensation increase	4.00	4.00

Weighted average assumptions used to determine net periodic pension cost for the years ended May 31, 2013 and 2012 were as follows:

	2013	2012
Discount rate	3.84%	4.94%
Expected long-term rate of return on plan assets	8.00	8.00
Rate of compensation increase	4.00	4.00

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. This assumption is based on historical returns of the Plan. Unrecognized gains and losses in excess of 10% of the greater of the projected benefit obligation or market-related value of plan assets are amortized on a straight-line basis over the average remaining service period of participants expected to receive benefits under the Plan, which is 11 years at May 31, 2013 and 2012.

In accordance with Subtopic 715-20, the System has categorized its plan assets, based on Topic 820 and the priority of inputs used in related valuation techniques, into a three-level fair value hierarchy as explained in note 5. All plan assets at May 31, 2013 and 2012 include the following (in thousands):

	2013	2012
Cash and cash equivalents	$ 7,822	6,245
Equity securities	16,193	12,031
Mutual funds	53,716	46,941
Accrued interest receivable	101	100
Total	$ 77,832	65,317

The fair value hierarchy of plan assets is as follows (in thousands):

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 7,822	—	—	7,822
Equity securities:				
Consumer discretionary	2,013	—	—	2,013
Consumer staples	342	—	—	342
Energy	2,292	—	—	2,292
Financial	4,987	—	—	4,987
Healthcare	3,212	—	—	3,212
Industrials	1,079	—	—	1,079
Information technology	1,751	—	—	1,751
Materials	292	—	—	292
Utilities	225	—	—	225
Mutual funds:				
Large cap equity securities	—	—	15,221	15,221
Small and mid cap equity securities	7,921	—	—	7,921
International equity securities	6,024	—	—	6,024
Debt securities	24,550	—	—	24,550
Accrued interest receivable	101	—	—	101
	$ 62,611	—	15,221	77,832

	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 6,245	—	—	6,245
Equity securities:				
Consumer discretionary	2,002	—	—	2,002
Consumer staples	323	—	—	323
Energy	978	—	—	978
Financial	3,078	—	—	3,078
Healthcare	2,159	—	—	2,159
Industrials	1,269	—	—	1,269
Information technology	1,764	—	—	1,764
Materials	129	—	—	129
Telecommunication services	133	—	—	133
Utilities	196	—	—	196
Mutual funds:				
Large cap equity securities	—	—	12,631	12,631
Small and mid cap equity securities	5,925	—	—	5,925
International equity securities	4,760	—	—	4,760
Debt securities	23,625	—	—	23,625
Accrued interest receivable	100	—	—	100
	$ 52,686	—	12,631	65,317

The rollforward of Level 3 plan assets is as follows (in thousands):

	2013	**2012**
Beginning of year	$ 12,631	12,586
Net realized and unrealized gains (losses)	2,638	(136)
Purchases, sales, dividends, contributions, and withdrawals	(48)	181
Transfers into and/or out of Level 3	—	—
End of year	$ 15,221	12,631

Effective January 2006, the System adopted the Owensboro Medical Health System Nonqualified Supplemental Retirement Plan (Supplemental Retirement Plan). The Supplemental Retirement Plan was formed under Section 457(f) of the IRC of 1986, and management believes that it complies with all provisions applicable to a nonqualified deferred compensation plan under IRC Section 409A. Participants are eligible for employer contributions from 12% to 15% based on their position with the System. The employer contribution for each year is 100% vested after five years. Employer contributions occur each December 31. The System has accrued expenses related to the Supplemental Retirement Plan of approximately $185,000 and $180,000 as of May 31, 2013 and 2012, respectively, and is included in accrued payroll and related liabilities in the consolidated balance sheets.

(13) Risk Management and Self-Insured Liabilities

Effective January 1, 2003, the System maintains malpractice liability insurance with a commercial carrier on a claims-made basis for losses in excess of $250,000 per occurrence. The System is self-insured for the first $250,000 per occurrence. On January 1, 2004, the self-insured amount increased from $250,000 to $500,000 per occurrence. On January 1, 2005, the self-insured amount increased from $500,000 to $1,000,000 per occurrence. On January 1, 2012, the self-insured amount increased from $1,000,000 to $1,500,000 per occurrence. Accordingly, the System has made a provision in the accompanying consolidated financial statements for estimated unpaid malpractice claims, including incurred but not reported claims.

Through December 31, 2002, the System had professional liability insurance coverage with Reciprocal of America (ROA) on a claims-made basis. On April 30, 2003, the Commonwealth of Virginia filed an application to order ROA into liquidation. On June 20, 2003, the Virginia State Corporation Commission entered an Order of Liquidation declaring that ROA should be liquidated. Management believes that only a portion of all claims reported to ROA through December 31, 2002 will be paid through the ROA liquidation process. Management also believes that the System has adequately accrued for any potential shortfall for the payment of these reported claims and any incurred but not reported claims.

The System is self-insured up to the stop-loss amount of $300,000 annually per individual for its medical and other healthcare benefits provided to its employees and their families. Contributions by the System and participating employees are based on actual claims experience. A provision for known claims and estimated incurred but not reported claims for those employees in the self-insured plan has been provided in the accompanying consolidated financial statements.

The System is self-insured up to $500,000 per occurrence for workers' compensation claims and has purchased insurance to provide coverage for claims in excess of the self-insured retention. Such insurance coverage is on an occurrence basis. The System has made a provision in the accompanying consolidated financial statements for estimated workers' compensation claims known and estimated incurred but not reported claims.

The System is subject to various claims and lawsuits arising in the normal course of business. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect in the System's accompanying consolidated financial statements. Additionally, management is unaware of any unasserted claims that would have a material impact on the accompanying consolidated financial statements.

(Continued)

(14) Functional Expenses

The System provides general healthcare services to residents within its geographic location. Expenses related to providing these services for the years ended May 31, 2013 and 2012 are as follows (in thousands):

		2013	**2012**
Healthcare services	$	269,266	262,430
General and administrative		179,685	132,040
Total functional expenses	$	448,951	394,470

(15) Financial Instruments

The carrying amounts of all applicable asset and liability financial instruments reported in the consolidated balance sheets, excluding long–term debt, approximate their fair values at May 31, 2013 and 2012. Fair value of financial instruments is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties.

The fair value of the System's long-term debt has been estimated using discounted cash flow analyses, based on the System's current incremental borrowing rates for similar types of borrowing arrangements. The fair value of the System's long-term debt was approximately $601,431,000 and $603,932,000 at May 31, 2013 and 2012, respectively.

(16) Related-Party Transactions

OMHS has a 50% ownership in Owensboro Community Health Network, Inc. (OCHN); the other 50% owner is Ohio Valley Physicians Association, Inc. OCHN was incorporated in August 1999 and operates a preferred provider organization in the Commonwealth of Kentucky by contracting with various providers to provide medical services to the employees of contracted employers. OMHS accounts for their OCHN investment on the equity method based on its ownership percentage and equal control. OMHS is an employer utilizing OCHN's network. For the year ended May 31, 2013, OMHS paid OCHN approximately $127,000 in network administration fees. For the year ended May 31, 2012, OMHS paid OCHN approximately $51,000 in access fees and approximately $418,000 in network administration fees. OMHS leases employees to OCHN for an amount equal to the employees' salaries plus benefits. For the years ended May 31, 2013 and 2012, OCHN reimbursed OMHS approximately $406,000 and $328,000, respectively, for the salaries and benefits of these leased employees. OMHS provides accounting functions to OCHN for a fee. Fees charged for the years ended May 31, 2013 and 2012 were approximately $10,000.

OMHS has a 65.8% ownership in OASF, with the remaining 34.2% owned by individual physicians and co-general partner Surgical Care Affiliates (SCA). OASF pays a management fee to SCA of 5.0% of net revenue, less bad debt expense. This management fee was approximately $373,000 and $446,000 for the years ended May 31, 2013 and 2012, respectively.

(Continued)

(17) Subsequent Events

Effective June 1, 2013, Owensboro Medical Health System, Inc. and Cooperative Health Services, Inc., changed their names to Owensboro Health, Inc. and Owensboro Health Medical Group, Inc., respectively.

The System has evaluated events subsequent to May 31, 2013 and through August 28, 2013, the date on which the consolidated financial statements were issued.

OWENSBORO MEDICAL HEALTH SYSTEM, INC.
AND AFFILIATED ENTITIES

Consolidating Schedule – Balance Sheet Information

May 31, 2013

(In thousands)

Assets	OMHS	CHS	The Foundation for Health, Inc.	OMCL	OMHS Cardiovascular, LLC	CMM	KBP	Elimination entries	OMHS subtotal	OASF	OASF consolidation and elimination entries	Consolidated
Current assets:												
Cash and cash equivalents	$ 54,052	1,969	1,763	98	—	—	490	—	58,372	591	—	58,963
Investments	160,144	—	593	—	—	—	—	—	160,737	—	—	160,737
Patient accounts receivable, net	49,631	3,268	—	494	—	—	—	—	53,393	453	—	53,846
Inventories	8,959	67	—	—	—	—	320	—	9,346	2	—	9,348
Prepaid expenses and other current assets	77,641	220	407	(153)	—	30	611	(70,258)	8,498	51	(62)	8,487
Assets limited as to use, current portion	21,828	—	—	—	—	—	—	—	21,828	—	—	21,828
Total current assets	372,255	5,524	2,763	439	—	30	1,421	(70,258)	312,174	1,097	(62)	313,209
Assets limited as to use, less current portion	37,997	—	—	—	—	—	—	—	37,997	—	—	37,997
Property and equipment, net	588,893	32,180	15	—	—	—	14,753	—	635,841	697	—	636,538
Deferred compensation plan assets	5,194	—	—	—	—	—	—	—	5,194	—	—	5,194
Other assets	50,473	1,456	60	—	—	—	1,123	(34,120)	18,992	1,180	(1,703)	18,469
Total assets	$ 1,054,812	39,160	2,838	439	—	30	17,297	(104,378)	1,010,198	2,974	(1,765)	1,011,407
Liabilities and Net Assets												
Current liabilities:												
Current maturities of long-term debt	$ 5,610	—	—	—	—	—	2,721	(2,331)	6,000	180	(62)	6,118
Accounts payable	24,298	1,988	25	92	—	—	212	—	26,615	135	—	26,750
Accrued payroll and related liabilities	18,350	—	—	—	—	—	147	—	18,497	133	—	18,630
Other current liabilities	32,557	64,976	121	3,050	—	87	962	(67,912)	33,841	38	—	33,879
Due to third-party payors	21,257	—	—	—	—	—	—	—	21,257	—	—	21,257
Total current liabilities	102,072	66,964	146	3,142	—	87	4,042	(70,243)	106,210	486	(62)	106,634
Deferred compensation plan obligations	5,194	—	—	—	—	—	—	—	5,194	—	—	5,194
Long-term debt, less current maturities	501,761	—	—	—	—	—	20,223	(17,517)	504,467	147	(52)	504,562
Accrued pension cost	46,010	—	—	—	—	—	—	—	46,010	—	—	46,010
Other long-term liabilities	987	—	—	—	—	—	—	—	987	—	—	987
Total liabilities	656,024	66,964	146	3,142	—	87	24,265	(87,760)	662,868	633	(114)	663,387
Net assets (deficit):												
Unrestricted	398,788	(27,804)	820	(2,703)	—	(57)	(6,968)	(16,618)	345,458	2,341	(2,341)	345,458
Temporarily restricted	—	—	1,872	—	—	—	—	—	1,872	—	—	1,872
Total net assets (deficit) attributable to Owensboro Medical Health System, Inc.	398,788	(27,804)	2,692	(2,703)	—	(57)	(6,968)	(16,618)	347,330	2,341	(2,341)	347,330
Noncontrolling interests	—	—	—	—	—	—	—	—	—	—	690	690
Total net assets (deficit)	398,788	(27,804)	2,692	(2,703)	—	(57)	(6,968)	(16,618)	347,330	2,341	(1,651)	348,020
Total liabilities and net assets (deficit)	$ 1,054,812	39,160	2,838	439	—	30	17,297	(104,378)	1,010,198	2,974	(1,765)	1,011,407

See accompanying independent auditors' report.

Schedule 2

OWENSBORO MEDICAL HEALTH SYSTEM, INC.
AND AFFILIATED ENTITIES

Consolidating Schedule – Statement of Operations and Changes in Net Assets Information

Year ended May 31, 2013

(In thousands)

	OMHS	CHS	The Foundation for Health, Inc.	OMCL	OMHS Cardiovascular, LLC	CMM	KBP	Elimination entries	OMHS subtotal	OASF	OASF consolidation and elimination entries	Consolidated
Unrestricted revenue:												
Net patient service revenue	$ 398,818	36,474	—	3,099	—	—	—	(3,410)	434,981	7,788	—	442,769
Provision for bad debts	(30,969)	(1,836)	—	(380)	—	—	—	—	(33,185)	(114)	—	(33,299)
Net patient service revenue less provision for bad debts	367,849	34,638	—	2,719	—	—	—	(3,410)	401,796	7,674	—	409,470
Other operating revenue	7,542	10,261	780	171	—	—	5,993	(4,930)	19,817	17	(524)	19,310
Total unrestricted revenue	375,391	44,899	780	2,890	—	—	5,993	(8,340)	421,613	7,691	(524)	428,780
Patient service and other expenses:												
Personnel	170,357	44,355	350	—	—	—	2,007	(234)	216,835	2,382	—	219,217
Professional fees	23,363	5,245	24	191	—	—	332	(2,262)	26,893	436	—	27,329
Drugs and supplies	75,011	3,796	4	4,209	—	—	878	(3,761)	80,137	1,671	—	81,808
Plant maintenance and operations	13,149	3,277	34	5	—	—	796	(2,005)	15,256	810	(524)	15,542
Kentucky provider tax	3,839	—	—	—	—	—	—	—	3,839	—	—	3,839
Other expenses	27,778	2,236	2,474	123	—	—	1,229	(3,273)	30,567	378	—	30,945
Depreciation and amortization	60,509	2,668	3	—	—	—	1,992	—	65,172	245	—	65,417
Interest expense	4,712	3	—	—	—	—	1,057	(962)	4,810	68	(24)	4,854
Total patient service and other expenses	378,718	61,580	2,889	4,528	—	—	8,291	(12,497)	443,509	5,990	(548)	448,951
Operating income (loss)	(3,327)	(16,681)	(2,109)	(1,638)	—	—	(2,298)	4,157	(21,896)	1,701	24	(20,171)
Nonoperating gains (losses):												
Investment income (loss), net	21,098	—	12	—	—	—	—	(962)	20,148	—	(24)	20,124
Contributions and other	(2,176)	525	2,144	(2)	—	—	—	1,304	1,795	(46)	(1,002)	747
Nonoperating gains (losses), net	18,922	525	2,156	(2)	—	—	—	342	21,943	(46)	(1,026)	20,871
Excess (deficiency) of revenue and gains over expenses and losses before noncontrolling interests	15,595	(16,156)	47	(1,640)	—	—	(2,298)	4,499	47	1,655	(1,002)	700
Noncontrolling interests	—	—	—	—	—	—	—	—	—	—	(653)	(653)
Excess (deficiency) of revenue and gains over expenses and losses	15,595	(16,156)	47	(1,640)	—	—	(2,298)	4,499	47	1,655	(1,655)	47
Accrued pension cost adjustment	7,905	—	—	—	—	—	—	—	7,905	—	—	7,905
Transfers to (from) related parties	2,908	(3,970)	—	—	3,970	—	—	(2,908)	—	—	—	—
Partnership investment	—	—	—	—	—	—	—	—	—	(606)	606	—
Partnership distributions	—	—	—	—	—	—	—	—	—	(1,446)	1,446	—
Increase (decrease) in unrestricted net assets	26,408	(20,126)	47	(1,640)	3,970	—	(2,298)	1,591	7,952	(397)	397	7,952
Temporarily restricted net assets:												
Contributions	—	—	382	—	—	—	—	—	382	—	—	382
Net assets released from restrictions used for operations	—	—	(780)	—	—	—	—	—	(780)	—	—	(780)
Decrease in temporarily restricted net assets	—	—	(398)	—	—	—	—	—	(398)	—	—	(398)
Noncontrolling interests:												
Excess of revenue and gains over expenses and losses	—	—	—	—	—	—	—	—	—	—	653	653
Partnership investment	—	—	—	—	—	—	—	—	—	—	(606)	(606)
Distributions to minority shareholders	—	—	—	—	—	—	—	—	—	—	(593)	(593)
Decrease in noncontrolling interests	—	—	—	—	—	—	—	—	—	—	(546)	(546)
Increase (decrease) in total net assets	26,408	(20,126)	(351)	(1,640)	3,970	—	(2,298)	1,591	7,554	(397)	(149)	7,008
Net assets (deficit), beginning of year	372,380	(7,678)	3,043	(1,063)	(3,970)	(57)	(4,670)	(18,209)	339,776	2,738	(1,502)	341,012
Net assets (deficit), end of year	$ 398,788	(27,804)	2,692	(2,703)	—	(57)	(6,968)	(16,618)	347,330	2,341	(1,651)	348,020

See accompanying independent auditors' report.

Schedule 3

OBLIGATED GROUP

Combining Schedule – Balance Sheet Information

May 31, 2013

(In thousands)

Assets		OMHS	CHS	Combination and elimination entries	Obligated Group
Current assets:					
Cash and cash equivalents	$	54,052	1,969	—	56,021
Investments		160,144	—	—	160,144
Patient accounts receivable, net		49,631	3,268	—	52,899
Inventories		8,959	67	—	9,026
Prepaid expenses and other current assets		77,641	220	(64,828)	13,033
Assets limited as to use, current portion		21,828	—	—	21,828
Total current assets		372,255	5,524	(64,828)	312,951
Assets limited as to use, less current portion		37,997	—	—	37,997
Property and equipment, net		588,893	32,180	—	621,073
Deferred compensation plan assets		5,194	—	—	5,194
Other assets		50,473	1,456	(26,906)	25,023
Total assets	$	1,054,812	39,160	(91,734)	1,002,238
Liabilities and Net Assets					
Current liabilities:					
Current maturities of long-term debt	$	5,610	—	—	5,610
Accounts payable		24,298	1,988	—	26,286
Accrued payroll and related liabilities		18,350	—	—	18,350
Other current liabilities		32,557	64,976	(64,828)	32,705
Due to third-party payors		21,257	—	—	21,257
Total current liabilities		102,072	66,964	(64,828)	104,208
Deferred compensation plan obligations		5,194	—	—	5,194
Long-term debt, less current maturities		501,761	—	—	501,761
Accrued pension cost		46,010	—	—	46,010
Other long-term liabilities		987	—	—	987
Total liabilities		656,024	66,964	(64,828)	658,160
Unrestricted net assets		398,788	(27,804)	(26,906)	344,078
Total liabilities and net assets	$	1,054,812	39,160	(91,734)	1,002,238

See accompanying independent auditors' report.

Schedule 4

OBLIGATED GROUP

Combining Schedule – Statement of Operations and Changes in Net Assets Information

Year ended May 31, 2013

(In thousands)

		OMHS	CHS	Combination and elimination entries	Obligated Group
Unrestricted revenue:					
Net patient service revenue	$	398,818	36,474	—	435,292
Provision for bad debts		(30,969)	(1,836)	—	(32,805)
Net patient service revenue less provision for bad debts		367,849	34,638	—	402,487
Other operating revenue		7,542	10,261	(1,488)	16,315
Total unrestricted revenue		375,391	44,899	(1,488)	418,802
Patient service and other expenses:					
Personnel		170,357	44,355	(234)	214,478
Professional fees		23,363	5,245	(113)	28,495
Drugs and supplies		75,011	3,796	(307)	78,500
Plant maintenance and operation		13,149	3,277	(810)	15,616
Kentucky provider tax		3,839	—	—	3,839
Other expenses		27,778	2,236	(24)	29,990
Depreciation and amortization		60,509	2,668	—	63,177
Interest expense		4,712	3	—	4,715
Total patient service and other expenses		378,718	61,580	(1,488)	438,810
Operating income (loss)		(3,327)	(16,681)	—	(20,008)
Nonoperating gains (losses):					
Investment income (loss), net		21,098	—	—	21,098
Contributions and other		(2,176)	525	—	(1,651)
Nonoperating gains (losses), net		18,922	525	—	19,447
Excess (deficiency) of revenue and gains over expenses and losses		15,595	(16,156)	—	(561)
Accrued pension cost adjustment		7,905	—	—	7,905
Transfers to (from) related parties		2,908	(3,970)	—	(1,062)
Increase (decrease) in unrestricted net assets		26,408	(20,126)	—	6,282
Net assets, beginning of year		372,380	(7,678)	(26,906)	337,796
Net assets, end of year	$	398,788	(27,804)	(26,906)	344,078

See accompanying independent auditors’ report.

Schedule 5

OWENSBORO MEDICAL HEALTH SYSTEM, INC.
AND AFFILIATED ENTITIES

Hospital Utilization Statistics (Unaudited)

Years ended May 31

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Patient days:										
Acute patient days	68,845	71,587	72,788	70,016	71,950	71,662	72,403	72,309	71,992	71,850
TCC patient days	8,823	8,757	9,334	7,960	7,801	8,626	8,736	8,567	8,569	7,687
Rehab patient days	3,455	3,701	3,845	3,854	3,725	3,738	4,145	4,873	4,811	5,183
Total patient days	81,123	84,045	85,967	81,830	83,476	84,026	85,284	85,749	85,372	84,720
Average adult daily census	222	230	236	224	229	230	234	235	234	232
Licensed beds	477	477	477	477	477	477	477	477	477	477
Average number of available beds	366	377	372	364	359	372	374	374	351	345
Average adult occupancy	61%	61%	63%	62%	64%	62%	63%	63%	67%	67%
Adult discharges:										
Acute discharges	16,638	17,144	17,388	17,479	17,725	16,936	17,771	17,549	17,663	17,693
TCC discharges	669	642	645	569	585	551	587	607	600	503
Rehab discharges	300	317	311	307	314	315	304	373	356	364
Total adult discharges	17,607	18,103	18,344	18,355	18,624	17,802	18,662	18,529	18,619	18,560
Average adult length of stay:										
Acute length of stay	4.1	4.2	4.2	4.0	4.1	4.2	4.1	4.1	4.1	4.1
TCC length of stay	13.2	13.6	14.5	14.0	13.3	15.7	14.9	14.1	14.3	15.3
Rehab length of stay	11.5	11.7	12.4	12.6	11.9	11.9	13.6	13.1	13.5	14.2
Total average adult length of stay	4.6	4.6	4.7	4.5	4.5	4.7	4.6	4.6	4.6	4.6
Number of deliveries	1,815	1,863	1,820	1,766	1,860	1,811	1,908	1,799	1,835	1,926
Surgical cases:										
Inpatient	3,795	4,683	4,342	4,714	4,331	4,224	4,202	4,295	4,227	3,843
Outpatient	7,195	7,710	8,933	8,856	9,011	9,336	9,235	8,681	8,478	8,629
Endoscopy	4,930	4,395	5,190	5,254	5,362	5,600	5,684	5,527	5,916	6,689
ASC	6,140	7,000	6,103	5,784	5,085	5,148	4,909	N/A	N/A	N/A
Total surgical cases	22,060	23,788	24,568	24,608	23,789	24,308	24,030	18,503	18,621	19,161
Emergency room visits	63,671	63,901	63,043	63,592	63,298	65,185	66,217	65,068	63,428	63,297
Average number of visits per day	174	175	173	174	173	179	181	178	174	173

(Continued)

Schedule 5

OWENSBORO MEDICAL HEALTH SYSTEM, INC.
AND AFFILIATED ENTITIES

Hospital Utilization Statistics (Unaudited)

Years ended May 31

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Outpatient visits:										
Hospital physician clinics	220,301	206,951	191,907	143,311	96,048	83,002	N/A	N/A	N/A	N/A
Work Health	8,499	9,810	17,279	13,737	N/A	N/A	N/A	N/A	N/A	N/A
Outpatient ED visits	53,325	54,126	52,928	54,116	53,689	55,755	56,031	53,825	55,467	53,697
Convenient care visits	29,739	27,507	29,976	29,630	26,789	25,593	27,001	23,774	23,982	25,581
Observation visits	3,696	6,024	6,593	6,513	6,573	7,566	7,212	6,848	6,124	6,190
Outpatient surgery cases:										
Hospital	7,195	7,710	8,933	8,856	9,011	8,948	9,235	8,681	8,478	8,629
ASC	6,140	7,000	6,103	5,784	5,085	5,148	4,909	N/A	N/A	N/A
Total outpatient surgery visits	13,335	14,710	15,036	14,640	14,096	14,096	14,144	8,681	8,478	8,629
Ancillary visits:										
Lab	87,812	85,032	87,384	86,306	81,472	78,854	78,344	76,572	74,955	74,499
Physical therapy*	16,260	16,719	16,294	15,568	7,242	7,174	7,116	6,672	6,494	6,308
Wound care	2,952	2,914	1,262	1,105	908	784	755	676	586	591
Total ancillary visits	107,024	104,665	104,940	102,979	89,622	86,812	86,215	83,920	82,035	81,398
Diagnostic visits:										
Radiology	116,512	118,265	117,720	116,316	90,355	87,226	83,599	79,523	76,716	77,307
Cath lab:										
Inpatient cases	1,094	1,423	1,458	1,534	N/A	N/A	N/A	N/A	N/A	N/A
Outpatient cases	1,928	1,776	1,805	1,877	N/A	N/A	N/A	N/A	N/A	N/A
Total cath lab cases	3,022	3,199	3,263	3,411	2,936	3,470	3,534	3,503	3,335	3,127
Total diagnostic visits	119,534	121,464	120,983	119,727	93,291	90,696	87,133	83,026	80,051	80,434
Total outpatient visits	555,453	545,257	539,642	484,653	380,108	363,520	277,736	260,074	256,137	255,929
Employees:										
Hospital	2,842	2,844	2,850	2,776	2,774	N/A	N/A	N/A	N/A	N/A
System	3,421	3,365	3,357	3,205	3,131	N/A	N/A	N/A	N/A	N/A
FTE's:										
Hospital	2,598	2,544	2,466	2,323	2,289	N/A	N/A	N/A	N/A	N/A
System	3,020	3,038	2,881	2,695	2,598	N/A	N/A	N/A	N/A	N/A

* For the year ended May 31, 2010, these statistics were compiled utilizing visits versus billing units for the years ended May 31, 2004 through 2009.

See accompanying independent auditors' report.