

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Memorial Health System and Subsidiaries Years Ended September 30, 2013, 2012, and 2011 With Report of Independent Auditors

Ernst & Young LLP



Consolidated Financial Statements and Supplementary Information

Years Ended September 30, 2013, 2012, and 2011

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Report of Independent Auditors

The Board of Directors Memorial Health System

We have audited the accompanying consolidated financial statements of Memorial Health System and Subsidiaries (MHS), which comprise the consolidated balance sheets as of September 30, 2013, 2012, and 2011, and the related consolidated statements of operations and changes in net assets and cash flows for the three years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Memorial Health System and Subsidiaries at September 30, 2013, 2012, and 2011, and the consolidated results of their operations and their cash flows for the three years then ended in conformity with U.S. generally accepted accounting principles.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Ernst & Young LLP

December 10, 2013

Consolidated Balance Sheets (In Thousands)

	 2013	September 30 2012		 2011
Assets				
Current assets:				
Cash and cash equivalents	\$ 142,064	\$	97,488	\$ 71,240
Short-term investments	128,996		110,951	99,525
Assets whose use is limited – current portion	5,613		5,559	16,461
Receivables:				
Patient accounts receivable, net of				
allowance for uncollectible accounts of				
\$23,325, \$23,692, and \$22,096 as of				
September 30, 2013, 2012, and 2011,				
respectively	113,893		130,689	106,139
Receivables from third-party payors	7,931		16,835	11,638
Other	22,808		14,298	23,700
Inventories	11,912		10,754	11,088
Prepaid expenses	 13,181		10,566	 7,913
Total current assets	446,398		397,140	347,704
Assets whose use is limited:				
Board-designated funds	213,643		181,156	152,591
Self-insurance trusts	20,383		20,351	17,857
Bond trustee assets	1,563		1,555	1,614
Other restricted assets	_		1,200	_
Donor restricted assets	10,065		9,697	8,694
Deferred compensation investments	 20,023		19,769	 19,064
Total assets whose use is limited	265,677		233,728	199,820
Property, plant, and equipment	794,819		709,460	677,803
Less accumulated depreciation	379,178		344,307	315,613
Net property, plant, and equipment	415,641		365,153	362,190
Other assets:				
Investments in partnerships	5,282		4,679	4,919
Unamortized bond issuance costs	3,234		3,749	3,999
Beneficial interest in remainder trust	35,391		26,460	21,082
Other	10,700		10,810	10,229
Total other assets	 54,607		45,698	40,229
Total assets	\$ 1,182,323	\$	1,041,719	\$ 949,943

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	2013		September 30 2012		2011	
Liabilities and net assets						
Current liabilities:						
Long-term debt – current portion	\$	7,596	\$	5,590	\$	5,420
Accounts payable		51,145		43,469		35,561
Accrued payroll		29,029		28,355		26,324
Interest payable		4,362		4,266		4,292
Payables to third-party payors		30,979		33,699		28,509
Other		18,120		11,541		14,734
Total current liabilities		141,231		126,920		114,840
Long-term debt – less current portion		261,803		212,400		220,990
Other liabilities:						
Deferred compensation and benefits		21,001		20,654		19,798
Self-insurance accrued expenses		17,067		19,398		18,858
Accrued employee benefits		13,470		13,234		11,087
Pension obligation		28,558		112,108		75,651
Other		9,864		12,991		12,441
Total other liabilities		89,960		178,385		137,835
Total liabilities		492,994		517,705		473,665
Net assets:						
Unrestricted		642,497		486,305		445,194
Temporarily restricted		41,671		32,754		26,145
Permanently restricted		5,161		4,955		4,939
Total net assets		689,329		524,014		476,278

Total liabilities and net assets	\$ 1,182,323	\$ 1,041,719	\$ 949,943

See accompanying notes.

Consolidated Statements of Operations and Changes in Net Assets (In Thousands)

	Years Ended September 30					
	2013		2012		2011	
Revenues:	_		_			
Net patient service revenues	\$ 659,196	\$	671,257	\$	622,139	
Provision for uncollectible accounts	(13,367)		(18,071)		(19,030)	
	 645,829		653,186		603,109	
Hospital access improvement revenue	32,741		23,241		25,723	
Capitation revenues	53,091		49,341		64,688	
Other revenues	28,338		29,046		23,515	
Total revenues	 759,999		754,814		717,035	
Expenses:						
Salaries and wages	262,739		256,421		255,388	
Employee benefits	87,381		73,946		86,264	
Physician fees	55,949		50,290		41,696	
Utilities	11,449		11,768		11,996	
Pharmaceutical supplies	23,757		22,941		21,708	
Patient service supplies	82,432		89,309		87,892	
Supplies and other	86,794		94,176		94,151	
Hospital provider assessment	19,014		12,192		12,221	
Purchased medical services	31,785		31,655		35,516	
Depreciation and amortization	47,443		48,252		41,259	
Interest expense and other financing costs	10,665		10,676		9,894	
Total expenses	 719,408		701,626		697,985	
Income from operations	40,591		53,188		19,050	
Nonoperating gains (losses):						
Interest and dividends	5,680		5,594		6,137	
Realized gain (loss) on investments, net	9,768		9,747		2,712	
Unrealized gain (loss) on investments, net	21,367		26,874		(16,040)	
Change in fair value of interest rate swap	2,937		(511)		(110)	
Contributions	1,983		2,092		2,096	
Other revenue (expense), net	(3,674)		(3,931)		(3,048)	
Total nonoperating gains (losses), net	38,061		39,865		(8,253)	
Excess of revenues over expenses	78,652		93,053		10,797	

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

	Years Ended September 30					
	2013	2012	2011			
Unrestricted net assets:						
Excess of revenues over expenses	78,652	93,053	10,797			
Change in pension and post-employment						
obligations	77,088	(53,021)	28,674			
Net assets released from restrictions for						
property acquisitions	3	820	44			
Other	449	259	92			
Increase in unrestricted assets	156,192	41,111	39,607			
Temporarily restricted net assets:						
Contributions	1,122	1,779	1,350			
Change in fair value of beneficial interest in						
perpetual trusts	9,925	6,375	770			
Gain (loss) on investments, net	718	1,144	(52)			
Net assets released from restrictions and other	(2,848)	(2,689)	(1,980)			
Increase in temporarily restricted assets	8,917	6,609	88			
Permanently restricted net assets – contributions						
and other	206	16	42			
Increase in net assets	165,315	47,736	39,737			
Net assets, beginning of year	524,014	476,278	436,541			
Net assets, end of year	\$ 689,329	\$ 524,014	\$ 476,278			

See accompanying notes.

Consolidated Statements of Cash Flows (In Thousands)

	Years Ended September 30					
	2013		2012		2011	
Cash flows from operating activities:			_		_	
Change in net assets	\$ 165,315	\$	47,736	\$	39,737	
Adjustments to reconcile change in net assets						
to net cash provided by operating activities:						
Non-cash contribution	(112)		_		_	
Change in unrealized losses on interest rate						
swaps	(2,937)		511		110	
Restricted contributions	(1,190)		(1,795)		(1,392)	
Increase in beneficial interest in perpetual						
trust	(9,925)		(6,375)		(770)	
Depreciation and amortization	47,445		48,255		41,261	
Loss on disposal of assets	252		138		1,067	
Provision for uncollectible accounts	13,367		18,071		19,030	
Change in pension obligation	(77,088)		53,021		(28,674)	
Changes in assets and liabilities:						
Accounts receivable	3,430		(42,622)		(36,181)	
Inventory and other assets	(12,251)		7,020		(2,505)	
Investments classified as trading, net	(50,197)		(34,468)		25,796	
Receivable from/payable to third-party			, , ,			
payors	6,184		(7)		(7,101)	
Accounts payable and other current	,		· /		() /	
liabilities	15,021		6,722		(14,412)	
Self-insurance and other long-term	,		,		, , ,	
liabilities	(8,399)		(12,982)		3,702	
Net cash provided by operating activities	88,915		83,225		39,668	
Cosh flows from investing activities						
Cash flows from investing activities: Acquisition of property and equipment	(98,200)		(51,496)		(92 221)	
Proceeds on sale of property	529		(51,490)		(82,331) 122	
	(603)		239		1,863	
Change in investment in partnerships	341		(482)		,	
Net change in other assets					1,824	
Net cash used in investing activities	(97,933)		(51,086)		(78,522)	

Consolidated Statements of Cash Flows (continued) (In Thousands)

		Years Ended September 30				
		2013		2012		2011
Cash flows from financing activities:	_					
Restricted contributions and gain		1,190		1,795		1,392
Repayment of long-term debt		(8,591)		(8,420)		(5,564)
Issuance of long-term debt		60,000		_		_
Proceeds from short-term borrowings		60,000		_		_
Repayment of short-term borrowings		(60,000)		_		_
Payment of bond issuance cost and discount		_		(263)		_
Distributions from beneficial interest in						
remainder trust		995		997		802
Net cash provided by (used in) financing activit	ies	53,594		(5,891)		(3,370)
Net increase (decrease) in cash and cash		44 77 -		2 < 2 10		(10.00.1)
equivalents		44,576		26,248		(42,224)
Cash and cash equivalents, beginning of year		97,488		71,240		113,464
Cash and cash equivalents, end of year	\$	142,064	\$	97,488	\$	71,240
cash and cash equivalents, end of year	Ψ	142,004	Ψ	77,400	Ψ	71,240
Supplemental disclosure of cash flow						
information:						
Cash paid for interest	\$	11,060	\$	10,702	\$	10,989

See accompanying notes.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

September 30, 2013

1. Organization

Memorial Health System (Parent) is incorporated as a not-for-profit corporation under the laws of the state of Illinois and is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code). Memorial Health System and Subsidiaries (MHS) comprise the following corporations and their subsidiaries:

Memorial Health System

Sole corporate member of:

- o Memorial Medical Center (MMC)
 - Memorial Medical Center Foundation (MMCF)
- o Memorial Physician Services (MPS)
 - HealthCare Network Properties, LLC d/b/a Memorial Properties (MP)
- o Memorial Home Services NFP (MHSvc)
 - Memorial Home Services of Central Illinois, Inc. (MHSCI)
- o The Abraham Lincoln Memorial Hospital (ALMH)
- o Abraham Lincoln Healthcare Foundation (ALHF)
- o Mental Health Centers of Central Illinois (MHCCI)
- Memorial Health Ventures (MHV)
- o Taylorville Memorial Hospital (TMH)
 - TMH Foundation, Inc. (TMHF)

All significant intercompany transactions and balances have been eliminated in the consolidated financial statements.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less when purchased, excluding amounts whose use is limited by board designation or other arrangements under trust agreements. MHS places its cash and cash equivalents with institutions with high credit quality. However, at certain times, such cash and cash equivalents are in excess of government-provided insurance limits. MHS routinely invests in money market mutual funds. These funds generally invest in highly liquid U.S. government and agency obligations. MHS's cash and cash equivalents are invested in financial instruments that potentially subject MHS to concentrations of credit risk.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Short-Term Investments

Short-term investments primarily comprise cash and cash equivalents, corporate obligations, government obligations, certificates of deposit, mutual funds, and corporate equity securities that are classified as current assets because such amounts are available to meet MHS's operating cash requirements.

Accounts Receivable

MHS provides health care services through inpatient and outpatient care facilities located in central Illinois and grants credit to patients, substantially all of whom are local residents. MHS generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies, including, but not limited to, Medicare, Medicaid, health maintenance organizations, and commercial insurance policies.

The allowance for uncollectible accounts is based upon management's assessment of expected amounts to be collected, considering historical business and economic conditions, trends in health care coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon its review of accounts receivable payor composition and aging. This review takes into consideration recent write-off experience by payor category, payor agreement rate changes, and other factors. The results of these evaluations are used to make any modifications to the provision for uncollectible accounts to establish an appropriate allowance for uncollectible accounts. After satisfaction of amounts due from insurance, MHS follows established guidelines for placing certain past-due patient balances with collection agencies.

Inventories

Inventories, consisting primarily of medical supplies and drugs, are stated at the lower of cost or market value. Cost is determined using the average cost method.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Assets Whose Use Is Limited

Assets whose use is limited primarily include designated assets set aside by the Board of Directors (Board) for future capital improvements, over which the Board retains control and may, at its discretion, subsequently use for other purposes. The classification may also include amounts set aside under revocable self-insurance trust agreements, assets held by trustees under indenture agreements, assets restricted as to use by donors, cash restricted as to withdraw or use, and deferred compensation investments. Amounts designated to help meet the current liabilities of MHS have been classified as the current portion of assets whose use is limited in the consolidated balance sheets.

Investment securities are recorded at fair value, based on the valuation methodologies used in the Fair Value Measurement and Disclosures Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The cost of securities sold is based on the specific identification method. MHS classifies its investment portfolio as trading, with unrealized gains and losses included in excess of revenues over expenses.

Realized and unrealized gains and losses on investments, interest, and dividends from all other investments are reported as nonoperating gains (losses) unless the income is restricted by donor or law.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost or, if donated, at fair value at the date of receipt. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	5–25 years
Buildings and improvements	10–40 years
Equipment	3–10 years

Leasehold improvements are depreciated over the corresponding lease term and included in depreciation expense.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Beneficial Interest in Trust

MMC is the beneficiary of an irrevocable trust held and administered by a third-party trustee. The income from this trust is distributed annually, and the principal will be distributed at some future date. The proceeds from the trust are restricted by the donor to be used for general maintenance and support of MMC. MMC's beneficial interest in the trust of \$35,391, \$26,460, and \$21,082 as of September 30, 2013, 2012, and 2011, respectively, is equal to the estimated fair value of the underlying trust assets (primarily Illinois farm land) and is recognized by MMC as temporarily restricted net assets. Trust distributions were \$995, \$997, and \$802 in 2013, 2012, and 2011, respectively, and are included in unrestricted contributions within the consolidated statements of operations and changes in net assets.

TMHF is the discretionary income beneficiary of a trust. The principal of this trust is not controlled by TMHF, nor will it revert to TMHF upon dissolution, and accordingly, it is not reflected in the accompanying consolidated financial statements. The market value of assets held in the trust totaled \$622, \$618, and \$568 as of September 30, 2013, 2012, and 2011, respectively. Trust distributions were \$31, \$26, and \$23 in 2013, 2012, and 2011, respectively, and were included in unrestricted contributions within the consolidated statements of operations and changes in net assets.

Other Assets

Other assets primarily consist of cash surrender value of life insurance policies, noncompete agreement clauses in physician acquisition contracts, and reinsurance recoveries. Under the terms of the agreements, vesting to the physicians in the cash surrender values occurs over various terms.

Deferred Compensation Investments

MHS has several nonqualified deferred compensation plans available to select employees. Contributions to the plans are invested in mutual funds and are payable to the employees upon vesting, retirement, or resignation. Deferred compensation investments at fair value and deferred compensation liabilities have been recorded in the accompanying consolidated balance sheets.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Accrued Employee Benefits

Employee benefits consist of the accrual for the paid sick time program and the accrual for postemployment benefits, which consists of three liabilities: the continuation of medical benefits to employees on long-term disability, postretirement health care benefits for certain employee groups that meet special qualifications, and sick time paid at retirement. MHS accrues these benefits based on actuarial estimates.

Net Assets

MHS's net assets are classified as restricted and unrestricted based on the existence or absence of donor-imposed restrictions. Restricted net assets comprise temporarily restricted net assets, whose use by MHS has been limited by donors to a specific time period or for a particular purpose, and permanently restricted net assets, which must be maintained by MHS in perpetuity with the related investment income expendable to support the donor-designated purpose. The general nature of the donor restrictions is to support MHS's mission and health education programs, and to assist in capital purchasing.

MHS's endowments consist of approximately 37 individual donor-restricted funds established for a variety of purposes. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

MHS has a policy of appropriating for distribution each year 5% of its endowment funds' average fair value of investments over the prior 36 months as of September 30 of the preceding fiscal year in which the distribution is planned. In establishing this policy, MHS considered the long-term expected return on its endowments. Accordingly, over the long term, MHS expects the current spending policy to allow its endowment to grow at an average of the long-term rate of inflation. This is consistent with MHS's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return.

Net Patient Service Revenues

Patient service revenue is reported net of contractual allowances and discounts at estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive adjustments due to future audits, reviews, investigations, and significant regulatory actions.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

MHS has agreements with third-party payors that provide for payments at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenues are reported at the estimated net realizable amount from patients, third-party payors, and others for services rendered. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and these amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, or investigations. MHS's net patient service revenue (net of contractual allowances and discounts) increased by approximately \$4,671, \$1,855, and \$7,736 in 2013, 2012, and 2011, respectively, as the result of these retroactive adjustments.

During 2012, MMC recognized as part of net patient service revenue \$5,675 for the Medicare Rural Floor Budget Neutrality Act Settlement (the Settlement). The Settlement with Centers for Medicare and Medicaid Services involved approximately 2,200 hospitals nationwide and was reached to resolve a challenge made by the plaintiff hospitals for underpayment of inpatient Medicare services dating back to 1999.

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. Noncompliance with Medicare and Medicaid laws and regulations can make MHS subject to significant regulatory action, including substantial fines and penalties, as well as exclusion from the Medicare and Medicaid programs.

The provision for bad debts is based upon management's judgmental assessment of historical and expected net collections considering business and general economic conditions in its service area, trends in health care coverage, and other collection indicators. Throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon its review of accounts receivable payor composition and aging, taking into consideration recent write-off experience by payor category, payor agreement rate changes, and other factors. The results of these assessments are used to make modifications to the provision for bad debts and to establish an appropriate allowance for uncollectible accounts receivable. For third-party payors, the provision is determined by analyzing the anticipated residual patient balances and contractually due amounts from payors who are known to be having financial difficulties. For uninsured patients, the provision is based on an analysis of past experience related to patients

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

unwilling to pay the discounted patient balances. The difference between the standard rate charged (less the discounted rate) and the amount actually collected after the reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Capitation Revenues

MHS has entered into risk-based contracts to provide medical services. Under these arrangements, MHS receives capitation payments based on the demographic characteristics of covered members in exchange for providing certain medical services to those members. MHS has engaged in stop-loss insurance contracts to protect against future significant losses for catastrophic cases.

Purchased medical services represent payments made to non-MHS and out-of-network providers for covered medical claims. MHS estimates its liability for covered medical claims, including claims incurred but not reported as of the balance sheet dates, based upon historical costs incurred and payment-processing experience. The liability for covered medical claims is included in other current liabilities in the accompanying consolidated balance sheets.

Asset Impairment

MHS considers whether indicators of impairment are present and, if present, performs the necessary tests to determine whether the carrying values of an asset are appropriate. Impairment write-downs are recognized in depreciation expense at the time the impairment is identified.

Charity Care

In support of its mission, MHS provides care to patients who lack financial resources and are deemed to be financially indigent. Traditional charity care includes cost of services provided to persons who MHS determines cannot afford health care because of inadequate resources. The charges for services provided to charity patients are not reported as net patient service revenue.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Derivative Financial Instruments

MHS uses interest rate swap instruments as part of a risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt. Derivatives are used to hedge identified and approved exposures and are not used for speculative purposes. All derivatives are recognized as either assets or liabilities and are measured at fair value. MHS uses pricing models for various types of derivative instruments that take into account the present value of estimated future cash flows. Gains and losses resulting from changes in the fair value of derivatives are reflected in nonoperating gains (losses) in the consolidated statements of operations and changes in net assets.

Derivatives provide counterparty credit risk. This is the risk that contractual obligations of the other parties to the agreements will not be fulfilled. Concentrations of credit risk relate to groups of counterparties that have similar economic or industry characteristics. Such concentration would cause the counterparties' ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. In addition, MHS is subject to the market risk associated with changes in the value of the underlying financial instrument.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to MHS are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received or the condition is met. Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. A donor restriction expires when a stipulated time restriction ends or the purpose restriction is accomplished. At that time, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions.

Donor-restricted contributions whose restrictions are met within the same year as they are received are reported as unrestricted contributions in the accompanying consolidated financial statements.

Performance Indicator

MHS's performance indicator (excess of revenues over expenses) includes all changes in unrestricted net assets other than net assets released from restrictions for property acquisitions and pension and post-employment liability adjustments.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

Operating and Nonoperating Gains (Losses)

MHS's primary mission is to improve the health of the people and communities it serves through a broad range of general and specialized health care services, including inpatient acute care, outpatient services, physician services, and other health care services. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that result in gains or losses peripheral to MHS's primary mission are considered to be nonoperating. Nonoperating activities include interest, dividends, realized and unrealized gains and losses on investments, change of fair value of interest rate swaps, contributions, and other revenues and expenses not related to patient care.

Income Taxes

The authoritative guidance in ASC 740, *Income Taxes*, creates a single model to address uncertainty in tax positions and clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. Under the requirements of this guidance, tax-exempt organizations could be required to record an obligation as the result of a tax position they have historically taken on various tax exposure items.

Use of Estimates

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

Functional Expenses

MHS's accounting policies conform to U.S. generally accepted accounting principles applicable to health care organizations. Substantially all expenses are related to providing health care services to the community.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

3. Income Taxes

Each of MHS's subsidiaries, excluding those described in the following paragraph, is a separately incorporated not-for-profit corporation as described under Section 501(c)(3) of the Code and is tax-exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. They do, however, operate certain programs that may result in unrelated business income. Upon review as required by ASC 740, no tax provision was recorded for the years ended September 30, 2013, 2012, or 2011.

MP is a limited liability company whose sole member is MPS. MP is considered a disregarded entity for tax purposes and is exempt from income tax as part of its member, MPS. MHSCI is a taxable for-profit corporation whose sole member is MHSvc.

4. Revenues

Net Patient Service Revenues

MHS provides health care services through inpatient, outpatient, and ambulatory care facilities. Certain patients receive services that are covered by governmental and third-party payments, including Medicare and Medicaid (60.5%, 59.5%, and 60.6% of gross patient service revenues charges in 2013, 2012, and 2011, respectively) at contractual rates generally below MHS's established rates.

The following is the mix of net patient service revenues before the provision for uncollectible accounts by major payor source:

		Years Ended September 30						
	2013		2012			2011		
Medicare	\$	253,120	\$	257,937	\$	243,874		
Medicaid		47,858		55,661		50,364		
Managed care		170,744		158,143		149,026		
BlueCross BlueShield		134,972		134,464		121,568		
Other commercial payors		37,496		51,822		42,144		
Patients		15,006		13,230		15,163		
Total	\$	659,196	\$	671,257	\$	622,139		

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

4. Revenues (continued)

Gross patient service revenues from Medicare were approximately \$956,082, \$912,721, and \$832,986 in 2013, 2012, and 2011, respectively. MHS is paid for services rendered to Medicare program beneficiaries generally under prospectively determined rates. Those rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. MMC's payment classification of patients under the prospective system is subject to audit by the program's professional review organization. TMH and ALMH are both designated as critical access hospitals and receive cost-based reimbursement for the majority of their Medicare services. MHSvc is reimbursed under the prospective payment system for substantially all Medicare beneficiaries.

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient and home health services rendered to Medicaid program beneficiaries are reimbursed upon a per visit, per diem rate or on a fee-forservice basis. Gross patient service revenues rendered under Medicaid agreements were approximately \$246,150, \$251,774, and \$223,485 for 2013, 2012, and 2011, respectively.

Patient accounts receivable are stated at net realizable value. MHS evaluates the collectability of its accounts receivable based on the length of time the receivable is outstanding, major payor sources of revenue, historical collection experience, and trends in health care insurance programs to estimate the appropriate allowance for uncollectible accounts and provision for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, MHS analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for uncollectible accounts. For receivables associated with self-pay patients, MHS records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. Accounts receivable are charged to the allowance for uncollectible accounts when they are deemed uncollectible.

The allowance for uncollectible accounts as a percentage of accounts receivable increased from 15.3% in 2012 to 17.0% in 2013 primarily due to the reduction of Medicaid receivables due to accelerated payments received in 2013 that had a minimal estimated allowance for uncollectible accounts. MHS' combined allowance for uncollectible accounts and charity care cover 85%, 90%, and 90% of self-pay and patient responsibility accounts receivable at September 30, 2013, 2012, and 2011, respectively.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

4. Revenues (continued)

The following is the mix of net receivables by major payor source:

		September 30	
	2013	2012	2011
Medicare	22.8%	20.6%	23.0%
Medicaid	9.5	22.7	12.2
Managed care	44.2	33.8	41.3
BlueCross BlueShield	13.7	10.5	13.1
Other commercial payors	8.0	10.5	8.3
Patients	1.8	1.9	2.1
Total	100.0%	100.0%	100.0%

Hospital Access Improvement Revenue

On November 21, 2006, the Centers for Medicare and Medicaid Services (CMS) approved the state of Illinois' Hospital Assessment Program (the Program). The Program was initially effective from July 1, 2005 through June 30, 2008. On December 4, 2008, CMS approved the state of Illinois' Program for an additional five years and was effective from July 1, 2008 through June 30, 2013. Subsequently, on June 14, 2012, the state of Illinois approved a 15-month extension to the Program through December 31, 2014. MHS recognized Illinois hospital assessment revenue of \$22,716, \$23,241, and \$25,723 for the years ended September 30, 2013, 2012, and 2011, respectively, and assessment expense of \$12,033, \$12,055, and \$12,033 for the years ended September 30, 2013, 2012, and 2011, respectively.

In addition to the original Program, the state of Illinois General Assembly approved a program to enhance the Program (Enhanced Program). CMS approved the Enhanced Program on September 30, 2013, to be retrospectively effective at June 10, 2013, and it terminates on December 31, 2014. MHS recognized additional revenue of \$10,025 and expense of \$6,801 for the year ended September 30, 2013. A corresponding receivable of \$10,025 and payable of \$6,801 are reflected in other receivables and accounts payable in the accompanying September 30, 2013, balance sheet.

In connection with the Program, contributions of \$180, \$137, and \$188 for 2013, 2012, and 2011, respectively, were also made to the Illinois Hospital & Research Education Foundation for the Program, which was reflected as hospital assessment expense in the consolidated statements of operations and changes in net assets. The net impact of the assessment was to increase excess of revenues over expenses by \$13,727, \$11,049, and \$13,502 for the years ended September 30, 2013, 2012, and 2011, respectively.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

4. Revenues (continued)

Capitation Revenues

MMC and Springfield Clinic, LLP formed a network on July 1, 1999. The purpose of the network is to work cooperatively with and assist Health Alliance Medical Plans (HAMP) to arrange for, develop, and maintain a network of participating providers and to provide covered services to plan members in the service area. MMC has an agreement with the network to provide medical services to over 26,250 members of the network. MMC receives a monthly capitation payment based on the number of members, regardless of services provided by MMC or other providers. As of September 30, 2013, 2012, and 2011, MHS has recognized a liability for covered medical claims of \$1,950, \$1,490, and \$1,040, respectively.

Other Revenues

The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid incentive payments beginning in calendar year 2011 for eligible hospitals and professionals who implement and achieve meaningful use of certified electronic health record (EHR) technology. MHS utilized a grant accounting model to recognize revenues for Medicare and Medicaid EHR revenues of \$3,684 and \$1,260, respectively, for the year ended September 30, 2013, and Medicare and Medicaid EHR revenues of \$4,895 and \$1,833, respectively, for the year ended September 30, 2012. Medicare and Medicaid EHR revenue is recorded in other revenues in the consolidated statements of operations and changes in net assets. Also recorded in other revenues are cafeteria sales revenue, rental income, and prompt pay interest penalties received from the state of Illinois.

5. Community Benefits

MHS is dedicated to delivering high quality, patient-centered care in support of its mission to improve the health of the people and communities it serves. MHS strives to be a national leader for excellence in patient care and provide quality health care to every patient who comes through its doors, regardless of their ability to pay. Community benefit represents the unpaid costs of public means tested programs, traditional charity care, and other forms of community support such as academic support to the Southern Illinois University School of Medicine, community health improvement activities, and contributions to health-related community activities.

Charity care is provided to those who are eligible based on MHS's charity policy. In addition to the charity care responsibilities, MHS provides numerous other community benefits. These community benefits include medical education and research, community health education, screenings, support groups, counseling services, research, and in-kind support. To address the need for health care providers, a number of programs are offered for young people who may be interested in a career in health care. Medicare, a national social insurance program administered by the federal government, provides reimbursement using a prospective payment system (PPS).

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

5. Community Benefits (continued)

PPS pays MHS a set amount for each episode of care provided to a patient, regardless of the actual cost of care. MHS recognized this unpaid cost of providing care to Medicare patients as a part of its total service to the community.

MHS calculates the unpaid cost of services by payor using an activity-based costing methodology. Direct costs related to patient care are added to indirect costs, which have been allocated based upon relative value units of each procedure. The sum of direct and indirect costs is offset by any net revenues to determine the unpaid costs by payor. Services provided to Medicaid and charity care patients represent the most significant levels of uncompensated care. MHS calculates the cost of other community benefits by identifying specific expenditures incurred by the health system that directly benefited the community.

The following is a summary of management's estimate of the costs of MHS's community benefit services:

	2012	2011				
ММС	ALMH	ТМН	All Other Affiliates	Total	Total	Total
\$ 18,466	\$ 5,113	\$ 3,060	\$ 3,062	\$ 29,701	\$ 25,884	\$ 30,368
15,421	1,852	1,665	716	19,654	18,354	18,233
23,978	126	200	165	24,469	20,401	18,655
57,865	7,091	4,925	3,943	73,824	64,639	67,256
29,400	_		5,128	34,528	25,009	40,360
87,265	7,091	4,925	9,071	108,355	89,648	107,616
(10,180)	(1,960)	(1,587)		(13,727)	(11,049)	(13,502)
\$ 77,085	\$ 5,131	\$ 3,338		\$ 94,625	\$ 78,599	\$ 94,114
	\$ 18,466 15,421 23,978 57,865 29,400 87,265	\$ 18,466 \$5,113 15,421 1,852 23,978 126 57,865 7,091 29,400 — 87,265 7,091 (10,180) (1,960)	\$ 18,466 \$5,113 \$3,060 15,421 1,852 1,665 23,978 126 200 57,865 7,091 4,925 29,400 — — — 87,265 7,091 4,925 (10,180) (1,960) (1,587)	MMC ALMH TMH All Other Affiliates \$ 18,466 \$ 5,113 \$ 3,060 \$ 3,062 15,421 1,852 1,665 716 23,978 126 200 165 57,865 7,091 4,925 3,943 29,400 - - 5,128 87,265 7,091 4,925 9,071 (10,180) (1,960) (1,587) -	MMC ALMH TMH All Other Affiliates Total \$ 18,466 \$ 5,113 \$ 3,060 \$ 3,062 \$ 29,701 15,421 1,852 1,665 716 19,654 23,978 126 200 165 24,469 57,865 7,091 4,925 3,943 73,824 29,400 - - 5,128 34,528 87,265 7,091 4,925 9,071 108,355 (10,180) (1,960) (1,587) - (13,727)	MMC ALMH TMH Affiliates Total Total \$ 18,466 \$ 5,113 \$ 3,060 \$ 3,062 \$ 29,701 \$ 25,884 15,421 1,852 1,665 716 19,654 18,354 23,978 126 200 165 24,469 20,401 57,865 7,091 4,925 3,943 73,824 64,639 29,400 - - 5,128 34,528 25,009 87,265 7,091 4,925 9,071 108,355 89,648 (10,180) (1,960) (1,587) - (13,727) (11,049)

The Illinois hospital assessment payment is designed to improve access to hospital services for state residents by improving the overall adequacy of payments for all hospitals as well as providing more equity in payments among hospitals. The program has also brought to Illinois federal matching funds for the Medicaid program.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

6. Assets Whose Use Is Limited and Short-Term Investments

MHS's investments are exposed to various kinds and levels of risk. Fixed income securities expose MHS to interest rate risk, credit risk, and liquidity risk. As interest rates change, the value of many fixed income securities is affected. Credit risk is the risk that the obligor of the security will not fulfill its obligations. Liquidity risk is affected by the willingness of market participants to buy and sell given securities. Equity securities expose MHS to market risk, performance risk, and liquidity risk. Market risk is the risk associated with major movements of the equity markets, both foreign and domestic. Performance risk is the risk associated with a company's operating performance. Liquidity risk as previously defined tends to be higher for foreign equities and equities related to small capitalization companies.

The composition of assets whose use is limited and short-term investments, all at fair market value, is set forth in the following table:

	2013	Sept	tember 30 2012	2011		
Cash and cash equivalents	\$ 33,713	\$	44,182	\$	49,987	
Certificates of deposit	3,480		3,524		7,380	
U.S. Treasury obligations	29,380		37,601		36,799	
Government obligations	15,223		6,665		13,818	
Corporate obligations	49,417		59,142		57,062	
Corporate equities	127,301		111,628		78,307	
International equities	13,949		5,482		5,961	
Investment in real estate	2,768		2,502		2,110	
Mutual funds	124,301		78,762		63,540	
Accrued interest receivable and other	754		750		842	
Assets whose use is limited and short-term						
investments	\$ 400,286	\$	350,238	\$	315,806	

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

7. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

Certain of MHS's financial assets and financial liabilities are measured at fair value on a recurring basis, including money market, fixed income, equity instruments, mutual funds, and interest rate swap agreements. The three levels of the fair value hierarchy and a description of the valuation methodologies used for instruments measured at fair value are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date. Level 1 primarily consists of financial instruments such as money market securities and listed equities.

Level 2 – Pricing inputs other than quoted prices included in Level 1, which are either directly observable or can be derived or supported from observable data as of the reporting date. Level 2 inputs may include quoted prices for similar assets and liabilities in non-active markets or pricing models whose inputs are observable for substantially the full term of the asset or liability. Instruments in this category include certain U.S. government agency and sponsored entity debt securities and interest rate swap agreements.

Level 3 – Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are not observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

7. Fair Value Measurements (continued)

The fair value of financial assets and financial liabilities measured at fair value on a recurring basis was determined using the following inputs at September 30, 2013:

		Level 1	Level 1 Level 2			Level 3		Total
Assets				_				·
Cash and cash equivalents	\$	33,713	\$	_	\$	_	\$	33,713
Certificates of deposit		_		3,480		_		3,480
U.S. Treasury obligations		29,655		_		_		29,655
Government obligations		_		15,223		_		15,223
Corporate obligations		_		49,896		_		49,896
Corporate equities:								
Consumer discretionary		19,104		_		_		19,104
Consumer staples		9,685		_		_		9,685
Energy		12,831		_		_		12,831
Financial		20,843		_		_		20,843
Health care		17,804		_		_		17,804
Industrials		15,781		_		_		15,781
Information technology		22,052		_		_		22,052
Materials		6,049		_		_		6,049
Telecommunication services		1,161		_		_		1,161
Utilities		1,858		_		_		1,858
Other equities		123		10		_		133
International equities		13,949		_		_		13,949
Investment in real estate		_		_		2,768		2,768
Mutual funds		93,329		30,972				124,301
Assets whose use is limited and						_		
short-term investments		297,937		99,581		2,768		400,286
Beneficial interest in remainder								
trust		325		_		35,066		35,391
Total assets	\$	298,262	\$	99,581	\$	37,834	\$	435,677
I inhiliting								
Liabilities	ф		Φ	6.720	Φ		φ	6.720
Interest rate swaps	<u>\$</u>		\$	6,738	\$		\$	6,738
Total liabilities	\$		\$	6,738	\$		\$	6,738

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

7. Fair Value Measurements (continued)

The fair value of financial assets and financial liabilities measured at fair value on a recurring basis was determined using the following inputs at September 30, 2012:

		Level 1		Level 2		Level 3		Total
Assets								
Cash and cash equivalents	\$	44,182	\$	_	\$	_	\$	44,182
Certificates of deposit		_		3,524		_		3,524
U.S. Treasury obligations		37,829		_		_		37,829
Government obligations		_		6,665		_		6,665
Corporate obligations		_		59,664		_		59,664
Corporate equities:								
Consumer discretionary		17,375		_		_		17,375
Consumer staples		6,112		_		_		6,112
Energy		10,999		_		_		10,999
Financial		16,386		_		_		16,386
Health care		16,467		_		_		16,467
Industrials		14,479		_		_		14,479
Information technology		19,068		_		_		19,068
Materials		6,037		_		_		6,037
Telecommunication services		2,033		_		_		2,033
Utilities		2,672		_		_		2,672
International equities		5,482		_		_		5,482
Investment in real estate		_		_		2,502		2,502
Mutual funds		41,080		37,682		_		78,762
Assets whose use is limited					_			
and short-term investments		240,201		107,535		2,502		350,238
Beneficial interest in remainder								
trust		318		504		25,638		26,460
Total assets	\$	240,519	\$	108,039	\$	28,140	\$	376,698
Liabilities								
Interest rate swaps	\$	_	\$	9,676	\$	_	\$	9,676
Total liabilities	<u>\$</u> \$		\$	9,676	\$		\$	9,676
Total Habilities	Ψ		Ψ	2,070	Ψ		Ψ	7,070

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

7. Fair Value Measurements (continued)

The fair value of financial assets and financial liabilities measured at fair value on a recurring basis was determined using the following inputs at September 30, 2011:

		Level 1	vel 1 Level 2			Level 3		Total
Assets								
Cash and cash equivalents	\$	49,987	\$	_	\$	_	\$	49,987
Certificates of deposit		_		7,380		_		7,380
U.S. Treasury obligations		37,085		_		_		37,085
Government obligations		_		13,818		_		13,818
Corporate obligations		_		57,618		_		57,618
Corporate equities:								
Consumer discretionary		10,834		_		_		10,834
Consumer staples		4,572		_		_		4,572
Energy		7,703		_		_		7,703
Financial		10,401		_		_		10,401
Health care		11,505		_		_		11,505
Industrials		11,685		_		_		11,685
Information technology		14,437		_		_		14,437
Materials		2,972		_		_		2,972
Telecommunication services		2,029		_		_		2,029
Utilities		1,855		_		_		1,855
Other equities		314		_		_		314
International equities		5,961		_		_		5,961
Investment in real estate		_		_		2,110		2,110
Mutual funds		37,798		25,742		_		63,540
Assets whose use is limited and								
short-term investments		209,138		104,558		2,110		315,806
Beneficial interest in remainder								
trust		701		_		20,381		21,082
Total assets	\$	209,839	\$	104,558	\$	22,491	\$	336,888
T inhiliting								
Liabilities	ø		φ	0.165	φ		Φ	0.165
Interest rate swaps	\$		\$	9,165	\$		\$	9,165
Total liabilities	\$		\$	9,165	\$		\$	9,165

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

7. Fair Value Measurements (continued)

No transfers into or out of Level 1 or Level 2 occurred between October 1, 2011 and September 30, 2013.

Following is a description of MHS's valuation methodologies for assets and liabilities measured at fair value. Fair value for Level 1 is based upon quoted market prices. The fair value of Level 2 securities was determined through evaluated bid prices provided by third-party pricing services where quoted market prices were not available. The fair values of the interest rate swap contracts are determined based on the present value of expected future cash flows using discount rates appropriate with the risks involved. The valuations reflect a credit spread adjustment to the LIBOR discount curve in order to reflect the credit value adjustment for "nonperformance" risk. The credit spread adjustment is derived from other comparably rated entities' bonds priced in the market.

The carrying values of cash, cash equivalents, accounts receivable, and current liabilities are reasonable estimates due to the short-term nature of these financial instruments.

Due to the volatility of the stock market, there is a reasonable possibility of changes in fair value and additional gains and losses in the near term subsequent to September 30, 2013.

The table below sets forth a summary of changes in the fair value of MHS's Level 3 assets for the period from October 1, 2010 to September 30, 2013.

estments in eal Estate
\$ 22,337
 154
22,491
 5,649
28,140
 9,694
\$ 37,834
Re

	Years Ended September 30							
		2013	2012			2011		
Unrealized gains related to Level 3	Φ.	22.720	Ф	14045	ф	0.206		
financial instruments held	\$	23,739	\$	14,045	\$	8,396		

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

8. Property, Plant, and Equipment

The following is a summary of property, plant, and equipment:

	September 30									
	2013			2012		2011				
Land	\$	28,508	\$	27,041	\$	26,753				
Land improvements		39,344		37,347		34,735				
Buildings		402,390		369,429		357,376				
Equipment		262,165		246,683		240,818				
Construction in progress		62,412		28,960		18,121				
		794,819		709,460		677,803				
Less accumulated depreciation		379,178		344,307		315,613				
Property, plant, and equipment, net	\$	415,641	\$	365,153	\$	362,190				

Capitalized interest was \$491, \$187, and \$1,173 for the years ended September 30, 2013, 2012, and 2011, respectively.

9. Investments in Partnerships

Investments in partnerships are accounted for using the equity method when the ownership interest is 20% or greater. The cost method is used for other investments in partnerships. Income from these investments in partnerships was \$1,581, \$2,131, and \$2,920 for the years ended September 30, 2013, 2012, and 2011, respectively, and is reflected in other revenue in the consolidated statements of operations and changes in net assets. Investments in partnerships include the following entities:

		wnership at eptember 30		S	September 30			
	Ownership	2013	2013		2012		2	2011
Rutledge Joint Ventures, LLC	MHV	50.0%	\$	2,812	\$	2,704	\$	2,455
Orthopaedic Surgery Center of Illinois, LLC	MHV	50.0		926		1,090		1,282
Jacksonville Joint Ventures, LLC	MHSCI	50.0		661		733		642
Mid-America Solutions, LLC	MHS	12.5		500		_		_
Lincoln Land Health Information Exchange, LLC	MHS	27.3		177		_		_
Lincolnland Lithotripsy, LLC	MMC	8.8		100		100		100
Memorial Employee Assistance Services, LLC	MHCCI	50.0		58		31		47
BJC Collaborative, LLC	MHS	25.0		25		_		_
WTA Laser, LLC	MHV	28.0		23		21		13
Miller Street Properties	MPS	_		_		_		380
Investments in partnerships			\$	5,282	\$	4,679	\$	4,919

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Investments in Partnerships (continued)

Rutledge Joint Ventures, LLC

MHV and Heritage Enterprises, Inc. participate in a 50/50 joint venture in Rutledge Joint Ventures, LLC d/b/a Heritage Manor. Heritage Enterprises, Inc. is responsible for the management of the operations and accounting for the skilled nursing and subacute care facility.

Orthopaedic Surgery Center of Illinois, LLC

MHV and a group of orthopedic surgeons participate in a 50/50 joint venture, Orthopaedic Surgery Center of Illinois, LLC. An operating lease has been executed between MHS and the joint venture.

Jacksonville Joint Ventures, LLC

MHSCI and Passavant Area Hospital participate in a 50/50 joint venture, Jacksonville Joint Ventures, LLC d/b/a Passavant Home Services. The joint venture's purpose is to provide medical equipment, respiratory therapy, and intravenous infusion services in the home.

Mid-America Solutions, LLC

Mid-America Solutions, LLC operates as a health care supply purchasing and management organization to provide opportunities to reduce labor and non-labor costs associated with purchasing, receiving, and distributing supplies and related items and services, as well as to reduce facility-wide supply inventory and storage costs.

Lincoln Land Health Information Exchange, LLC

MHS is a founding member of the Lincoln Land Health Information Exchange, LLC (the Exchange) along with other Springfield based health care organizations. The purpose of the Exchange is to improve the efficiency, effectiveness, and reliability of health care information exchange between providers and settings through a shared technology infrastructure.

Lincolnland Lithotripsy, LLC

Lincolnland Lithotripsy, LLC provides medical equipment and medical equipment management, primarily by furnishing mobile lithotripter equipment and supplies. MMC has executed an equipment and service lease with the entity.

Memorial Employee Assistance Services, LLC

Memorial Employee Assistance Services, LLC is a partnership between MHCCI and Chestnut Global Partners (Chestnut). MHCCI is responsible for providing the clinical staffing and support, and Chestnut is responsible for administration and infrastructure. Chestnut and MHCCI each have a 50% interest. The primary purpose of the joint venture is to provide specialized employee assistance programming to businesses in Springfield and the surrounding area.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

9. Investments in Partnerships (continued)

BJC Collaborative, LLC

The BJC Collaborative, LLC (Collaborative) was formed in 2012 between MHS, BJC Healthcare, CoxHealth, and Saint Luke's Health System in order to achieve even higher quality care for the patients served by the independent not-for-profit health care organizations. The Collaborative's objective is to implement clinical programs and services to improve access and quality of care for patients, lower health care costs, and create additional operating efficiencies.

WTA Laser, LLC

WTA Laser, LLC is a joint venture between six individual community urologists and MHV. MHV owns a 28% interest in the joint venture, and the other six urologists each have a 12% interest. WTA Laser, LLC owns and leases equipment used in the treatment of diseases of the urinary tract and prostate and, in particular, purchases laser equipment used for photo-selective vaporization of the prostate.

Miller Street Properties

Miller Street Properties was a general partnership between MPS and three other health care professionals. The partnership was real estate situated in the city of Springfield with the principal place of business at 340 West Miller Street. The partnership had 18 units, of which MPS owned 6, for a 33.3% interest. MHS purchased the property and the partnership was dissolved on September 20, 2012.

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Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

10. Long-Term Obligations

Long-term obligations are as follows:

	2	September 3 2013 2012			2011
Obligated Group:					
Revenue Bonds (Series 2009) issued December 22,					
2009, secured by pledged revenues of the MHS					
Obligated Group at an annual fixed effective					
interest rate of 5.38%, 5.38%, and 5.37% as of					
September 30, 2013, 2012, and 2011,					
respectively.	\$	86,952	\$	87,366	\$ 87,881
Direct Note Obligation 2012C in the amount of					
\$60,000 was drawn upon on September 13, 2013	,				
with a stated annual fixed interest rate of 4.26%					
as of September 30, 2013.		60,000		_	_
Variable Rate Demand Revenue Bonds (Series					
2003) at average annual variable interest rates of					
0.13%, 0.15%, and 0.19% as of September 30,					
2013, 2012, and 2011, respectively, swapped at	_				
70% of LIBOR through October 1, 2022, secured					
by a letter of credit that expires January 15, 2016	•	24,740		26,345	27,865
Taxable Variable Rate Demand Revenue Bonds					
(Series 2004) at average annual variable interest					
rates of 0.16%, 0.19%, and 0.23% as of					
September 30, 2013, 2012, and 2011,					
respectively, swapped at 100% of LIBOR					
through October 1, 2024, secured by a letter of		17.005		10 200	10 405
credit, which expires on January 15, 2016. Variable Rate Demand Revenue Bonds (Series		17,095		18,280	19,405
· ·					
1985C) at average annual variable interest rates of 0.15%, 0.16%, and 0.21% as of September 30,					
2013, 2012, and 2011, respectively, swapped at	•				
70% of LIBOR through January 1, 2016, secured					
by a letter of credit, which expires on January 15.					
2016.	,	9,000		12,000	15,000
Obligated Group debt subtotal		197,787		143,991	 150,151
confuce or out deviction		171,101		173,771	150,151

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

10. Long-Term Obligations (continued)

		September 30 2013 2012						2011
Other Entities:								
Indenture issued to Abraham Lincoln Memorial								
Hospital as part of the revenue bonds (Series								
2009) that were issued on December 22, 2009,								
secured by pledged revenues of the MHS								
Obligated Group at an annual fixed effective rate								
of 5.38%, 5.38%, and 5.37% for September 30,								
2013, 2012, and 2011, respectively.	\$	42,380	\$		42,581	\$	•	42,832
Indenture issued to Taylorville Memorial								
Hospital as part of the revenue bonds (Series								
2009) that were issued on December 22, 2009,								
secured by pledged revenues of the MHS								
Obligated Group at an annual fixed effective								
rate of 5.38%, 5.38%, and 5.37% for								
September 30, 2013, 2012, and 2011,								
respectively.		18,162			18,248			18,357
Variable Rate Loan program notes (Series 1999A)								
at an average variable interest rate of 0.20%,								
0.23%, and 0.27% as of September 30, 2013,								
2012 and 2011, respectively, due January 1,								
2018, secured by a letter of credit, which expires								
on January 15, 2016, and by company assets		11.070			12 170			15.070
(MP), and is guaranteed by the Obligated Group.		11,070	_		13,170	_		15,070
Total long-term obligations		269,399			217,990			226,410
Less current installments of long-term		7.506			5 500			5 420
obligations	Φ.	7,596	_	Φ	5,590	Φ.		5,420
Long-term obligations – less current installments		261,803	_	\$	212,400	\$		220,990

Of MHS's debt, 96% is under a Master Trust Indenture (MTI) dated December 1, 2009. Currently, the Parent and MMC are the corporations that are Obligated Group members under the MTI. The MTI requires the Obligated Group to maintain debt covenants, including meeting a minimum debt service coverage ratio.

MHS maintains letters of credit with JP Morgan Chase Bank supporting the Series 1985, Series 2003, and Series 2004 bonds. As of September 30, 2013, the letters of credit are available up to \$71,000, and had related debt and interest outstanding against them of \$52,268. These letters of credit were available up to \$71,000 as of September 30, 2012, with related debt and interest of \$66,581 as well as credit available of \$75,000 at September 30, 2011, with \$64,290 of related debt and interest outstanding against them. These letters of credit expire on January 15, 2016. If

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

10. Long-Term Obligations (continued)

the bonds are not remarketed, the principal on the term loans would generally be payable 24 months after the failed remarketing.

MP maintains a letter of credit supporting the Series 1999A bonds. As of September 30, 2013, the letter of credit is available up to \$34,200, and as of September 30, 2012 and 2011, the letter of credit was available up to \$36,200 for each period. As of September 30, 2013, 2012, and 2011, the letter of credit had \$11,325, \$13,473, and \$15,417 of related debt and interest outstanding against it, respectively. The letter of credit expires on January 15, 2016. If the bonds are not remarketed, the principal is due at expiration of the letter of credit.

MMC and the Parent have entered into a guaranty agreement of the Series 1999A variable rate debt acquired by MP. This guaranty expires with the maturity of the bonds, and will not exceed the sum of \$13,473.

During fiscal year 2012, the Memorial Health System's Master Trust Indenture (MTI), dated December 1, 2009, was amended for the issuance of the Series 2012A and 2012B Direct Note Obligations.

On September 13, 2013 the Obligated Group exercised its authority within the 2012B Direct Note Obligation, dated September 18, 2012, a draw, referenced as 2012C Direct Note Obligation, in the amount of \$60,000, with a final maturity date of October 1, 2033 and a fixed interest rate of 4.26% (or monthly equivalent coupon yield of 4.22%) per annum. With the subject proceeds from the 2012C obligation, the Obligated Group paid the outstanding principal balance within the 2012A obligation in the amount of \$60,000.

In October 2013, the Obligated Group executed the 2013A Direct Note Obligation in the amount of \$90,000. Beginning January 1, 2015, the 2013A obligation will convert to a \$30,000 term loan with quarterly principal and interest payments, amortized over a 20-year period with a maturity date of January 1, 2020. The interest rate is a variable rate of daily LIBOR plus 0.83% with an applicable spread of 0.0% to 0.4% based upon the current rating as issued by Standard & Poor's and/or Moody's. The proceeds from the 2013A obligation will be used to finance a portion of improvements to its hospital located in Springfield, Illinois.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

10. Long-Term Obligations (continued)

Aggregate maturities of long-term obligations at September 30, 2013, are as follows:

Period	Ending
Septen	nber 30

2014 2015 2016 2017 2018	\$ 7,596 8,039 17,327 8,283 8,957
Thereafter	219,197
Total	\$ 269,399

Interest expense, excluding interest rate swap activity, is \$8,028, \$7,912, and \$6,993 for the years ended September 30, 2013, 2012, and 2011, respectively.

The valuation for the estimated fair value of long-term debt is completed by a third-party service and takes into account a number of factors including, but not limited to, any one or more of the following: (i) general interest rate and market conditions; (ii) macroeconomic and/or deal specific credit fundamentals; (iii) valuations of other financial instruments that may be comparable in terms of rating, structure, maturity, and/or covenant protection; (iv) investor opinions above the respective deal parties; (v) size of the transaction; (vi) cash flow projections, which in turn are based on assumptions about certain parameters that include, but are not limited to, default, recovery, prepayment, and reinvestment rates; (vii) administrator reports, asset manager estimates, broker quotations, and/or trustee reports; and (viii) comparable trades, where observable. Based on the inputs in determining the estimated fair value of debt this liability would be considered Level 2. The estimated fair value of long-term debt, based on quoted market prices for the same or similar issues was approximately \$275,169, \$233,235, and \$230,496, respectively, which includes consideration of third-party credit enhancements, of which there is no impact.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

11. Derivatives

MHS has interest rate related derivative instruments to manage its exposure on its variable-rate debt instruments and does not enter into derivative instruments for any purpose other than risk management purposes. Interest rate swap contracts between MHS and a third party (counterparty) provide for the periodic exchange of payments between the parties based on changes in a defined index and a fixed rate and expose MHS to market risk and credit risk. Credit risk is the risk that contractual obligations of the counterparties will not be fulfilled. Concentrations of credit risk relate to groups of counterparties that have similar economic or industry characteristics, which could cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Counterparty credit risk is managed by requiring high credit standards for MHS's counterparties. The counterparties to these contracts are financial institutions that carry investment-grade credit ratings. MHS does not anticipate nonperformance by its counterparties. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by established and monitoring parameters which limit the types and degree of market risk that may be undertaken. Management also mitigates risk through periodic reviews of MHS's derivative positions in the context of its blended cost of capital.

The following is a summary of the outstanding positions under these interest rate swap agreements at September 30, 2013:

Expiration Date	MHS Pays	MHS Receives	Notional Amount
October 1, 2024	4.99%	LIBOR	\$17,095
October 1, 2022	3.69%	70% of LIBOR	\$24,740
January 1, 2016	3.49%	70% of LIBOR	\$15,000

The objective of these interest swaps is to mitigate interest rate fluctuations and synthetically fix the interest rate of the related bond series. MMC and MHS have entered into an interest rate swap agreement to convert the 1985C, 2003, and 2004 series variable rate debt to a fixed rate basis, thus reducing the impact of interest rate changes on future interest expense. The accumulated unrealized derivative loss of \$638, \$737, and \$836 is included in unrestricted net assets at September 30, 2013, 2012, and 2011, respectively, and is being amortized into excess of revenues over expenses over the remaining term of the bonds that are being hedged. The net amount reclassified was \$99 for each of the years ended September 30, 2013, 2012, and 2011, and was included as nonoperating losses in the accompanying consolidated statements of operations and changes in net assets.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

11. Derivatives (continued)

The fair values of derivative instruments at September 30, 2013, 2012, and 2011, are as follows:

Derivatives Not Designated as Hedging Instruments	Balance Sheet Location	2013	Se	ptember 30 2012)	2011	
Interest rate swaps	Other long-term liabilities	\$ 6,739	\$	9,676	\$	9,165	

The effects of derivative instruments on the consolidated statements of operations and changes in net assets for the years ended September 30, 2013, 2012, and 2011, are as follows:

	Location of Loss on Derivatives Recognized in Amount of Gain (Loss) on Derivative Excess of in Excess of Revenues Over Ex					_	
Derivatives Not Designated as	Revenues Over	Year Ended September 30					
Hedging Instruments	Expenses	2013		2012			2011
Interest rate swaps	Change in fair value of interest rate swap Interest expense and other financing costs	\$	2,937 (2,200)	\$	(511) (2,290)	\$	(110) (2,405)

12. Liability Programs

MHS is involved in litigation arising in the ordinary course of business. Claims alleging professional or general liability have been asserted against MHS and are currently in various stages of litigation. MHS is self-insured for claims of up to \$1,000 individually and \$6,000 in the aggregate and has commercial claims-made excess insurance coverage for \$25,000 per claim and \$25,000 in the aggregate. Professional liability coverage is provided on a first dollar basis through insured programs for MPS and MHCCI.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

12. Liability Programs (continued)

Accruals related to the estimated self-insurance liability and the corresponding charge to expense are actuarially determined for asserted and unasserted claims using historical claims experience and other relevant industry and hospital-specific factors and trends, discounted at an interest rate of 4.0% at September 30, 2013, 2012, and 2011. The general and professional liability was \$15,770, \$15,817, and \$15,277 at September 30, 2013, 2012, and 2011, respectively, including tail coverage on the claims-made policy. Excess insurance receivables are \$3,858, \$3,910, and \$4,046 at September 30, 2013, 2012, and 2011, respectively. Amounts charged to supplies and other expense in the consolidated statements of operations and changes in net assets are as follows:

		Years Ended September 30					
		2013		2012		2011	
Self-insurance	\$	438	\$	1,590	\$	1,559	
Insured Total	•	2,273	•	2,577 4.167	•	2,589 4,148	
Total	<u> </u>	2,711	φ	4,107	φ	4,140	

MHS maintains a revocable general and professional liability trust fund of \$14,293, \$13,649, and \$12,527 at September 30, 2013, 2012, and 2011, respectively.

MHS also provides for workers' compensation through a self-insurance trust or through insured programs. The funding level for this trust and estimation of the related liability are actuarially determined. Amounts charged to expense for this coverage for the years ended September 30, 2013, 2012, and 2011, were \$1,595, \$1,511, and \$2,735, respectively, and are included in employee benefits in the consolidated statements of operations and changes in net assets. The workers' compensation liability was \$5,080, \$5,628, and \$6,246 at September 30, 2013, 2012, and 2011, respectively. The excess insurance receivable is \$503, \$550, and \$631 at September 30, 2013, 2012, and 2011, respectively.

13. Pension Plans

Defined Benefit Plan

The MHS defined benefit pension plan (MHS Pension) covers substantially all of the employees of MHS, MMC, MPS, and MHSCI who began employment prior to January 1, 2012. The benefits are based on years of service and the employee's compensation during the highest five consecutive years of the last 10 years of employment. Contributions are made to the plans to meet the target funding level established by management and have exceeded the net pension cost each year.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

13. Pension Plans (continued)

On December 31, 2011, MHS Pension was frozen and no new participants were permitted after that date. Unvested participants on December 31, 2011, are still eligible to vest assuming service period requirements are met. A new defined contribution retirement savings plan (the Defined Contribution Plan) began on January 1, 2012. All eligible employees of MHS, MMC, MPS, and MHSvc are included in the defined contribution plan.

MHS also has a supplemental retirement benefit plan (MHS Restoration) covering MHS and MMC executives, which was frozen to new participants on December 31, 2009. Eligible participants in the MHS Restoration as of January 1, 2010, will continue to accrue benefits. The MPS Pension Restoration Plan covered physicians and was frozen for both new participation and benefits accruals as of December 31, 2011. Both restoration plans were designed to cover participants whose annual compensation exceeds the Internal Revenue Service cap limits for pension plan contributions and are unfunded.

The following table sets forth the benefit obligation and assets of MHS's defined benefit plans' funded status as recognized in MHS's consolidated balance sheets:

		Sep	otember 30		
	2013		2012		2011
Change in benefit obligation:	 _				
Benefit obligation – beginning of year	\$ 393,689	\$	299,130	\$	315,932
Service cost	233		3,819		11,202
Interest cost	17,478		16,366		18,107
Plan changes	_		_		633
Actuarial (gain) loss	(36,808)		83,382		20,715
Curtailments	_		_		(58,912)
Benefits paid	(10,230)		(9,008)		(8,547)
Benefit obligation – end of year	364,362		393,689		299,130
Change in plan assets:	_		·		
Fair value of plan assets – beginning of year	281,580		223,479		212,310
Actual gain (loss) on assets	44,652		39,579		(5,290)
Employer contribution	20,083		27,530		25,006
Benefits paid	(10,230)		(9,008)		(8,547)
Fair value of plan assets – end of year	336,085		281,580		223,479
Funded status	\$ (28,277)	\$	(112,109)	\$	(75,651)

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

13. Pension Plans (continued)

Amounts recognized in unrestricted net assets consist of the following:

	September 30					
		2013		2012		2011
Unrecognized actuarial losses Unrecognized prior service cost	\$	78,186 (20)	\$	154,323 (32)	\$	103,005 (155)
Accumulated adjustments to unrestricted net assets	\$	78,166	\$	154,291	\$	102,850

Changes in plan assets and benefit obligations recognized in unrestricted net assets include the following:

	Years Ended September 30			
		2013	2012	2011
Current actuarial (gains) losses	\$	(59,715) \$	61,760 \$	44,003
Prior service cost		_	_	633
Amortization of losses		(16,422)	(10,442)	(14,387)
Amortization of prior service cost		12	12	(9)
Recognition due to curtailment		_	111	(1,074)
Curtailment gains used to offset net loss		_		(58,912)
	\$	(76,125) \$	51,441 \$	(29,746)

The prior service cost and actuarial loss included in unrestricted net assets expected to be recognized in net periodic pension cost during the fiscal year ending September 30, 2014, are \$(13) and \$5,964, respectively.

Components of net periodic benefit cost are as follows:

	Years Ended September 30					r 30
		2013		2012		2011
Service cost	\$	233	\$	3,819	\$	11,202
Interest cost		17,478		16,366		18,107
Expected return on plan assets		(21,745)		(17,957)		(17,997)
Amortization of net loss and prior service cost		16,410		10,429		14,396
Curtailment and settlement charges		_		(77)		1,074
Net periodic benefit cost	\$	12,376	\$	12,580	\$	26,782

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

13. Pension Plans (continued)

No plan assets are expected to be returned to MHS during the year ending September 30, 2014.

The accumulated benefit obligation was \$361,857, \$391,358, and \$296,266 at September 30, 2013, 2012, and 2011, respectively.

Assumptions

Weighted average assumptions used to determine benefit obligations are as follows:

	September 30			
	2013	2012	2011	
Discount rate	5.25%	4.50%	5.55%	
Expected long-term return on plan assets	7.25%	7.50%	8.00%	
Rate of compensation increase	N/A	N/A	4.00%	

The effects of the changes in actuarial assumptions from 2012 to 2013 decreased the projected benefit obligation and the accumulated benefit obligation by \$(41,489) and \$(41,165), respectively, at September 30, 2013. The effects of the changes in actuarial assumptions from 2011 to 2012 increased the projected benefit obligation and the accumulated benefit obligation by \$82,334 and \$82,145, respectively, at September 30, 2012. The effects of the changes in actuarial assumptions from 2010 to 2011 decreased the projected benefit obligation and increased the accumulated benefit obligation by \$(40,858) and \$13,409, respectively, at September 30, 2011.

Weighted average assumptions used to determine net periodic benefit costs are as follows:

	Years Ended September 30				
	2013	2012	2011		
Discount rate	4.50%	5.55%	5.80%		
Expected long-term return on plan assets	7.50%	8.00%	8.00%		
Rate of compensation increase	N/A	N/A	4.00%		

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

13. Pension Plans (continued)

The weighted average asset allocation by asset category is as follows:

	Target Asset Allocation	2013	September 30 2012	2011
Equity securities	58.0%	61.3%	61.7%	55.5%
Debt securities	32.0	26.8	34.3	40.9
Balanced fund	10.0	9.5	_	_
Cash and cash equivalents	_	2.4	4.0	3.6
Total	100.0%	100.0%	100.0%	100.0%

The fair value of plan assets measured at fair value was determined using the following inputs at September 30, 2013:

	 Level 1	Level 2	Level 3	Total		
Assets						
Cash and cash equivalents	\$ 7,629	\$ _	\$ _	\$	7,629	
U.S. Treasury obligations	38,744	_	_		38,744	
Government obligations	_	22,374	_		22,374	
Corporate obligations	_	29,297	_		29,297	
Corporate equities:						
Industrials	21,481	_	_		21,481	
Consumer discretionary	19,318	_	_		19,318	
Consumer staples	5,201	_	_		5,201	
Energy	8,599	_	_		8,599	
Financial	29,898	_	_		29,898	
Materials	3,928	_	_		3,928	
Information technology	19,330	_	_		19,330	
Utilities	1,326	_	_		1,326	
Health care	11,443	_	_		11,443	
Telecommunications	448	_	_		448	
Other	1,028	_	_		1,028	
International equities	6,475	_	_		6,475	
Mutual funds	77,646	 31,920			109,566	
Total assets	\$ 252,494	\$ 83,591	\$ 	\$	336,085	

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

13. Pension Plans (continued)

The fair value of plan assets measured at fair value was determined using the following inputs at September 30, 2012:

		Level 1		Level 2	Level 3	Total		
Assets								
Cash and cash equivalents	\$	12,292	\$	_	\$ _	\$	12,292	
U.S. Treasury obligations		34,154		_	_		34,154	
Government obligations		_		32,376	_		32,376	
Corporate obligations		_		30,382	_		30,382	
Corporate equities:								
Industrials		17,356		_	_		17,356	
Consumer discretionary		17,308		_	_		17,308	
Consumer staples		10,768		_	_		10,768	
Energy		9,427		_	_		9,427	
Financial		20,748		_	_		20,748	
Materials		3,982		_	_		3,982	
Information technology		16,987		_	_		16,987	
Utilities		1,665		_	_		1,665	
Health care		14,818		_	_		14,818	
Telecommunications		1,737		_	_		1,737	
International equities		6,060		_	_		6,060	
Mutual funds	51,520		_		_		51,520	
Total assets	\$	218,822	\$	62,758	\$ _	\$	281,580	

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

13. Pension Plans (continued)

The fair value of plan assets measured at fair value was determined using the following inputs at September 30, 2011:

	Level 1		Level 2		Level 3	Total		
Assets								
Cash and cash equivalents	\$ 8,120	\$	_	\$	_	\$	8,120	
U.S. Treasury obligations	22,358		_		_		22,358	
Government obligations	_		32,658		_		32,658	
Corporate obligations	_		36,797		_		36,797	
Corporate equities:								
Industrials	12,257		_		_		12,257	
Consumer discretionary	11,217		_		_		11,217	
Consumer staples	8,098		_		_		8,098	
Energy	6,843		_		_		6,843	
Financial	12,791		_		_		12,791	
Materials	2,365		_		_		2,365	
Information technology	10,096		_		_		10,096	
Utilities	1,674		_		_		1,674	
Health care	11,689		_		_		11,689	
Telecommunications	1,281		_		_		1,281	
Other equities	1,016		_		_		1,016	
International equities	3,691		_		_		3,691	
Mutual funds	 40,528					40,528		
Total assets	\$ 154,024	\$	69,455	\$		\$	223,479	

At September 30, 2013, 2012, and 2011, fair value methodologies for Level 1 and Level 2 assets are consistent with the inputs described in Note 11. There are no Level 3 assets.

Investment managers are employed to invest pension fund assets in a structured portfolio of equity and fixed income. All manager performance is reviewed by management to monitor that market performance has been calculated accurately, to monitor performance among peers and benchmarking, and to evaluate portfolio structure considering current and future needs based on economic forecasts and actuarial projections. MHS believes that a diversified portfolio will limit the degree of risk to the plans and stabilize the long-term results. The plans' diversified blend of marketable securities also takes into consideration the cash flow requirements of the plans to provide for the monthly payout of benefits required.

Projected rates of return for each asset category were selected after analyzing historical experience and future expectations of the returns and volatility for assets of the category.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

13. Pension Plans (continued)

Pension expense by affiliate is as follows:

	Years	End	ed Septem	ber 3	80	
	 2013		2012	2011		
MMC	\$ 9,572	\$	9,582	\$	21,016	
MHS	1,421		1,524		1,930	
MPS	895		935		2,514	
MHSvc	378		426		1,118	
MHSCI	110		113		204	
Net pension cost	\$ 12,376	\$	12,580	\$	26,782	

During the year ending September 30, 2014, MHS plans to make contributions to the plans in the amount of \$10,000.

The following benefit payments, which reflect expected future service, are expected to be paid:

Years Ending September 30	
2014	\$ 11,680
2015	12,648
2016	14,013
2017	15,266
2018	17,081
2019–2023	106,678

Defined Contribution Plans

The Defined Contribution Plan is intended to qualify as a profit-sharing plan under Code Section 401(a), and includes a cash or deferred arrangement that is approved to qualify under Code Section 401(k). The plan allows employee contributions and an employer matching contribution of up to 3% of eligible pay, and provides a discretionary service-based employer contribution of between 3% and 7%. MHS is also providing a discretionary transition contribution to long-term employees who are closer to retirement. The amount of the discretionary transition contribution, which may be paid for a maximum of five years, will not exceed a percentage of eligible pay, based on age and service requirements as of January 1, 2012.

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

13. Pension Plans (continued)

MHS contributes the employer match throughout the year, as the employee contributes to the plan through payroll deduction. The total pension expense for the employer matching contribution was \$4,487, \$3,203, and \$0 for the years ended September 30, 2013, 2012, and 2011, respectively. The services based and transition contributions for the Defined Contribution Plan calendar plan year are discretionary and subject to approval by the MHS Board of Directors. As of December 10, 2013, no approval of contribution has been made for plan calendar year 2013. The pension expense for the service contribution and transition contribution related to plan calendar year 2012 was \$9,215 and \$1,220, respectively, for the year ended September 30, 2013. There was no pension expense for the service contribution and transition contribution for the years ended September 30, 2012 or 2011.

MHS also has a Defined Contribution Restoration Plan. This plan is intended to qualify as an eligible deferred compensation plan under code Section 457(b). This plan excludes anyone eligible to receive a benefit under the MHS Pension Restoration Plan. The pension expense for the employer matching contribution was \$341 for the year ended September 30, 2013.

ALMH, TMH and MHCCI have separate defined contribution plans with varying employer matches. The total expense related to these plans was \$1,524, \$1,718, and \$1,540 for the years ended September 30, 2013, 2012, and 2011, respectively. On December 31, 2013, ALMH and TMH defined contribution plans will be frozen and the Defined Contribution Plan will be amended to include ALMH and TMH as participating employers effective January 1, 2014.

14. Post-Employment and Other Benefits

MHS provides an unfunded post-employment benefit plan to certain employees. The cost for this plan was \$705, \$492, and \$303 for the years ended September 30, 2013, 2012, and 2011, respectively. As of September 30, 2013, 2012, and 2011, the accumulated post-employment benefit obligation was \$7,331, \$7,749, and \$5,916, respectively. Discount rates ranged from 4.50% to 5.25%. The MHS plan assumes a medical plan trend rate of 6.5% in 2013, decreasing by 0.5% annually to 5% thereafter. A one-percentage-point increase in the assumed medical plan trend rates would have increased the September 30, 2013, accumulated post-employment benefit obligation by \$1,428. A one-percentage-point decrease in the assumed medical plan trend rates would have decreased the September 30, 2013, accumulated post-employment benefit obligation by \$(1,140).

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

14. Post-Employment and Other Benefits (continued)

Included in unrestricted net assets are the following amounts that have not yet been recognized in net periodic post-employment benefit cost:

	September 30												
		2013		2012	2011								
Unrecognized prior service cost Unrecognized actuarial losses	\$	(130) 2,981	\$	(477) 4,373	\$	(823) 3,220							
Total	\$	2,851	\$	3,896	\$	2,397							

Other post-employment and other benefit plans liabilities include continuation of medical benefits to employees on long-term disability, sick time at retirement, and the paid sick time program, which was \$6,140, \$5,485, and \$5,171 at September 30, 2013, 2012, and 2011, respectively.

15. Operating Leases

Revenues

Rental revenues were \$7,115, \$6,655, and \$6,536 for the years ended September 30, 2013, 2012, and 2011, respectively, from unaffiliated entities. MP owns medical office buildings and leases them to MPS under a master lease agreement. There are significant intercompany rental agreements. All intercompany rental activities are eliminated in the consolidated financial statements. As of September 30, 2013, 2012, and 2011, the cost of the buildings held for lease was \$87,143, \$67,587, and \$67,441, respectively, and the related accumulated depreciation was \$24,346, \$21,427, and \$21,729, respectively.

Future minimum rental revenue (excluding intercompany rent) under noncancelable operating leases as of September 30, 2013, which have initial or remaining terms in excess of one year, is as follows:

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

15. Operating Leases (continued)

Years Ending September 30	
2014	\$ 6,804
2015	7,628
2016	7,575
2017	7,618
2018	7,640
Thereafter	 141,317
Total minimum lease revenue	\$ 178,582

Expense

Rental expense was \$3,760, \$3,684, and \$3,454 for the years ended September 30, 2013, 2012, and 2011, respectively.

Future minimum rental payments under noncancelable operating leases as of September 30, 2013, which have initial or remaining terms in excess of one year, are as follows:

Years Ending September 30	
2014	\$ 1,781
2015	1,670
2016	916
2017	624
2018	607
Thereafter	198
Total minimum lease payment	\$ 5,796

Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

16. Commitments and Contingencies

Firm commitments for construction in progress totaled \$115,330 at September 30, 2013.

MMC is committed to pay Southern Illinois University School of Medicine \$14,328 at September 30, 2013, under an academic support agreement.

Regulatory Compliance

The U.S. Department of Justice and other federal and state agencies are increasing resources dedicated to regulatory investigations and compliance audits of health care providers. MHS is not exempt from these regulatory efforts and has received inquiries from federal and state agencies with regard to such initiatives. In consultation with legal counsel, management estimates these matters will be resolved without material adverse effect on MHS's consolidated balance sheets or consolidated statements of operations and changes in net assets. MHS has a formal corporate compliance function, which management believes will help monitor MHS' compliance with applicable laws and regulations.

Litigation

MHS is involved in litigation arising in the normal course of business. After consultation with legal counsel, it is management's opinion that these matters will be resolved without a material adverse effect on MHS's consolidated balance sheets or consolidated statements of operations and changes in net assets.

17. Subsequent Events

MHS evaluated events and transactions occurring subsequent to September 30, 2013 through December 10, 2013, the date the consolidated financial statements were issued.

The Obligated Group plans to go to the bond market in December 2013 for debt financing in an amount not to exceed \$140,000. The proceeds are intended to be utilized for the construction of the MMC Expansion Project, which includes a patient tower, main operating rooms, main entrance and lobby reconfiguration, and the Memorial Center for Learning and Innovation. There also will be updates to the facility infrastructure including the MMC energy plant.

Passavant Area Hospital (PAH) and MHS signed a non-binding letter of intent on October 6, 2013 to enter negotiations for PAH to become an affiliated corporation of MHS. It is anticipated that an affiliation agreement would be signed amongst the parties by December 31, 2013 and the transaction would close by April 1, 2014, subject to due diligence and regulatory approvals. The parties have contemplated MHS would be the sole corporate member through a membership substitution.

Supplementary Information

MEMORIAL HEALTH SYSTEM CONSOLIDATING BALANCE SHEET SEPTEMBER 30, 2013

Assets	MHS	ммс	ELIMIN- ATIONS	OBLIGATED GROUP	ALMH	ТМН	MHV	MHSvc	мнссі	MPS	MP	MMCF	TMHF	ALHF	ELIMIN- ATIONS	TOTAL
	MIII	MINE	ATIONS	GROCI	ALMI											
Current assets:																
Cash and cash equivalents	\$ 15,358	75,556	-	90,914	17,784	8,659	1,970	7,819	4,617	5,309	2,992	1,205	329	466	-	\$ 142,064
Short-term investments	34,248	78,207	-	112,455	1,790	1,504	-	227	7,351	-	2,110	-	3,536	23	_	128,996
Assets whose use is limited - current portion	218	2,118	-	2,336	1,138	488	-	_	-	-	1,651	-	_	-	-	5,613
Patient accounts receivable	-	107,390	-	107,390	8,229	7,266	1,198	5,384	468	7,283	-	-	-	-	-	137,218
Allowance for uncollectible accounts		(17,382)		(17,382)	(1,632)	(1,534)	(459)	(965)	(258)	(1,095)						(23,325)
Net patient accounts receivable	-	90,008	-	90,008	6,597	5,732	739	4,419	210	6,188	-	-	-	-	-	113,893
Receivables from third-party payors	_	7,644	_	7,644	_	287	_	_	_	_	_	_	_	_	_	7,931
Due from affiliates	46	344	(258)	132	169	8	27	72	-	466	4	3	-	-	(881)	-
Other	1,546	15,884	-	17,430	1,223	927	294	499	2,687	16	4	155	8	79	(514)	22,808
Inventories	-	9,579	-	9,579	514	679	_	356	-	784	_	-	-	-	-	11,912
Prepaid expenses	5,740	6,126	-	11,866	173	349	57	100	201	268	86	81	-	-	-	13,181
Total current assets	57,156	285,466	(258)	342,364	29,388	18,633	3,087	13,492	15,066	13,031	6,847	1,444	3,873	568	(1,395)	446,398
Assets whose use is limited:																
Board-designated funds	_	165,796	_	165,796	15,743	2,826	_	_	447	_	_	10,101	_	18,730	_	213,643
Self-insurance trusts	_	20,383	_	20,383	_		_	_	_	_	_		_	_	_	20,383
Bond trustee assets	_	1,563	_	1,563	_	_	_	_	_	_	_	_	_	_	_	1,563
Donor restricted assets	_	934	_	934	_	_	_	_	_	_	_	9,000	131	_	_	10,065
Deferred compensation investments	8,748	2,668	_	11,416	_	_	_	_	_	8,607	_	-	-	_	_	20,023
Total assets whose use is limited	8,748	191,344		200,092	15,743	2,826			447	8,607		19,101	131	18,730		265,677
Property, plant, and equipment	218,429	401,488	_	619,917	62,770	50,814	322	10,276	11,877	3,942	34,412	147		342	_	794,819
Less accumulated depreciation	(69,564)	(233,907)	_	(303,471)	(16,901)	(24,625)	(265)	(7,622)	(7,574)	(3,001)	(15,230)	(147)	_	(342)	_	(379,178)
Net property, plant, and equipment	148,865	167,581	_	316,446	45,869	26,189	57	2,654	4,303	941	19,182		_	- (0.12)	_	415,641
Other assets:																
Investments in partnerships	702	19,018	_	19,720	_	_	6,292	661	58	14,469					(35,918)	5,282
Unamortized bond issuance costs	599	1,580	_	2,179	737	318	0,272	001	50	14,407	_	_	_		(33,710)	3,234
Beneficial interest in remainder trust	399	35,391	_	35,391	757	516	_	_	_	_		_	_	_	_	35,391
Other	5,211	4,362	_	9,573	60	_	_	_	100	_	_	1,067	_	_	(100)	10,700
Total other assets	6,512	60,351		66,863	797	318	6,292	661	158	14,469		1,067			(36,018)	54,607
Total assets	\$ 221,281	704,742	(258)	925,765	91,797	47,966	9,436	16,807	19,974	37,048	26,029	21,612	4,004	19,298	(37,413)	\$ 1,182,323
Liabilities and net assets	<u> </u>								·							
Current liabilities:																
	\$ 3,489	1,638	_	5,127	188	81					2,200					\$ 7,596
Long-term debt - current portion Accounts payable	\$ 3,469 8,965	35,884	_	44.849	693	632	94	1,555	397	2,716	70	- 21	_	83	25	51,145
	2,642	20,320	_	22,962	1,130	1,822	94	1,265	539	1,310	70	31	_	8.5	25	29,029
Accrued payroll Interest payable	433	2,302	_	2,735	1,130	488	_	1,203	339	1,510	1	_	_	_	_	4,362
Due to affiliates	846	79	(258)	667	1,138	38	37	_	7	60	1	12	_	54	(890)	4,302
Payables to third-party payors	640	25,716	(238)	25,716	4,494	769	31	_	,	00	_	12	_	34	(890)	30,979
Other	2,445	12,044	_	14,489	534	422	_	_	552	1,860	418	469	6	_	(630)	18,120
Total current liabilities	18,820	97,983	(258)	116,545	8,192	4,252	131	2,820	1,495	5,946	2,690	512	6	137	(1,495)	141,231
Total carrent mannes	10,020	77,703	(250)	110,515	0,172	1,202		2,020	1,1,0	3,510		312	Ü	137	(1,155)	
Long-term debt obligations - less current portion	87,670	104,990	-	192,660	42,192	18,081	-	-	-	-	8,870	-	-	-	-	261,803
Other liabilities:																
Deferred compensation and benefits	9,421	2,668	-	12,089	-	-	-	-	-	8,912	-	-	-	-	-	21,001
Self-insurance accrued expenses	320	16,501	-	16,821	-	-	-	246	-	-	-	-	-	-	-	17,067
Accrued employee benefits	2,770	5,721	-	8,491	-	-	-	204	-	4,775	-	-	-	-	-	13,470
Pension obligation	5,269	22,343	-	27,612	-	-	-	-	-	946	_	-	-	-	-	28,558
Other	3,326	6,012	-	9,338	-	446	-	-	-	-	_	80	-	-	-	9,864
Total other liabilities	21,106	53,245	_	74,351		446		450		14,633		80				89,960
Net assets:																
Unrestricted	93,685	393,281	-	486,966	41,413	25,187	9,305	13,229	17,077	16,469	14,469	6,711	2,608	-	(17,000)	616,434
Unrestricted - board-designated	_	-	-	_	-	-	-	-	447	-	-	5,309	1,259	19,048	-	26,063
Temporarily restricted	_	55,243	-	55,243	-	-	-	225	955	-	_	3,972	81	113	(18,918)	41,671
Permanently restricted	_	-	-	_	-	-	-	83	-	-	_	5,028	50	-	_	5,161
Total net assets	93,685	448,524		542,209	41,413	25,187	9,305	13,537	18,479	16,469	14,469	21,020	3,998	19,161	(35,918)	689,329
TOTAL LIABILITIES AND NET ASSETS	\$ 221.281	704.742	(258)	925,765	91.797	47.966	9,436	16.807	19,974	37.048	26,029	21.612	4.004	19.298	(37,413)	\$ 1.182.323
TOTAL LIABILITIES AND NET ASSETS	9 221,201	104,142	(238)	743,103	71,/7/	47,700	7,430	10,007	17,7/4	37,040	20,029	21,012	4,004	17,270	(37,413)	φ 1,102,323

MEMORIAL HEALTH SYSTEM

CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS YEAR ENDED SEPTEMBER 30, 2013 (dollars in thousands)

	MHS	MMC	ELIMIN- ATIONS	OBLIGATED GROUP	ALMH	ТМН	MHV	MHSvc	мнссі	MPS	MP	MMCF	TMHF	ALHF	ELIMIN- ATIONS	TOTAL
Patient Service Revenues:																
Inpatient revenues	\$ -	945,702	(36,125)	909,577	18,876	16,021	_	_	_	_	_	_	_	_	_	\$ 944,474
Outpatient revenues	-	761,372	_	761,372	71,683	70,438	15,170	32,142	14,643	78,622	-	-	-	-	(415)	1,043,655
Total patient service revenues		1,707,074	(36,125)	1,670,949	90,559	86,459	15,170	32,142	14,643	78,622	_				(415)	1,988,129
Less charity	-	58,296	-	58,296	4,524	4,339	29	406	65	214	-	-	-	-	-	67,873
Less contractual allowances		1,145,740	(36,125)	1,109,615	46,191	48,040	8,251	8,788	1,458	38,717						1,261,060
Patient service revenues	-	503,038	-	503,038	39,844	34,080	6,890	22,948	13,120	39,691	-	-	-	-	(415)	659,196
Provision for uncollectible accounts		8,680		8,680	1,622	435	744	697	18	1,171						13,367
	-	494,358	-	494,358	38,222	33,645	6,146	22,251	13,102	38,520	-	-	-	-	(415)	645,829
Hospital access improvement payments	-	27,394	-	27,394	2,951	2,396	-	-	-	-	-	_	-	-	-	32,741
Capitation revenues	-	53,091	-	53,091	-	-	-	-	-	-	-	-	-	-	-	53,091
Other revenues:																
Management fees	37,040	-	(28,157)	8,883	15	-	-	-	-	_	-	-	-	-	(8,898)	-
Other Total other revenues	12,114 49,154	17,448	(30,983)	26,736 35,619	1,203	615	1,201	512	388	1,272	5,909				(9,498)	28,338
Total other revenues	49,134	17,446	(30,983)	33,019	1,210	013	1,201	312	300	1,272	3,909				(10,390)	20,330
Total revenues	49,154	592,291	(30,983)	610,462	42,391	36,656	7,347	22,763	13,490	39,792	5,909	-	-	-	(18,811)	759,999
Expenses:																
Salaries and wages	22,870	175,196	-	198,066	13,266	13,585	5,201	11,398	8,016	12,794	413	_	_	-	-	262,739
Employee benefits Physician fees	7,043 887	60,874 30,157	_	67,917 31,044	4,014 2,121	4,320 2,013	433 59	4,231 105	1,938 208	4,385 20,399	143	_	_	-	-	87,381 55,949
Utilities Utilities	1,231	7,435	_	8,666	582	738	17	162	332	20,399	746	_	_	_	_	55,949 11,449
Pharmaceutical supplies	1,231	18,863	_	18,863	1,125	958	95	349	44	2,323	740	_	_	_	_	23,757
Food	10	4,441	_	4,451	328	369	4	7	95	8	_	_	_	_	_	5,262
Patient service supplies	_	77,195	_	77,195	1,995	1,627	86	416	_	1,113	_	_	_	_	_	82,432
System management fee	_	28,157	(28,157)	-	1,989	1,835	627	944	300	3,074	100	-	-	_	(8,869)	-
Supplies and other	7,637	62,025	(2,826)	66,836	4,075	4,521	1,146	3,778	1,745	8,115	1,258	-	-	-	(9,942)	81,532
Hospital provider assessment	-	17,214	-	17,214	991	809	-	-	-	-	-	-	-	-	-	19,014
Purchased medical services	-	31,785	-	31,785	-	-	-	-	-	-	-	-	-	-	-	31,785
Depreciation and amortization	7,564	29,125	-	36,689	4,497	2,997	15	1,002	379	173	1,177	-	-	-	-	46,929
Amortization of bond issuance expenses	45	277	-	322	134	58	_	-	-	-	-	_	-	-	-	514
Interest expense and other financing costs Total expenses	1,867 49,154	5,431 548,175	(30,983)	7,298 566,346	2,281 37,398	977 34.807	7,683	22,392	13,057	52,590	3,946				(18,811)	10,665 719,408
Total capetibes	17,121		(50,703)												(10,011)	
Income (loss) from operations	-	44,116	-	44,116	4,993	1,849	(336)	371	433	(12,798)	1,963	-	-	-	-	40,591
% of total operating revenue	_	-	_	-	-	-	-	-	-	-	-	NA	NA	NA	-	_
Nonoperating gains (losses):																
Interest and dividends	639	3,227	-	3,866	451	99	12	46	158	283	9	182	53	521	-	5,680
Realized gain (loss) on investments, net	453	4,891	-	5,344	300	25	_	_	8	_	-	1,204	63	2,824	-	9,768
Unrealized gain (loss) on investments, net	2,988	19,282	-	22,270	716	211	-	10	(85)	561	-	(698)	76	(1,694)	-	21,367
Change in fair value of interest rate swap	1,513	1,424	-	2,937	-	-	-	-	-	-	-	-	-	-	-	2,937
Contributions Equity in income of officiate	_	158	_	158	_	617	_	_	_	1,972	-	921	161	126	(1.072)	1,983
Equity in income of affiliate Provision for income taxes	-	_	_	-	-	_	_	(621)	_	1,972	-	_	-	_	(1,972)	(621)
Other revenue (expense), net	(1,447)	538	_	(909)	(1)	- 1	_	(021)	- 1	(845)	_	(911)	(44)	(345)	_	(3,053)
Total nonoperating gains (losses), net	4,146	29,520		33,666	1,466	953	12	(565)	82	1,971	9	698	309	1,432	(1,972)	38,061
Excess (deficiency) of revenues over expense	\$ 4,146	73,636		77,782	6,459	2,802	(324)	(194)	515	(10,827)	1,972	698	309	1,432	(1,972)	\$ 78,652

MEMORIAL HEALTH SYSTEM

CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED) YEAR ENDED SEPTEMBER 30, 2013

(dollars in thousands)

	MHS	ММС	ELIMIN- ATIONS	OBLIGATED GROUP	ALMH	ТМН	MHV	MHSvc	мнссі	MPS	MP	MMCF	TMHF	ALHF	ELIMIN- ATIONS	TOTAL
Unrestricted net assets:																
Excess (deficiency) of revenues over expenses	\$ 4,146	73,636	-	77,782	6,459	2,802	(324)	(194)	515	(10,827)	1,972	698	309	1,432	(1,972)	\$ 78,652
Change in minimum pension obligation	244	75,999	-	76,243	-	-	-	-	_	845	-	_	-	-	-	77,088
Change in fair value of interest rate swap	9	90	-	99	-	-	-	_	_	-	-	_	_	_	_	99
Net assets released from restrictions for property acquisitions	-	3	-	3	-	-	-	-	_	-	-	_	-	-	-	3
Other	(1)	-	-	(1)	-	-	-	-	(1)	-	-	298	54	-	-	350
Transfers (to) related organizations	(13,346)	(4,888)	4,878	(13,356)	-	-	-	-	_	-	-	_	-	-	13,356	-
Transfers from related organizations	4,878		(4,878)							13,346	_	10	_		(13,356)	
Increase (decrease) in unrestricted assets	(4,070)	144,840	-	140,770	6,459	2,802	(324)	(194)	514	3,364	1,972	1,006	363	1,432	(1,972)	156,192
Temporarily restricted net assets:																
Contributions	-	490	-	490	8	-	-	53	_	_	_	418	56	97	_	1,122
Net realized gains on investments	_	9,925	-	9,925	-	-	-	_	_	_	_	718	_	_	_	10,643
Net assets released from restrictions (non-operating)	-	(995)	-	(995)	(5)	-	-	_	_	_	_	_	_	_	_	(1,000)
Net assets released from restrictions (operating)	-	(433)	-	(433)	(8)	-	-	(62)	(21)	-	-	(474)	(14)	(47)	_	(1,059)
Net assets released from restrictions for property acquisitions	-	(3)	-	(3)	-	-	-	_	_	_	_	_	_	_	_	(3)
Change in value of split-interest agreements	-	-	-	-	-	-	-	-	_	-	-	16	-	-	-	16
Gain (loss) on interest in net assets of foundation	-	1,199	-	1,199	-	-	-	-	-	-	-	-	-	-	(1,199)	-
Other		1		1	_	(192)			1		_	(508)	(104)			(802)
Increase (decrease) in temporarily restricted assets	-	10,184	-	10,184	(5)	(192)	-	(9)	(20)	-	-	170	(62)	50	(1,199)	8,917
Permanently restricted net assets - contributions												156	50			206
Increase (decrease) in net assets	(4,070)	155,024	-	150,954	6,454	2,610	(324)	(203)	494	3,364	1,972	1,332	351	1,482	(3,171)	165,315
Net assets, beginning of period	97,755	293,500		391,255	34,959	22,577	9,629	13,740	17,985	13,105	12,497	19,688	3,647	17,679	(32,747)	524,014
Net assets, end of period	\$ 93,685	448,524		542,209	41,413	25,187	9,305	13,537	18,479	16,469	14,469	21,020	3,998	19,161	(35,918)	\$ 689,329

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MEMORIAL HEALTH SYSTEM CONSOLIDATING STATEMENT OF CASH FLOWS YEAR ENDED SEPTEMBER 30, 2013

(dollars in thousands)

			OBLIGATED										Elimination/		
	MHS	MMC	GROUP	ALMH	TMH	MHV	MHSvc	MHCCI	MPS	MP	MMCF	TMHF	ALHF	Rounding	TOTAL
Cash flows from operating activities:															
Changes in net assets	\$ (4,070)	155,024	150,954	6,454	2,610	(324)	(203)	494	3,364	1,972	1,332	351	1,482	(3,171)	\$ 165,315
Adjustments to reconcile change in net assets to net cash provided															
by (used in) operating activities:															
Non cash contribution	-	-	-	-	-	-	-	_	-	-	(112)	_	_	_	(112)
Change in unrealized (gains) losses on interest rate swap	(1,513)	(1,424)	(2,937)	_	_	-	-	_	-	-	-	_	_	_	(2,937)
Restricted contributions and gains	_	(490)	(490)	(8)	_	-	(53)	-	-	-	(436)	(106)	(97)	-	(1,190)
Increase in beneficial interest in perpetual trust	_	(9,925)	(9,925)	_	_	-	-	-	-	-	-	_	-	-	(9,925)
Depreciation and amortization	7,564	29,125	36,689	4,497	2,997	15	1,002	379	173	1,177	2	_	-	-	46,931
Amortization of bond issuance costs	45	277	322	134	58	-	-	-	-	-	-	_	-	-	514
(Gain) loss on disposal of assets	(19)	270	251	_	-	_	_	-	-	1	_	_	_	-	252
Provision for uncollectible accounts	-	8,680	8,680	1,622	435	744	697	18	1,171	_	-	-	_	-	13,367
Change in pension obligation	(244)	(75,999)	(76,243)	_	_	-	-	-	(845)	-	-	_	-	-	(77,088)
Changes in assets and liabilities:															
Accounts receivable	_	8,958	8,958	(1,173)	5	(748)	(717)	(90)	(2,805)	-	-	_	_	_	3,430
Inventory and other assets	(666)	(12,684)	(13,350)	(899)	(876)	(218)	590	1,603	368	(16)	21	88	457	(19)	(12,251)
Change in unrealized (gain) loss on investments, net	(2,988)	(19,282)	(22,270)	(716)	(211)	-	(10)	85	(561)	-	1,726	(76)	1,694	_	(20,339)
(Deposits) withdrawals in investments, net	(1,476)	(6,169)	(7,645)	(3,970)	-	-	-	(1,969)	-	-	(53)	(45)	(234)	_	(13,916)
Other investment activity, net	1,459	(9,620)	(8,161)	(555)	(95)	-	(2)	-	63	(77)	(3,483)	(261)	(3,371)	-	(15,942)
Estimated third-party payor settlements	-	4,249	4,249	1,271	664	-	-	-	-	-	-	-	-	-	6,184
Accounts payable and other current liabilities	4,646	11,022	15,668	518	345	4	(610)	136	(982)	(100)	(58)	4	40	56	15,021
Self-insurance and other long-term liabilities	447	(10,045)	(9,598)	-	-	-	58	-	1,147	-	(6)	-	_	-	(8,399)
Amount due to (from) affiliates	221	172	393	(251)	1	41	(33)	12	(219)	(10)	6	-	76	(16)	-
Equity in (income) loss of unconsolidated affiliates and foundation	-	(1,199)	(1,199)	-	-	-	-	-	-	-	-	-	_	1,199	-
Transfers to (from) related organizations	8,468	4,888	13,356						(13,346)		(10)				
Net cash provided by (used in) operating activities	11,874	75,828	87,702	6,924	5,933	(486)	719	668	(12,472)	2,947	(1,071)	(45)	47	(1,951)	88,915
Cash flows from investing activities:															
Acquisition of property and equipment	(47,078)	(46,571)	(93,649)	(818)	(1,773)	(45)	(995)	(260)	(397)	(263)	_	_	_	_	(98,200)
Proceeds on sale of property	200	108	308	(010)	(1,7,5)	-	-	(===)	-	221	_	_	_	_	529
Change in investment in partnerships	(702)	_	(702)	_	_	54	72	(27)	(1,972)		_	_	_	1,972	(603)
Net change in other assets	346	_	346	_	_	_	_	_	_	_	16	_	_	(21)	341
Net cash provided by (used in) investing activities	(47,234)	(46,463)	(93,697)	(818)	(1,773)	9	(923)	(287)	(2,369)	(42)	16	_	_	1,951	(97,933)
Cash flows from financing activities:		40.5	405				50				126	100	97		4.405
Restricted contributions and gains	-	490	490	8	-	-	53	_	_	(2.100)	436	106	97	_	1,190
Repayment of long-term debt	(1,610)	(4,594)	(6,204)	(201)	(86)	_	_	_	_	(2,100)	_	_	_	_	(8,591)
Issuance of long-term debt	60,000	-	60,000	_	_	_	_	_	_	_	_	_	_	_	60,000
Proceeds from short-term borrowings	60,000	_	60,000	_	_	_	_	_	_	_	_	_	_	_	60,000
Repayment of short-term borrowings	(60,000)	-	(60,000)	_	_	_	_	_	_	_	_	_	_	_	(60,000)
Distributions from beneficial interest in remainder trust	(0.450)	995	995	_	_	_	_	_	12 246	_	10	_	_	_	995
Transfers (to) from related organizations	(8,468)	(4,888)	(13,356)	(102)	- (0.6)				13,346	(2.100)		106	97		52.504
Net cash flows provided by (used in) financing activities	49,922	(7,997)	41,925	(193)	(86)		53		13,346	(2,100)	446	106	9/		53,594
Net increase (decrease) in cash and cash equivalents	14,562	21,368	35,930	5,913	4,074	(477)	(151)	381	(1,495)	805	(609)	61	144	_	44,576
Cash and cash equivalents, beginning of period	796	54,188	54,984	11,871	4,585	2,447	7,970	4,236	6,804	2,187	1,814	268	322		97,488
Cash and cash equivalents, end of period	\$ 15,358	75,556	90,914	17,784	8,659	1,970	7,819	4,617	5,309	2,992	1,205	329	466		\$ 142,064

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CONSOLIDATING BALANCE SHEET SEPTEMBER 30, 2012

Assets	MHS	MMC	ELIMIN- ATIONS	OBLIGATED GROUP	ALMH	ТМН	MHV	MHSvc	MHCCI	MPS	MP	MMCF	TMHF	ALHF	ELIMIN- ATIONS	TOTAL
120000				<u> </u>												
Current assets:																
Cash and cash equivalents	\$ 796	54,188	-	54,984	11,871	4,585	2,447	7,970	4,236	6,804	2,187	1,814	268	322	-	\$ 97,488
Short-term investments	29,648	65,999	-	95,647	2,810	1,494	-	215	5,501	-	2,109	-	3,142	33	-	110,951
Assets whose use is limited – current portion	219	2,133	-	2,352	1,142	489	-	-	-	-	1,576	-	-	-	-	5,559
Patient accounts receivable	-	126,539	-	126,539	8,447	7,332	1,063	5,265	299	5,436	-	-	_	_	_	154,381
Allowance for uncollectible accounts		(18,893)		(18,893)	(1,401)	(1,160)	(328)	(867)	(161)	(882)						(23,692)
Net patient accounts receivable	-	107,646	-	107,646	7,046	6,172	735	4,398	138	4,554	-	-	-	-	-	130,689
Receivables from third-party payors	-	16,347	-	16,347	-	488	-	-	_	-	-	-	-	-	-	16,835
Due from affiliates	95	601	(576)	120	-	11	41	39	7	187	-	-	-	-	(405)	-
Other	1,582	6,266	-	7,848	348	113	112	988	4,307	302	20	161	96	536	(533)	14,298
Inventories		8,386	-	8,386	462	668	_	457	_	781	-	-	-	-	-	10,754
Prepaid expenses	5,038	4,263	- (57.0)	9,301	181	298	21	100	162	353	54	96	2.504			10,566
Total current assets	37,378	265,829	(576)	302,631	23,860	14,318	3,356	14,167	14,351	12,981	5,946	2,071	3,506	891	(938)	397,140
Assets whose use is limited:																
Board-designated funds	-	143,310	-	143,310	9,478	2,529	-	-	413	-	-	8,617	-	16,809	-	181,156
Self-insurance trusts	-	20,351	-	20,351	-	-	-	-	-	-	-	-	-	-	-	20,351
Bond trustee assets	-	1,555	-	1,555	-	-	-	-	-	-	-	-	-	-	-	1,555
Other restricted assets	1,200	-	-	1,200	-	-	-	-	-	-	-	-	-	-	-	1,200
Donor-restricted assets	-	880	-	880	-	-	-	-	-	-	-	8,674	143	-	-	9,697
Deferred compensation investments	9,290	2,370		11,660						8,109						19,769
Total assets whose use is limited	10,490	168,466	-	178,956	9,478	2,529	-	-	413	8,109	-	17,291	143	16,809	-	233,728
Property, plant, and equipment	173,368	363,908	_	537,276	61,988	49,046	277	9,717	11,646	3,926	35,095	147	_	342	_	709,460
Less accumulated depreciation	(63,836)	(213,395)	_	(277,231)	(12,440)	(21,633)	(250)	(7,056)	(7,224)	(3,209)	(14,777)	(145)	_	(342)	_	(344,307)
Net property, plant, and equipment	109,532	150,513	_	260,045	49,548	27,413	27	2,661	4,422	717	20,318	2	_	_	_	365,153
Other assets:																
Investments in partnerships	-	17,819	-	17,819	_	_	6,346	733	31	12,497	_	_	_	_	(32,747)	4,679
Unamortized bond issuance costs	644	1,858	_	2,502	871	376	-	_	_	_	_	_	-	_	_	3,749
Beneficial interest in remainder trust	-	26,460	-	26,460	-	-	-	-	-	-	-	-	-	-	-	26,460
Other	5,408	4,351		9,759	80				122			971			(122)	10,810
Total other assets	6,052	50,488		56,540	951	376	6,346	733	153	12,497		971			(32,869)	45,698
Total assets	163,452	635,296	(576)	798,172	83,837	44,636	9,729	17,561	19,339	34,304	26,264	20,335	3,649	17,700	(33,807)	1,041,719
Liabilities and net assets																
Current liabilities:																
Long-term debt – current portion	1,609	1,594	-	3,203	201	86	-	-	-	-	2,100	-	-	-	-	5,590
Accounts payable	4,776	31,482	-	36,258	767	783	90	2,286	361	2,680	89	102	-	43	10	43,469
Accrued payroll	2,555	19,906	-	22,461	1,068	1,746	-	1,141	501	1,438	-	-	-	-	-	28,355
Interest payable	314	2,318	- (55.0)	2,632	1,142	490	-	- 1	- 2	-	2	-	-	- (22)	-	4,266
Due to affiliates	674	164	(576)	262	97	40	10	1	2	_	6	3	-	(22)	(399)	
Payables to third-party payors Other	2.193	30,170 5,821	-	30,170 8,014	3,223	306	-	-	490	2,750	500	456	-	-	(671)	33,699 11,541
Total current liabilities	12,121	91,455	(576)	103,000	6,498	3,451	100	3,428	1,354	6,868	2,697	561	2	21	(1,060)	126,920
Long-term debt – less current portion	31,160	109,628	_	140,788	42,380	18,162	_	_	_	_	11,070	_	_	_	_	212,400
Other liabilities:																
Deferred compensation and benefits	9,869	2,370	_	12,239	_	_	_	_	_	8,415	_	_	_	_	_	20,654
Self-insurance accrued expenses	325	18,849	_	19,174	_	_	_	224	_	- 0,713	_	_	_	_	_	19,398
Accrued employee benefits	2.828	5,166	_	7,994	_	_	_	169	_	5,071	_	_	_	_	_	13,234
Pension obligation	4,555	106,708	_	111,263	_	_	_	-	_	845	_	_	_	_	_	112,108
Other	4,839	7,620	_	12,459	_	446	_	_	_	_	_	86	_	_	_	12,991
Total other liabilities	22,416	140,713	_	163,129	_	446	_	393	_	14,331	-	86	-	-	-	178,385
Net assets:																
Unrestricted	97,755	248,441	-	346,196	34,954	22,385	9,629	13,423	17,010	13,105	12,497	11,014	3,504	17,616	(15,028)	486,305
Temporarily restricted	-	45,059	-	45,059	5	192	-	234	975	_	-	3,802	143	63	(17,719)	32,754
Permanently restricted	_	-	-	_	-		-	83	-	-	_	4,872	-	-	_	4,955
Total net assets	97,755	293,500		391,255	34,959	22,577	9,629	13,740	17,985	13,105	12,497	19,688	3,647	17,679	(32,747)	524,014
Total liabilities and net assets	\$ 163,452	635,296	(576)	798,172	83,837	44,636	9,729	17,561	19,339	34,304	26,264	20,335	3,649	17,700	(33,807)	\$ 1,041,719

MEMORIAL HEALTH SYSTEM AND SUBSIDIARIES CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS YEAR ENDED SEPTEMBER 30, 2012

	MHS	MMC	ELIMIN- ATIONS	OBLIGATED GROUP	ALMH	тмн	MHV	MHSvc	MHCCI	MPS	MP	MMCF	TMHF	ALHF	ELIMIN- ATIONS	TOTAL
	MIS	MIMC	ATTOMS	GROCI	ALMI			Misve	MICCI	11113		MMCI		ALI	ATTOM	TOTAL
Patient service revenues:																
Inpatient revenues	\$ -	946,303	(30,894)	915,409	16,126	15,237	-	-	-	-	-	-	-	-	-	\$ 946,772
Outpatient revenues		718,302		718,302	65,129	61,989	14,323	30,936	14,015	74,865					(259)	979,300
Total patient revenues	-	1,664,605	(30,894)	1,633,711	81,255	77,226	14,323	30,936	14,015	74,865	-	-	-	-	(259)	1,926,072
Less charity	-	56,523	-	56,523	4,525	2,487	40	333	39	149	-	-	-	-	-	64,096
Less contractual allowances		1,085,765	(30,894)	1,054,871	40,782	40,435	8,190	7,789	1,297	37,355						1,190,719
Net patient service revenues	-	522,317	-	522,317	35,948	34,304	6,093	22,814	12,679	37,361	-	-	-	-	(259)	671,257
Provision for uncollectible accounts		12,673		12,673	782	2,236	743	674	9	954	_					18,071
	_	509,644	_	509,644	35,166	32,068	5,350	22,140	12,670	36,407	-	-	-	-	(259)	653,186
Hospital access improvement revenue	-	19,794	-	19,794	1,855	1,592	-	-	-	-	-	-	-	-	-	23,241
Capitation revenues	-	49,341	-	49,341	-	-	-	-	-	-	-	-	-	-	-	49,341
Other revenues:																
Management fees	34,618	-	(26,351)	8,267	14	_	-	-	-	-	-	-	-	-	(8,281)	-
Other	11,007	18,285	(2,695)	26,597	1,306	902	1,012	483	481	1,102	5,884				(8,721)	29,046
Total other revenues	45,625	18,285	(29,046)	34,864	1,320	902	1,012	483	481	1,102	5,884				(17,002)	29,046
Total revenues	45,625	597,064	(29,046)	613,643	38,341	34,562	6,362	22,623	13,151	37,509	5,884	-	-	-	(17,261)	754,814
Expenses:																
Salaries and wages	21,468	173,492	_	194,960	13,193	12,847	4,922	10,724	7,719	11,679	377	-	-	-	-	256,421
Employee benefits	5,658	49,983	_	55,641	4,009	4,480	432	3,549	1,969	3,735	131	-	-	-	-	73,946
Physician fees	748	24,573	_	25,321	1,848	2,020	36	108	215	20,742	-	-	-	-	-	50,290
Utilities	825	7,963	-	8,788	671	857	18	164	318	242	710	-	-	-	-	11,768
Pharmaceutical supplies	-	18,616	-	18,616	993	966	97	336	40	1,893	-	-	-	-	-	22,941
Patient service supplies	-	84,601	-	84,601	1,877	1,453	75	213	-	1,090	-	-	-	-	-	89,309
System management fee	-	26,351	(26,351)	-	1,781	1,652	557	864	266	3,050	100	-	-	-	(8,270)	-
Supplies and other	7,486	74,085	(2,695)	78,876	4,311	4,359	1,173	3,691	1,723	7,670	1,364	-	-	-	(8,991)	94,176
Hospital provider assessment	-	11,329	-	11,329	453	410	-	-	-	-	-	-	-	-	-	12,192
Purchased medical services	-	31,655	_	31,655	-	-	-	-	-	-	-	-	-	-	-	31,655
Depreciation and amortization	7,844	29,548	-	37,392	4,425	2,921	16	1,042	396	160	1,387	-	-	-	-	47,739
Amortization of bond issuance expenses	44	277	_	321	134	58	-	-	-	-	-	-	-	-	-	513
Interest expense and other financing costs	1,552	5,728		7,280	2,290	981					125					10,676
Total expenses	45,625	538,201	(29,046)	554,780	35,985	33,004	7,326	20,691	12,646	50,261	4,194				(17,261)	701,626
Income (loss) from operations	-	58,863	-	58,863	2,356	1,558	(964)	1,932	505	(12,752)	1,690	-	-	-	-	53,188
Nonoperating gains (losses):																
Interest and dividends	729	3,506	-	4,235	226	74	28	64	150	217	9	153	4	434	-	5,594
Realized gain (loss) on investments, net	1,265	8,623	_	9,888	18	(198)	-	-	11	-	-	(17)	38	7	-	9,747
Unrealized gain (loss) on investments, net	2,687	19,183	-	21,870	407	367	-	20	10	1,051	_	1,295	165	1,689	-	26,874
Change in fair value of interest rate swap	(383)	(128)	-	(511)	-	-	-	-	_	-	_	-	-	-	-	(511)
Contributions	_	100	-	100	433	-	-	-	_	-	_	1,354	31	174	-	2,092
Equity in income of affiliate	-	_	-	-	-	-	-	-	_	1,874	_	-	-	-	(1,874)	-
Provision for income taxes	-	_	_	_	-	-	-	(503)	_	-	_	-	-	-	-	(503)
Other revenue (expense)	(1,855)	240		(1,615)	168					(1,067)	1	(505)	(60)	(350)		(3,428)
Total nonoperating gains (losses) - net	2,443	31,524		33,967	1,252	243	28	(419)	171	2,075	10	2,280	178	1,954	(1,874)	39,865
Excess (deficiency) of revenues over expenses	2,443	90,387	-	92,830	3,608	1,801	(936)	1,513	676	(10,677)	1,700	2,280	178	1,954	(1,874)	93,053

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED) YEAR ENDED SEPTEMBER 30, 2012

	MHS	MMC	ELIMIN- ATIONS	OBLIGATED GROUP	ALMH	тмн	MHV	MHSvc	MHCCI	MPS	, m	MMCF	TMHF	ALHF	ELIMIN- ATIONS	TOTAL
	MHS	MINIC	ATIONS	GROUP	ALMII	IMI	MILL	MHSVC	MHCCI	MPS	MP	MMCF	IMHF	ALHF	ATIONS	IOIAL
Unrestricted net assets:																
Excess of revenues over expenses	\$ 2,443	90,387	-	92,830	3,608	1,801	(936)	1,513	676	(10,677)	1,700	2,280	178	1,954	(1,874)	\$ 93,053
Change in minimum pension obligation	(1,299)	(51,594)	-	(52,893)	-	-	-	_	_	(128)	_	_	_	_	_	(53,021)
Change in fair value of interest rate swap	9	90	-	99	-	-	-	_	_	_	_	_	_	_	_	99
Net assets released from restrictions for property acquisitions	-	820	-	820	-	-	-	_	-	-	-	-	_	_	-	820
Other	-	1	-	1	-	(1)	-	(1)	_	1	_	161	_	(1)	_	160
Transfers to related organizations	(12,250)	(32,886)	32,681	(12,455)	-	-	-	_	-	-	-	-	_	_	12,455	-
Transfers from related organizations	32,681	-	(32,681)	-	-	-	-	_	_	12,250	174	31	_	-	(12,455)	_
Increase (decrease) in unrestricted assets	21,584	6,818		28,402	3,608	1,800	(936)	1,512	676	1,446	1,874	2,472	178	1,953	(1,874)	41,111
Temporarily restricted net assets:	_															
Contributions	-	1,252	-	1,252	-	-	-	56	-	-	-	422	(1)	50	-	1,779
Net realized gain on investments	-	6,375	-	6,375	-	-	-	-	-	-	-	1,144	-	-	-	7,519
Net assets released from restrictions (nonoperating)	-	(997)	-	(997)	_	-	-	_	-	-	-	-	_	_	-	(997)
Net assets released from restrictions (operating)	-	(403)	-	(403)	_	-	-	(51)	(9)	-	-	(409)	-	-	-	(872)
Net assets released from restrictions for property acquisitions	-	(820)	-	(820)	-	-	-	_	-	-	-	-	-	-	-	(820)
Change in value of split-interest agreements	-	-	_	-	_	-	_	_	-	-	-	21	-	-	-	21
Gain (loss) on interest in net assets of foundation	-	3,095	-	3,095	-	-	-	_	-	-	-	-	-	-	(3,095)	-
Other		1		1	5	192					_	(227)	8			(21)
Increase (decrease) in temporarily restricted assets	_	8,503	-	8,503	5	192	-	5	(9)	-	-	951	7	50	(3,095)	6,609
Permanently restricted net assets - contributions												16_				16
Increase (decrease) in net assets	21,584	15,321	-	36,905	3,613	1,992	(936)	1,517	667	1,446	1,874	3,439	185	2,003	(4,969)	47,736
Net assets, beginning of year	76,171	278,179		354,350	31,346	20,585	10,565	12,223	17,318	11,659	10,623	16,249	3,462	15,676	(27,778)	476,278
Net assets, end of year	\$ 97,755	293,500		391,255	34,959	22,577	9,629	13,740	17,985	13,105	12,497	19,688	3,647	17,679	(32,747)	\$ 524,014

CONSOLIDATING STATEMENT OF CASH FLOWS YEAR ENDED SEPTEMBER 30, 2012

														ELIMI-	
	MHS	MMC	OBLIGATED GROUP	ALMH	ТМН	MHV	MHSvc	MHCCI	MPS	MP	MMCF	TMHF	ALHF	NATION/ ROUNDING	TOTAL
Cost floor for a service activities															
Cash flows from operating activities:	\$ 21,584	15,321	36,905	3,613	1,992	(936)	1,517	667	1,446	1,874	3,439	185	2,003	(4.060)	\$ 47,736
Changes in net assets	\$ 21,384	15,321	30,903	3,013	1,992	(930)	1,517	667	1,440	1,874	3,439	185	2,003	(4,969)	\$ 47,730
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:															
Change in unrealized loss on interest rate swaps	383	128	511												511
Restricted contributions and other	363	(1,252)	(1,252)	_	_	_	(56)	_	_	_	(438)	- 1	(50)	_	(1,795)
Increase in beneficial interest in perpetual trust	_	(6,375)	(6,375)	_	_	_	(30)	_	_	_	(436)	1	(30)	_	(6,375)
Depreciation and amortization	7.844	29,548	37,392	4,425	2,921	16	1.042	396	160	1,387	3	_	_	_	47,742
Amortization of bond issuance costs	7,044	29,348	37,392	134	58	-	1,042	390	100	1,567	3	_	_	_	513
(Gain) loss on disposal of assets	24	123	147	134	36	_	_	(9)	_	_	_	_	_	_	138
Provision for uncollectible accounts	24	12,673	12,673	782	2,236	743	674	9	954	_	_	_	_	_	18,071
Change in pension obligation	1,299	51,594	52,893	762	2,230	743	074	,	128	_	_	_	_	_	53,021
Change in pension conganon Changes in assets and liabilities:	1,299	31,394	32,693						120						33,021
Accounts receivable	_	(34,061)	(34,061)	(2,675)	(3,386)	(656)	(1,270)	(4)	(570)	_					(42,622)
Inventory and other assets	(2,201)	9,697	7,496	(43)	50	(44)	(473)	(280)	(223)	44	(10)	203	245	55	7,020
Change in unrealized (gains) losses on investments	(2,687)	(19,183)	(21,870)	(407)	(367)	(44)	(20)	(10)	(1,051)	-	(2,290)	(165)	(1,689)	-	(27,869)
(Deposits) withdrawals in investments, net	(2,087)	8,562	8,562	3,294	98	_	(20)	(2,283)	(1,031)	_	(6)	(650)	459	_	9,474
Other investment activity, net	(2,175)	(12,200)	(14,375)	(119)	211	_	(2)	(26)	11	(153)	(769)	(24)	(827)	_	(16,073)
Receivable from/payable to third-party payors	(2,173)	(3,828)	(3,828)	4.205	(384)	_	(2)	(20)	- 11	(155)	(709)	(24)	(827)	_	(7)
Accounts payable and other current liabilities	1,563	2,342	3,905	(581)	(14)	(36)	1.041	(154)	2,699	(7)	165	(73)	(7)	(216)	6,722
Self-insurance and other long-term liabilities	712	(14,941)	(14,229)	(361)	(14)	(30)	(58)	(154)	1,309	-	(4)	(73)	(7)	(210)	(12,982)
Amount due to (from) affiliates	1.051	(432)	619	104	41	6	(89)	(183)	(617)	14	(22)		(58)	185	(12,982)
Equity in (income) loss of unconsolidated affiliates and foundation	1,031	(3,095)	(3,095)	104	41	0	(69)	(103)	(017)		(22)		(36)	3,095	
Transfers to (from) related organizations	(20,431)	32,886	12,455	_	_	_			(12,250)	(174)	(31)			3,075	
Net cash provided by (used in) operating activities	7.010	67,784	74,794	12,732	3,456	(907)	2,306	(1,877)	(8,004)	2,985	37	(523)	76	(1,850)	83,225
The cash provided by (ased in) operating activities	7,010	07,701	71,771	12,732	5,150	(507)	2,500	(1,077)	(0,001)	2,705	3,	(323)	70	(1,000)	03,223
Cash flows from investing activities:															
Acquisition of property and equipment	(25,015)	(22,341)	(47,356)	(757)	(1,696)	(1)	(816)	(100)	(256)	(514)	-	-	-	-	(51,496)
Proceeds on sale of property	197	415	612	-	-	26	-	15	-	-	-	-	-	-	653
Change in investment in partnerships	-	_	-	-	-	(65)	(91)	16	(1,494)	-	-	-	-	1,874	240
Net change in other assets	(395)		(395)								(64)			(24)	(483)
Net cash provided by (used in) investing activities	(25,213)	(21,926)	(47,139)	(757)	(1,696)	(40)	(907)	(69)	(1,750)	(514)	(64)	-	-	1,850	(51,086)
Cash flows from financing activities:															
Restricted contributions and other	_	1.252	1.252	_	_	_	56	_	_	_	438	(1)	50	_	1.795
Repayment of long-term debt	(1,537)	(4,623)	(6,160)	(252)	(108)	_	_	_	_	(1,900)	_	_	_	_	(8,420)
Payment of bond issuance cost and discount	(263)	(1,023)	(263)	(252)	(100)	_	_	_	_	-	_	_	_	_	(263)
Distributions from beneficial interest in remainder trust	()	997	997	_	_	_	_	_	_	_	_	_	_	_	997
Transfers (to) from related organizations	20,431	(32,886)	(12,455)	_	_	_	_	_	12,250	174	31	_	_	_	_
Net cash provided by (used in) financing activities	18,631	(35,260)	(16,629)	(252)	(108)		56		12,250	(1,726)	469	(1)	50		(5,891)
			(10,027)						12,230						
Net increase (decrease) in cash and cash equivalents	428	10,598	11,026	11,723	1,652	(947)	1,455	(1,946)	2,496	745	442	(524)	126	-	26,248
Cash and cash equivalents, beginning of year	368	43,590	43,958	148	2,933	3,394	6,515	6,182	4,308	1,442	1,372	792	196		71,240
Cash and cash equivalents, end of year	\$ 796	54,188	54,984	11,871	4,585	2,447	7,970	4,236	6,804	2,187	1,814	268	322	_	\$ 97,488

MEMORIAL HEALTH SYSTEM AND SUBSIDIARIES CONSOLIDATING BALANCE SHEET

SEPTEMBER 30, 2011

Assets	MHS	ммс	ELIMIN- ATIONS	OBLIGATED GROUP	ALMH	ТМН	MHV	MHSvc	мнссі	MPS	MP	MMCF	TMHF	ALHF	ELIMIN- ATIONS	TOTAL
Current assets: Cash and cash equivalents	\$ 368	43,590		43,958	148	2,933	3,394	6.515	6 100	4,308	1,442	1,372	702	100		6 71 240
The state of the s	\$ 308 25,876	43,390 55,803	_	43,938 81,679	6,051	2,933 3,962	3,394	6,515 193	6,182	4,308		1,3/2	792 2,303	196 23	_	\$ 71,240
Short-term investments Assets whose use is limited – current portion	25,876	13,176	_	13,396	1,147	3,962 492	_	193	3,208	-	2,106	_	2,303	23	_	99,525
Assets whose use is limited – current portion	220	13,170	_	13,396	1,147	492	-	-	_	-	1,426	_	-	_	-	16,461
Patient accounts receivable	-	103,811	-	103,811	6,366	6,276	1,126	4,501	409	5,746	_	_	_	_	_	128,235
Allowance for uncollectible accounts		(17,553)		(17,553)	(1,213)	(1,254)	(304)	(698)	(266)	(808)						(22,096)
Net patient accounts receivable	-	86,258	-	86,258	5,153	5,022	822	3,803	143	4,938	-	-	-	-	-	106,139
Receivables from third-party payors	_	9,680	_	9,680	1,747	211	_	_	_	_	_	_	_	_	_	11,638
Due from affiliates	536	569	(533)	572	36	15	38	18	4	46	9	_	_	_	(738)	_
Other	1,521	15,916	_	17,437	295	301	61	561	4,011	221	26	178	306	781	(478)	23,700
Inventories	_	8,970	_	8,970	439	643	_	424	_	612	_	_	_	_	_	11,088
Prepaid expenses	2,898	3,827	_	6,725	190	185	28	87	157	380	92	69	_	_	_	7,913
Total current assets	31,419	237,789	(533)	268,675	15,206	13,764	4,343	11,601	13,705	10,505	5,101	1,619	3,401	1,000	(1,216)	347,704
Assets whose use is limited:																
Board-designated funds	_	121,923	-	121,923	9,000	_	-	-	387	-	-	6,519	-	14,762	-	152,591
Self-insurance trusts	-	17,857	-	17,857	-	-	-	-	-	-	-	-	-	-	-	17,857
Bond trustee assets	-	1,614	-	1,614	-	-	-	-	-	-	-	-	-	-	-	1,614
Donor-restricted assets	-	851	-	851	-	-	-	-	-	-	-	7,707	136	-	-	8,694
Deferred compensation investments	9,442	2,553		11,995						7,069						19,064
Total assets whose use is limited	9,442	144,798		154,240	9,000				387	7,069		14,226	136	14,762	_	199,820
Property, plant, and equipment	152,522	355,787	_	508,309	61,311	47,350	561	9,832	11,679	3,691	34,581	147	_	342	_	677,803
Less accumulated depreciation	(59,940)	(197,529)	_	(257,469)	(8,095)	(18,712)	(491)	(6,946)	(6,955)	(3,070)	(13,391)	(142)	_	(342)	_	(315,613)
Net property, plant, and equipment	92,582	158,258	_	250,840	53,216	28,638	70	2,886	4,724	621	21,190	5	_	_	_	362,190
Other assets:																
Investments in partnerships	_	14,724	_	14,724	_	_	6,281	642	47	11,003	_	_	_	_	(27,778)	4,919
Unamortized bond issuance costs	424	2,135	_	2,559	1,006	434	0,201	- 0.2		11,005	_	_	_	_	(21,110)	3,999
Beneficial interest in remainder trust	_	21,082	_	21,082	_	_	_	_	_	_	_	_	_	_	_	21,082
Other	4,970	4,251	_	9,221	103	_	_	_	143	_	_	907	_	_	(145)	10,229
Total other assets	5,394	42,192		47,586	1,109	434	6,281	642	190	11,003		907			(27,923)	40,229
Total assets	138,837	583,037	(533)	721,341	78,531	42,836	10,694	15,129	19,006	29,198	26,291	16,757	3,537	15,762	(29,139)	949,943
Liabilities and net assets																
Current liabilities:																
Long-term debt – current portion	1,538	1,623	_	3,161	251	108	_	_	_	_	1,900	_	_	_	_	5,420
Accounts payable	3,814	26,179	_	29,993	915	485	128	1,339	397	1,970	74	17	1	50	192	35,561
Accrued payroll	2,224	18,396	_	20,620	1,032	1,658	_	1,047	771	1,191	5	_	_	_	_	26,324
Interest payable	320	2,330	_	2,650	1,147	492	_	_	_	_	3	_	_	-	_	4,292
Due to affiliates	64	564	(533)	95	29	3	1	69	182	476	_	25	_	36	(916)	_
Payables to third-party payors	-	27,331	-	27,331	765	413	-	-	-	-	-	-	-	-	-	28,509
Other	1,916	10,281		12,197	464	398			338	1,008	516	376	74		(637)	14,734
Total current liabilities	9,876	86,704	(533)	96,047	4,603	3,557	129	2,455	1,688	4,645	2,498	418	75	86	(1,361)	114,840
Long-term debt – less current portion	32,768	114,222	-	146,990	42,582	18,248	-	-	-	-	13,170	-	-	-	-	220,990
Other liabilities:																
Deferred compensation and benefits	9,870	2,553	_	12,423	_	_	_	_	_	7,375	_	_	_	_	_	19,798
Self-insurance accrued expenses	369	18,195	_	18,564	_	_	_	294	_	_	_	_	_	_	_	18,858
Accrued employee benefits	2,219	4,875	_	7,094	-	-	-	157	-	3,836	-	-	-	-	-	11,087
Pension obligation	3,108	70,860	_	73,968	_	_	_	_	_	1,683	_	_	_	_	_	75,651
Other	4,456	7,449		11,905		446						90				12,441
Total other liabilities	20,022	103,932		123,954	_	446		451		12,894		90		_	_	137,835
Net assets:																
Unrestricted	76,171	241,623	_	317,794	31,346	20,585	10,565	11,911	16,334	11,659	10,623	8,542	3,326	15,663	(13,154)	445,194
Temporarily restricted	_	36,556	_	36,556	-	-	-	229	984	-	-	2,851	136	13	(14,624)	26,145
Permanently restricted								83				4,856				4,939
Total net assets	76,171	278,179		354,350	31,346	20,585	10,565	12,223	17,318	11,659	10,623	16,249	3,462	15,676	(27,778)	476,278
Total liabilities and net assets	\$ 138,837	583,037	(533)	721,341	78,531	42,836	10,694	15,129	19,006	29,198	26,291	16,757	3,537	15,762	(29,139)	\$ 949,943

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS YEAR ENDED SEPTEMBER 30, 2011

	MHS	ММС	ELIMIN- ATIONS	OBLIGATED GROUP	ALMH	ТМН	MHV	MHSvc	мнссі	MPS	MP	MMCF	TMHF	ALHF	ELIMIN- ATIONS	TOTAL
Patient service revenues:																
Inpatient revenues	\$ -	864,827	(38,385)	826,442	14,109	15,216	-	-	-	-	-	_	_	-	_	\$ 855,767
Outpatient revenues		650,894		650,894	60,236	54,727	14,850	27,458	14,813	64,033						887,011
Total patient revenues	-	1,515,721	(38,385)	1,477,336	74,345	69,943	14,850	27,458	14,813	64,033	-	-	-	-	-	1,742,778
Less charity	-	51,248	-	51,248	3,052	2,659	29	442	33	92	-	-	-	-	-	57,555
Less contractual allowances		984,945	(38,385)	946,560	35,347	34,517	8,428	5,862	1,838	30,532						1,063,084
Net patient service revenues	_	479,528	-	479,528	35,946	32,767	6,393	21,154	12,942	33,409	_	_	-	-	-	622,139
Provision for uncollectible accounts	_	13,379	_	13,379	1,547	2,165	684	503	9	743	_	_	_	_	_	19,030
110 Vision for unconcentre accounts		466,149		466,149	34,399	30,602	5,709	20,651	12,933	32,666						603,109
Hospital access improvement revenue	-	20,802	-	20,802	2,643	2,278	-	-	_	-	-	-	-	-	-	25,723
Capitation revenues	-	64,688	-	64,688	-	-	-	-	-	-	-	-	-	-	-	64,688
Other revenues:																
Management fees	37,674	-	(29,225)	8,449	14	-	-	-	-	-	-	-	-	-	(8,463)	-
Other	9,962	14,006	(2,737)	21,231	449	267	2,622	388	406	752	5,782				(8,382)	23,515
Total other revenues	47,636	14,006	(31,962)	29,680	463	267	2,622	388	406	752	5,782				(16,845)	23,515
Total revenues	47,636	565,645	(31,962)	581,319	37,505	33,147	8,331	21,039	13,339	33,418	5,782	-	-	-	(16,845)	717,035
Expenses:																
Salaries and wages	20,785	174,877	-	195,662	13,239	11,985	4,977	10,421	7,718	11,013	373	-	-	-	-	255,388
Employee benefits	6,120	61,468	-	67,588	3,967	3,913	567	4,163	1,920	4,014	132	-	-	-	-	86,264
Physician fees	766	21,074	-	21,840	1,559	2,550	36	91	196	15,424	-	-	-	-	-	41,696
Utilities	1,206	7,731	-	8,937	771	906	27	179	343	172	661	-	-	-	-	11,996
Pharmaceutical supplies	-	17,399	-	17,399	1,047	975	82	315	79	1,811	-	-	-	-	-	21,708
Patient service supplies	-	83,355	_	83,355	1,782	1,415	89	179		1,072		-	-	-		87,892
System management fee		29,225	(29,225)		1,535	1,509	499	845	283	3,687	100	-	-	-	(8,458)	
Supplies and other	8,942	69,913	(2,737)	76,118	6,495	4,893	1,255	3,579	1,855	6,835	1,508	-	-	-	(8,387)	94,151
Hospital provider assessment	-	11,366	-	11,366	463	392	-	-	-	-	-	-	-	-	-	12,221
Purchased medical services		35,516	-	35,516			-	-	-	-	-	-	-	-	-	35,516
Depreciation and amortization	8,024	24,030	-	32,054	3,366	2,275	54	1,011	438	142	1,404	-	-	-	-	40,744
Amortization of bond issuance expenses	44 1.749	277 5,722	_	321 7,471	134 1,531	58 738	_	_	9	_	145	_	_	_	_	515 9,894
Interest expense and other financing costs Total expenses	47,636	541,953	(31,962)	557,627	35,889	31,609	7,586	20,783	12,843	44,170	4,323				(16,845)	697,985
Income (loss) from operations		23,692	-	23,692	1,616	1,538	745	256	496	(10,752)	1,459				-	19,050
Nonoperating gains (losses):																
Interest and dividends	830	4,065	-	4,895	197	68	27	130	133	211	9	109	35	323	-	6,137
Realized gain (loss) on investments, net	242	2,357	-	2,599	-	128	-	-	3	- (2.62)	-	104	62	(184)	-	2,712
Unrealized gain (loss) on investments, net	(1,905)	(12,702)	-	(14,607)	(18)	(193)	-	-	70	(363)	-	(293)	(76)	(560)	-	(16,040)
Change in fair value of interest rate swap	(128)	18	-	(110)			-		-	-	-				-	(110)
Contributions	-	164	-	164	(171)	40	-	(5)	-	-	-	1,253	32	783	-	2,096
Equity in income of affiliate	-	-	-	-	-	-	-	-	-	1,468	-	-	-	-	(1,468)	-
Provision for income taxes	-	-	-	-	-	-	-	(388)		-	-	-	-	-	-	(388)
Other revenue (expense)	(187)	649		462	(1,516)			(1)	1	191		(983)	(126)	(688)		(2,660)
Total nonoperating gains (losses) - net	(1,148)	(5,449)		(6,597)	(1,508)	43	27	(264)	207	1,507	9	190	(73)	(326)	(1,468)	(8,253)
Excess (deficiency) of revenues over expenses	(1,148)	18,243	-	17,095	108	1,581	772	(8)	703	(9,245)	1,468	190	(73)	(326)	(1,468)	10,797

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED) YEAR ENDED SEPTEMBER 30, 2011

			ELIMIN-	OBLIGATED											ELIMIN-	
	MHS	MMC	ATIONS	GROUP	ALMH	TMH	MHV	MHSvc	MHCCI	MPS	MP	MMCF	TMHF	ALHF	ATIONS	TOTAL
Unrestricted net assets:																
Excess of revenues over expenses	\$ (1,148)	18,243	-	17,095	108	1,581	772	(8)	703	(9,245)	1,468	190	(73)	(326)	(1,468)	\$ 10,797
Change in minimum pension obligation	379	28,376	-	28,755	-	-	-	-	_	(81)	-	_	_	-	-	28,674
Change in fair value of interest rate swap	9	90	-	99	-	-	-	_	_	_	_	_	_	_	_	99
Net assets released from restrictions for property acquisitions	-	-	-	-	-	-	-	-	_	-	-	_	44	-	-	44
Other	-	1	-	1	-	1	-	-	_	-	-	(10)	1	-	-	(7)
Transfers to related organizations	(11,100)	(7,490)	7,552	(11,038)	-	-	-	-	-	(80)	-	-	-	-	11,118	-
Transfers from related organizations	7,552		(7,552)					450		10,650		18			(11,118)	
Increase (decrease) in unrestricted assets	(4,308)	39,220	_	34,912	108	1,582	772	442	703	1,244	1,468	198	(28)	(326)	(1,468)	39,607
Temporarily restricted net assets:																
Contributions	-	748	-	748	-	-	-	63	34	_	-	415	48	42	_	1,350
Net realized gain on investments	-	770	-	770	-	-	-	-	_	-	-	(52)	_	-	-	718
Net assets released from restrictions (nonoperating)	-	(802)	-	(802)	-	-	-	-	_	-	-	_	_	(19)	-	(821)
Net assets released from restrictions (operating)	-	(658)	-	(658)	-	-	-	(53)	(5)	-	-	(260)	-	(45)	-	(1,021)
Net assets released from restrictions for property acquisitions	-	_	_	-	_	-	-	-	-	_	-	_	(44)	-	_	(44)
Change in value of split-interest agreements	-	-	-	_	-	-	-	-	-	-	-	(10)	-	-	-	(10)
Gain (loss) on interest in net assets of foundation	-	223	-	223	_	_	-	-	-	-	-	-	-	-	(223)	-
Other		1		1							_	(85)				(84)
Increase (decrese) in temporarily restricted assets	-	282	-	282	-	-	-	10	29	-	-	8	4	(22)	(223)	88
Permanently restricted net assets - contributions												42				42
Increase (decrese) in net assets	(4,308)	39,502	-	35,194	108	1,582	772	452	732	1,244	1,468	248	(24)	(348)	(1,691)	39,737
Net assets, beginning of year	80,479	238,677		319,156	31,238	19,003	9,793	11,771	16,586	10,415	9,155	16,001	3,486	16,024	(26,087)	436,541
Net assets, end of year	\$ 76,171	278,179		354,350	31,346	20,585	10,565	12,223	17,318	11,659	10,623	16,249	3,462	15,676	(27,778)	\$ 476,278

CONSOLIDATING STATEMENT OF CASH FLOWS YEAR ENDED SEPTEMBER 30, 2011

	OBLIGATED													ELIMI- NATION/	
	MHS	MMC	GROUP	ALMH	ТМН	MHV	MHSvc	MHCCI	MPS	MP	MMCF	TMHF	ALHF	ROUNDING	TOTAL
Cash flows from operating activities:															
Changes in net assets	\$ (4,308)	39,502	35,194	108	1,582	772	452	732	1,244	1,468	248	(24)	(348)	(1,691)	\$ 39,737
Adjustments to reconcile change in net assets to net cash provided															
by (used in) operating activities:															
Change in unrealized loss on interest rate swaps	128	(18)	110	_	_	_	_	_	_	_	_	_	_	_	110
Restricted contributions and other	_	(748)	(748)	_	_	_	(63)	(34)	-	-	(457)	(48)	(42)	-	(1,392)
Increase in beneficial interest in perpetual trust	_	(770)	(770)	_	_	_	_	-	-	-	-	-	-	-	(770)
Depreciation and amortization	8,024	24,030	32,054	3,366	2,275	54	1,011	438	142	1,404	2	-	_	-	40,746
Amortization of bond issuance costs	44	277	321	134	58	_	_	2	-	-	-	-	-	-	515
(Gain) loss on disposal of assets	377	635	1,012	74	14	-	-	(35)	-	2	-	_	-	-	1,067
Provision for uncollectible accounts	-	13,379	13,379	1,547	2,165	684	503	9	743	-	-	_	-	-	19,030
Change in pension obligation	(379)	(28,376)	(28,755)	_	-	-	-	-	81	-	-	_	-	-	(28,674)
Changes in assets and liabilities:															
Accounts receivable	-	(25,839)	(25,839)	(2,770)	(3,226)	(875)	(1,361)	15	(2,125)	-	-	_	-	-	(36,181)
Inventory and other assets	(1,125)	(1,976)	(3,101)	(14)	149	33	(5)	(288)	232	(10)	(70)	348	196	25	(2,505)
Change in unrealized losses (gains) on investments	1,905	12,702	14,607	18	193	-	-	(70)	363	-	581	76	560	-	16,328
(Deposits) withdrawals in investments, net	(453)	9,030	8,577	5,320	5,901	-	-	-	-	-	195	-	1,522	-	21,515
Other investment activity, net	(1,014)	(7,367)	(8,381)	(99)	(134)	-	4	71	(411)	(78)	(563)	(110)	(2,346)	-	(12,047)
Receivable from/payable to third-party payors	-	(5,186)	(5,186)	(1,832)	(83)	-	-	-	-	-	-	_	-	-	(7,101)
Accounts payable and other current liabilities	566	(10,612)	(10,046)	(4,186)	(1,245)	23	450	613	(245)	(57)	54	74	-	153	(14,412)
Self-insurance and other long-term liabilities	36	2,964	3,000	_	-	-	21	-	685	-	(4)	-	-	-	3,702
Amount due to (from) affiliates	632	(1,087)	(455)	1	(7)	(77)	85	143	384	43	19	-	21	(157)	-
Equity in (income) loss of unconsolidated affiliates and foundation	-	(223)	(223)	-	-	-	-	-	-	-	-	-	-	223	-
Transfers to (from) related organizations	3,548	7,490	11,038				(450)		(10,570)		(18)				
Net cash provided by (used in) operating activities	7,981	27,807	35,788	1,667	7,642	614	647	1,596	(9,477)	2,772	(13)	316	(437)	(1,447)	39,668
Cash flows from investing activities:															
Acquisition of property and equipment	(6,489)	(42,547)	(49,036)	(20,089)	(11,323)	-	(1,095)	(207)	(66)	(515)	-	_	-	-	(82,331)
Proceeds on sale of property	7	31	38	_	25	-	-	59	-	-	-	_	-	-	122
Change in investment in partnerships	-	-	-	-	-	1,872	(77)	(23)	(1,376)	-	-	-	-	1,467	1,863
Net change in other assets	1,755		1,755					22			67			(20)	1,824
Net cash provided by (used in) investing activities	(4,727)	(42,516)	(47,243)	(20,089)	(11,298)	1,872	(1,172)	(149)	(1,442)	(515)	67	_	_	1,447	(78,522)
Cash flows from financing activities:															
Restricted contributions and other	_	748	748	_	_	-	63	34	-	-	457	48	42	_	1,392
Repayment of long-term debt	(1,465)	(1,603)	(3,068)	(267)	(114)	-	-	(315)	-	(1,800)	-	-	-	-	(5,564)
Distributions from beneficial interest in remainder trust	_	802	802	_	_	-	-	_	_	_	-	-	-	-	802
Transfers (to) from related organizations	(3,548)	(7,490)	(11,038)	-	-	-	450	-	10,570	_	18	-	-	-	-
Net cash provided by (used in) financing activities	(5,013)	(7,543)	(12,556)	(267)	(114)	_	513	(281)	10,570	(1,800)	475	48	42	_	(3,370)
Net increase (decrease) in cash and cash equivalents	(1,759)	(22,252)	(24,011)	(18,689)	(3,770)	2,486	(12)	1,166	(349)	457	529	364	(395)	-	(42,224)
Cash and cash equivalents, beginning of year	2,127	65,842	67,969	18,837	6,703	908	6,527	5,016	4,657	985	843	428	591		113,464
Cash and cash equivalents, end of year	\$ 368	43,590	43,958	148	2,933	3,394	6,515	6,182	4,308	1,442	1,372	792	196		\$ 71,240

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