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The Board of Directors
Stormont-Vail Health*Care*, Inc.
Topeka, Kansas

In accordance with your request, we are attaching the accompanying PDF file, which contains an electronic final version of the financial statements of Stormont-Vail Health*Care*, Inc. as of September 30, 2013 and 2012. We understand that your request for the electronic copy has been made as a matter of convenience. You understand that electronic transmissions are not entirely secure and that it is possible for confidential financial information to be intercepted by others.

These financial statements and our reports on them are not to be modified in any manner. This final version supersedes all prior drafts. Any preliminary draft version of the financial statements previously provided to you in an electronic formation should be deleted from your computer, and all printed copies of any superseded preliminary draft version should likewise be destroyed.

Professional standards and our firm policies require that we perform certain additional procedures whenever our reports are included, or we are named as accountants, auditors or experts, in a document used in a public or private offering of equity or debt securities. Accordingly, as provided for and agreed to in the terms of our arrangement letter, the Organization will not include our reports, or otherwise make reference to us, in any public or private securities offering without first obtaining our consent. Any request to consent is also a matter for which separate arrangements will be necessary. After obtaining our consent, the Organization also agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing, and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the Organization seeks such consent, we will be under no obligation to grant such consent or approval.

Thank you for the opportunity to serve Stormont-Vail Health*Care*, Inc.

McGladrey LLP

Stormont-Vail Health*Care*, Inc.
and Affiliates

Consolidated Financial Statements
September 30, 2013

Contents

McGladrey

Independent Auditor's Report

To the Audit Committee
Stormont-Vail Health*Care*, Inc.
Topeka, Kansas

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Stormont-Vail Health*Care*, Inc. and affiliates (Stormont-Vail) which comprise the consolidated balance sheets as of September 30, 2013 and 2012, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Stormont-Vail Health*Care*, Inc. and affiliates as of September 30, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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

Emphasis of Matter

As discussed in Note 13 to the consolidated financial statements, Stormont-Vail changed its method of presentation and disclosure of patient service revenue and the provision for bad debts as a result of the adoption of Accounting Standards Update No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provisions for Bad Debts, and the Allowance for Doubtful Accounts for Certain Healthcare Entities*, during the year ended September 30, 2013, through retrospective application to the consolidated financial statements. Our opinion is not modified with respect to this matter.

McGladrey LLP

Davenport, Iowa
December 13, 2013

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Stormont-Vail Health*Care*, Inc.
and Affiliates

Consolidated Balance Sheets
September 30, 2013 and 2012

Assets	**2013**	2012
Current assets:		
Cash and cash equivalents	**$ 92,895,129**	$ 88,031,207
Short-term investments	**18,756,974**	61,590,177
Limited use or restricted assets	**12,097,431**	10,372,812
Patient accounts receivable, net of allowances		
2013 $178,809,592; 2012 $159,749,948	**73,742,986**	74,313,362
Other accounts receivable	**2,866,733**	2,822,540
Inventories	**5,673,183**	6,498,729
Other current assets	**6,240,935**	5,323,533
Total current assets	**212,273,371**	248,952,360
Limited use or restricted assets:		
Under bond trust indentures, held by Trustee	**5,693,121**	10,958,351
Board-designated for capital improvements	**143,500,732**	94,062,594
Restricted by professional liability insurance security agreements	**5,468,545**	5,075,487
Restricted by donors or grantors	**15,957,912**	14,444,766
Total limited use or restricted assets	**170,620,310**	124,541,198
Less current portion	**12,097,431**	10,372,812
Limited use or restricted assets, net	**158,522,879**	114,168,386
Property, plant and equipment	**427,290,032**	411,224,758
Less accumulated depreciation	**226,397,641**	212,748,638
Property, plant and equipment, net	**200,892,391**	198,476,120
Other assets:		
Debt issue costs, net	**1,825,738**	1,928,737
Investments in unconsolidated affiliates	**5,703,144**	6,860,142
Intangible assets, net	**3,244,402**	938,546
Other	**78,256**	30,345
Total other assets	**10,851,540**	9,757,770
	$ 582,540,181	$ 571,354,636

See Notes to Consolidated Financial Statements.

Liabilities and Net Assets	**2013**	2012
Current liabilities:		
Current portion of long-term debt	**$ 4,228,924**	$ 3,888,872
Current portion of payable under employee agreements	**397,475**	775,248
Accounts payable	**16,882,560**	14,254,991
Accrued expenses:		
Interest	**2,279,118**	2,275,207
Compensation	**30,782,108**	33,366,441
Health insurance	**4,554,465**	4,866,846
Other	**7,420,172**	6,969,385
Estimated settlements due to third-party payors	**2,527,462**	5,418,036
Total current liabilities	**69,072,284**	71,815,026
Long-term debt, less current portion	**141,344,744**	145,486,140
Long-term payable under employee agreements, less current portion	**390,505**	1,326,641
Liability for retirement benefits	**72,770,104**	123,380,873
Total liabilities	**283,577,637**	342,008,680
Commitments and contingencies (Notes 9 and 12)		
Net assets:		
Unrestricted	**282,690,108**	213,760,090
Noncontrolling interest - unrestricted	**314,524**	1,141,100
Temporarily restricted	**3,607,937**	2,972,254
Permanently restricted	**12,349,975**	11,472,512
Total net assets	**298,962,544**	229,345,956
	$ 582,540,181	$ 571,354,636

Stormont-Vail Health*Care,* Inc.
and Affiliates

Consolidated Statements of Operations
Years Ended September 30, 2013 and 2012

	2013	2012
Operating revenues:		
Patient service revenue, net of contractual adjustments	**$ 544,795,472**	$ 543,203,635
Less provision for uncollectible accounts	**34,638,387**	33,564,396
Net patient service revenue	**510,157,085**	509,639,239
Other operating revenue	**8,551,672**	22,679,375
Net assets released from restriction for operating activities	**415,059**	641,742
Total operating revenues	**519,123,816**	532,960,356
Operating expenses:		
Salaries, wages and employee benefits	**316,487,293**	325,654,139
Supplies and other expenses	**149,627,569**	141,094,248
Professional services	**6,356,789**	6,311,186
Interest	**6,857,435**	6,370,339
Depreciation and amortization	**20,485,447**	19,885,154
Program expense	**557,204**	767,002
Total operating expenses	**500,371,737**	500,082,068
Income from operations	**18,752,079**	32,878,288
Nonoperating gains (losses):		
Investment income:		
Interest and dividend income and realized gains on sales of investments	**440,814**	7,120,801
Change in unrealized gains on trading securities	**8,972,844**	3,079,145
Investment income	**9,413,658**	10,199,946
Equity in net gains of unconsolidated affiliates	**530,011**	2,114,647
Income tax expense and other income (expense), net	**325,824**	(995,726)
Gain (loss) on disposition of unconsolidated affiliates (Note 1)	**(280,026)**	12,984,048
Change in fair value of interest rate swap	**-**	118,520
Total nonoperating gains, net	**9,989,467**	24,421,435
Excess of revenues over expenses	**28,741,546**	57,299,723
Less excess of revenue over expenses attributable to noncontrolling interest	**(25,441)**	(233,320)
Excess of revenues over expenses attributable to Stormont-Vail	**28,716,105**	57,066,403
Change in unrecognized funded status of pension plan	**39,923,803**	(14,416,272)
Net assets released from restriction for capital expenditures	**116,852**	99,947
Donation of property and equipment received	**173,258**	261,469
Increase in unrestricted net assets	**$ 68,930,018**	$ 43,011,547

See Notes to Consolidated Financial Statements.

Stormont-Vail Health*Care*, Inc.
and Affiliates

Consolidated Statements of Changes in Net Assets
Years Ended September 30, 2013 and 2012

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Unrestricted Net Assets - Noncontrolling Interest	Total Net Assets
Net assets, September 30, 2011	$ 170,748,543	$ 2,354,315	$ 10,094,497	$ 1,617,637	$ 184,814,992
Excess of revenue over expenses	57,066,403	-	-	233,320	57,299,723
Change in unrecognized funded status of pension plan	(14,416,272)	-	-	-	(14,416,272)
Net change in unrealized losses on investments	-	583,641	-	-	583,641
Investment income	-	15,473	1,192,944	-	1,208,417
Donations of property and equipment received	261,469	-	-	-	261,469
Contributions, net	-	755,985	189,600	-	945,585
Net assets released from restriction for capital expenditures	99,947	(99,947)	-	-	-
Net assets released from restriction for operating activities	-	(641,742)	-	-	(641,742)
Change of restriction by donor	-	4,529	(4,529)	-	-
(Distributions to) noncontrolling interest	-	-	-	(709,857)	(709,857)
Change in net assets	43,011,547	617,939	1,378,015	(476,537)	44,530,964
Net assets, September 30, 2012	213,760,090	2,972,254	11,472,512	1,141,100	229,345,956
Excess of revenue over expenses	28,716,105	-	-	25,441	28,741,546
Change in unrecognized funded status of pension plan	39,923,803	-	-	-	39,923,803
Net change in unrealized losses on investments	-	(57,307)	-	-	(57,307)
Investment income	-	520,603	632,463	-	1,153,066
Donations of property and equipment received	173,258	-	-	-	173,258
Contributions, net	-	744,298	205,000	-	949,298
Net assets released from restriction for capital expenditures	116,852	(116,852)	-	-	-
Net assets released from restriction for operating activities	-	(415,059)	-	-	(415,059)
Change of restriction by donor	-	(40,000)	40,000	-	-
Purchase of noncontrolling interest	-	-	-	(831,295)	(831,295)
(Distributions to) noncontrolling interest	-	-	-	(20,722)	(20,722)
Change in net assets	68,930,018	635,683	877,463	(826,576)	69,616,588
Net assets, September 30, 2013	**$ 282,690,108**	**$ 3,607,937**	**$ 12,349,975**	**$ 314,524**	**$ 298,962,544**

See Notes to Consolidated Financial Statements.

Stormont-Vail Health*Care*, Inc.
and Affiliates

Consolidated Statements of Cash Flows
Years Ended September 30, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities:		
Increase in net assets	**$ 69,616,588**	$ 44,530,964
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	**20,588,411**	19,978,465
Equity in net gains and gain on disposition of unconsolidated affiliates	**(249,985)**	(15,098,695)
Realized gain on investments	**(649,016)**	(266,937)
Change in net unrealized gain on investments	**(8,915,537)**	(3,662,786)
Change in fair value of interest rate swap	**-**	(118,520)
Donation of property and equipment received	**(173,258)**	(261,469)
Loss on disposal of property and equipment	**218,579**	711,759
Contributions and investment income restricted for long-term purposes	**(837,463)**	(1,382,544)
Acquisition of noncontrolling interest	**831,295**	-
Change in funded status of retirement plan	**(50,610,769)**	13,217,066
Changes in assets and liabilities:		
Accounts receivable	**526,183**	769,417
Inventories and other current assets	**(91,856)**	(1,743,378)
Accounts payable, accrued expenses and estimate for third-party payors	**(4,524,365)**	5,685,109
Long-term payable under employee agreement	**(1,313,909)**	(231,986)
Net cash provided by operating activities	**24,414,898**	62,126,465
Cash Flows from Investing Activities:		
Proceeds from investments and limited use or restricted assets	**119,479,436**	20,194,664
Purchases of investments and limited use or restricted assets	**(112,584,943)**	(55,667,342)
Purchases of property, plant and equipment	**(20,497,564)**	(28,581,920)
Investment in unconsolidated affiliates	**(173,968)**	(165,075)
Distributions and proceeds from unconsolidated affiliates	**1,580,951**	15,709,839
Payment for acquisition of noncontrolling interest	**(4,000,000)**	-
Proceeds from disposal of property and equipment	**194,248**	265,647
Other	**(9,406)**	41,316
Net cash (used in) investing activities	**$ (16,011,246)**	$ (48,202,871)

(Continued)

Stormont-Vail Health*Care,* Inc.
and Affiliates

Consolidated Statements of Cash Flows (Continued)
Years Ended September 30, 2013 and 2012

		2013		2012
Cash Flows from Financing Activities:				
Collections of contributions restricted for long-term purposes	**$**	**261,614**	$	310,340
Proceeds from issuance of long-term debt		**-**		8,750,000
Payments for bond issuance costs		**-**		(147,032)
Principal payments on long-term debt, including capital lease obligation		**(3,801,344)**		(1,524,666)
Net cash provided by (used in) financing activities		**(3,539,730)**		7,388,642
Increase in cash and cash equivalents		**4,863,922**		21,312,236
Cash and cash equivalents, beginning of year		**88,031,207**		66,718,971
Cash and cash equivalents, end of year	**$**	**92,895,129**	$	88,031,207
Supplemental Disclosure of Cash Flow Information, cash paid for interest, excluding capitalized interest 2013 $107,025; 2012 $235,506	**$**	**6,853,524**	$	5,703,345
Supplemental Disclosure of Noncash Investing and Financing Activities, increase (decrease) in accounts payable related to acquisition of property and equipment		**1,819,344**		(1,138,483)

See Notes to Consolidated Financial Statements.

Note 1. Nature of Business and Significant Accounting Policies

Nature of business:

Stormont-Vail Health*Care*, Inc. (Health*Care*) is a Kansas not-for-profit corporation. The consolidated financial statements include the accounts of Health*Care*, its for-profit subsidiaries where there is controlling interest and all not-for-profit membership organizations where Health*Care* is the sole member, all of which are collectively referred to as Stormont-Vail. Operations of companies acquired are included beginning from the date of purchase. All significant intercompany accounts and transactions have been eliminated in the consolidation.

Stormont-Vail Health*Care*, Inc. or its subsidiaries have a controlling ownership interest or membership in the following corporations:

Stormont-Vail Foundation (the Foundation) was incorporated in 1984 as a Kansas not-for-profit corporation and is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code (Code). The Foundation exists to generate voluntary gifts support for Health*Care* patient care services and community health education programs. Health*Care* is the sole voting member of the Foundation.

ExcellENT Surgery Center, L.L.C. (ESC) was established in 2007 as a Kansas limited liability company to operate an outpatient specialty Ear, Nose and Throat Surgery Center. Until October 1, 2012, Health*Care* was a 51% owner, with the remaining ownership held by ear, nose and throat physicians. On October 1, 2012, Health*Care* acquired the remaining 49% ownership interest in ESC for approximately $4,000,000. ESC was dissolved in October 2012 and subsequent to the dissolution its operations are presented as a department of Health*Care.*

Stormont-Vail, Inc. was incorporated in 1984 as a for-profit corporation. Stormont-Vail, Inc. operates a retail pharmacy in Topeka and owns interests in unconsolidated affiliates, including Kansas Rehabilitation Hospital, Inc. Health*Care* owns all the stock of Stormont-Vail, Inc.

Century Health Solutions, Inc. (Century Health) was incorporated as a Kansas for-profit corporation in November 1998 to perform insurance management operations, to act as a utilization review administrator and to act as a third party administrator of insurance claims. Stormont-Vail, Inc. owns all of the outstanding stock of Century Health.

Dechairo Hospital, Inc. (Dechairo Hospital) is a Kansas for-profit corporation, which once owned and operated a 20-bed primary care hospital located in Westmoreland, Kansas. Dechairo Hospital operating activity was discontinued by management of Stormont-Vail, Inc. on May 1, 1999. Beginning in 2008, Dechairo owns and leases real estate to Stormont-Vail, Inc.

KOSM, Inc. is a Kansas for-profit corporation acquired by Health*Care* in August 2009. Health*Care* owns all of the outstanding stock of KOSM, Inc. KOSM, Inc. leases certain assets to Health*Care* for its orthopedic practices.

Urish Medical Plaza, L.L.C. (UMP) is a Kansas limited liability company. Stormont-Vail, Inc. acquired approximately 72% of the membership units of UMP during 2009. UMP owns and leases real estate to Health*Care*, the noncontrolling interest owners and others.

UAT, Inc. is a Kansas for-profit corporation acquired by Health*Care* in December 2009. Health*Care* owns all of the outstanding stock of UAT, Inc. UAT, Inc. leases certain assets to Health*Care* for its urology practices.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Significant Accounting Policies:

Accounting estimates: The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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. Estimates that are particularly susceptible to significant changes in the near term and which require significant judgments by management include the allowance for doubtful accounts, allowance for contractual adjustments, estimated third-party payor settlements, defined benefit retirement plan assumptions, fair value of investments, self-insured professional and worker's compensation liabilities and incurred but not reported liability for health self-insurance.

Cash and cash equivalents: For purposes of reporting cash flows, cash and cash equivalents include certificates of deposit and all highly liquid debt instruments with original maturities of three months or less. Certain temporary cash investments internally and externally designated as long-term investments are excluded from cash and cash equivalents.

Patient receivables and net patient service revenue: Patient receivables, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate for contractual adjustments or discounts provided to third-party payors.

Patient receivables due directly from the patients are carried at the original charge for the service provided less amounts covered by third-party payors and less an estimated allowance for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts, by historical experience applied to an aging of accounts and by considering the patient's financial history, credit history and current economic conditions. Stormont-Vail only charges interest on patient accounts that have been turned over to collections. Patient receivables are written off to provision for uncollectible accounts when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of the provision for uncollectible accounts when received.

Receivables or payables related to estimated settlements on various risk contracts that Stormont-Vail participates in are reported as estimated settlements due to third-party payors.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Net patient service revenue is reported net of the provision for uncollectible accounts.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

In evaluating the collectability of accounts receivable, Stormont-Vail analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for uncollectible accounts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, Stormont-Vail analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), Stormont-Vail 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. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Stormont-Vail's allowance for doubtful accounts for self-pay patients increased from approximately 76% of self-pay accounts receivable at September 30, 2012, to approximately 78% of self-pay accounts receivable at September 30, 2013. In addition, Stormont-Vail's self-pay write-offs decreased approximately $3,000,000 for the year ended September 30, 2013 compared to the year ended September 30, 2012. The changes were the result of negative trends experienced in the collection of amounts from self-pay patients for the year ended September 30, 2013. Stormont-Vail has not changed its charity care or uninsured discount policies during the year ended September 30, 2013. Stormont-Vail does not maintain a material allowance for doubtful accounts from third-party payors, due to insignificant write-offs from third-party payors.

Stormont-Vail recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, Stormont-Vail recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of Stormont-Vail's uninsured patients will be unable or unwilling to pay for the services provided. Thus, Stormont-Vail records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided.

Patient service revenue at established rates less third-party payor contractual adjustments (but before the provision for bad debts), recognized in the year ended September 30, 2013, was approximately:

Third-party payors	$ 508,651,681
Self pay	36,143,791
	$ 544,795,472

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Inventories: Inventories consist primarily of medical supplies, stated at the lower of cost, determined by the first-in, first-out basis, or market.

Limited use or restricted assets: Limited use or restricted assets include assets held by trustees under bond trust indentures; assets set aside by the Board of Directors for capital improvements over which it retains control and may at its discretion subsequently use for other purposes; assets in accounts that are restricted pursuant to insurance agreements regarding medical liability programs; and assets restricted by donors or grantors for specific purposes, time periods or beneficial interests controlled by third party trustees.

Contributions: Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. The 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. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of operations as net assets released from restriction. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying consolidated financial statements.

Investments: Investments in equity securities with readily determinable fair values, all investments in debt securities and alternative investments, which include hedge funds and funds of funds, are measured at fair value on the balance sheet. Stormont-Vail reports the fair value of alternative investments using the practical expedient. The practical expedient allows for the use of NAV, either as reported by the investee fund or as adjusted by Stormont-Vail based on various factors. Stormont-Vail has the ability to liquidate its alternative investments periodically in accordance with the provisions of the investment fund agreement. Certain alternative investments are in the process of being redeemed as of September 30, 2013. Donated investments are reported at fair value at the date of receipt, which is then treated as cost. Investment income, including realized gains and losses on investments, interest and dividends and changes in unrealized gains and losses on trading securities, is included in excess of revenues over expenses, unless the income or loss is restricted by donor or law.

Investment income, except for investment income earned on certain short-term investments which are included in other operating revenue, is reported as nonoperating revenue. Stormont-Vail classifies those investments that are not limited to use or restricted assets or cash and cash equivalents as short-term investments on the accompanying consolidated balance sheets. Short-term investments are available for current operations, and as such, are reported as current assets.

Property, plant and equipment: Property, plant and equipment is carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Amortization expense on assets acquired under capital leases is included with depreciation expense on owned assets. Donated assets are recorded at their appraised value on the date of donation.

Debt issue costs: Debt issue costs and original issue discount are being amortized using a method which approximates the interest method over the term of the bonds.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

<u>Investment in unconsolidated affiliates</u>: Stormont-Vail has investments in various health related ventures. Investments in which Stormont-Vail's ownership is more than 20% but less than 50% are accounted for using the equity method of accounting under which their share of the net income (loss) of the affiliates is recognized as nonoperating gains (losses) in the statement of operations and added to (deducted from) the investment account, and dividends and distributions received from the affiliates are treated as a reduction of the investment account. Less than 20% owned affiliates are accounted for at historical cost unless management believes that the carrying value of the investment is not recoverable.

In March 2012, Stormont-Vail, Inc. sold its 50% interest in Kansas Dialysis Services, L.C. (KDS) to Health*Care*. On June 1, 2012, KDS sold its assets and operations to an unrelated third party, which resulted in a gain of approximately $12,984,000 to Health*Care*. This gain is presented as a nonoperating gain on disposition of unconsolidated affiliates in the accompany statements of operations for the year ended September 30, 2012. The assets which KDS sold included inventory, leasehold improvements and equipment. KDS made a final distribution in 2013 and the difference between Health*Care's* investment in KDS and the distribution of $280,026 was recorded as a loss on disposition of unconsolidated affiliates in the accompanying statements of operations for the year ended September 30, 2013.

The following is the aggregated condensed financial information of the unconsolidated affiliates as of and for the years ended September 30, 2013 and 2012:

	2013	2012
Total revenues	$ 37,171,443	$ 49,770,962
Total expenses	34,497,067	43,197,148
Net income	$ 2,674,376	$ 6,573,814
Total assets	$ 24,506,001	$ 30,902,683
Total liabilities	8,363,870	12,100,090
Total net assets/stockholders' equity	$ 16,142,131	$ 18,802,593

<u>Intangible assets</u>: Intangible assets consist of the following at September 30:

	2013	2012
Employment and non-compete agreements, net of accumulated amortization 2013 $2,108,772; 2012 $1,332,727	$ 3,208,095	$ 821,846
Other	36,307	116,700
Intangible assets, net	$ 3,244,402	$ 938,546

Employment and non-compete agreements are being amortized over the period of the agreements which is five to ten years. Amortization is computed using the straight-line method, which reflects the pattern in which economic benefits of the intangible assets will be realized. Amortization expense for the years ended September 30, 2013 and 2012 was $856,438 and $508,866, respectively. Intangible assets are reviewed for impairment when conditions indicate it is necessary.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

The following is a schedule by year of estimated amortization expenses:

Year ending September 30:		
2014	$	721,154
2015		332,120
2016		313,018
2017		313,018
2018		313,018
Thereafter		1,252,074
	$	3,244,402

Temporarily and permanently restricted net assets: Stormont-Vail is required to report information regarding its financial position and operations according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The three classes are based on the presence or absence of donor-imposed restrictions. Temporarily restricted net assets include net assets restricted by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. Donor restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements. Also see Note 7 for additional information on restricted net assets.

Revenue is reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purposes has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

The *Not-for-Profit Topic* of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) requires a not-for-profit organization that is subject to an enacted version of the UPMIFA to classify a portion of a donor-restricted endowment fund of perpetual duration as permanently restricted net assets. The amount classified as permanently restricted is the amount of the fund (a) that must be retained permanently in accordance with explicit donor stipulations or (b) that in the absence of such stipulations, the organization's governing board determines must be retained permanently under the relevant law. In addition, a not-for-profit organization must classify the portion of the fund that is not classified as permanently restricted net assets as temporarily restricted net assets (time restricted) until appropriated for expenditure by Stormont-Vail.

Charity care and community services: Stormont-Vail provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because Stormont-Vail does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charity care, based on estimated costs, totaled approximately $9,988,000 and $10,540,000 in 2013 and 2012, respectively. Cost of charity care is calculated by applying hospital specific cost to charge ratios to the total amount of charity care deductions from gross revenue. The cost-to-charge ratio is calculated by taking the hospital total expenses and gross charges and applying adjustments to offset nonpatient care activity revenue against expense as well as eliminate bad debt expense.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Stormont-Vail also provides other health care services and programs for the benefit of the community, at no charge or at reduced rates. This includes a subsidy of approximately $165,300 and $279,500 annually for nursing, medical and allied health education for the years ended September 30, 2013 and 2012, respectively. Other education programs include prenatal, parenting, diabetes, CPR, immunization, infection control and various support groups. Other community services include an infant follow-up clinic and blood pressure, breast cancer and prostate screening clinics.

<u>Excess of revenues over expenses</u>: The statement of operations includes excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include change in unrecognized funded status of pension plan, permanent transfers of assets to and from affiliates for other than goods and services and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

<u>Functional expenses</u>: Stormont-Vail provides general health care services including acute care, outpatient and rehabilitation services to residents within its geographic locations. Expenses related to providing these services in 2013 and 2012 were approximately $496,183,000 and $493,049,000, including approximately $80,221,000 and $77,109,000, respectively, for general and administrative expenses and approximately $205,000 and $189,600, respectively, for fundraising expenses.

<u>Income taxes</u>: Health*Care* and the Foundation are not-for-profit organizations and public charities, not private foundations, as described in Sections 501(c)(3) and 509(a) of the Internal Revenue Code, respectively, and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Net income tax expense (benefit) related to for-profit affiliates was approximately $(300,000) and $1,082,000 in 2013 and 2012, respectively.

As limited liability companies, ESC's (until October 1, 2012) and UMP's income is taxable to members based on their proportionate share of ESC's and UMP's income, deductions, losses and credits as well as the tax status of each member.

Health*Care* and the Foundation each file a Form 990 (Return of Organization Exempt from Income Tax) annually. When these returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would ultimately be sustained. Examples of tax positions common to health care organizations include such matters as the following: the tax exempt status of each entity, the nature, characterization and taxability of joint venture income and various positions relative to potential sources of unrelated business taxable income. Unrelated business taxable income is reported on Form 990T, as appropriate. The benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes that it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

Tax positions are not offset or aggregated with other positions. Tax positions that meet the "more likely than not" recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely to be realized on settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for uncertain tax benefits in the accompanying consolidated balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. As of September 30, 2013 and 2012, there were no uncertain tax benefits identified and recorded as a liability.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Forms 990 and 990T filed by Health*Care* and the Foundation are generally subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return. Forms 990 and 990T filed by Health*Care* and the Foundation are generally no longer subject to examination for the fiscal years ended September 30, 2009 and prior. Stormont-Vail, Inc., Century Health, KOSM, Inc., Dechairo Hospital and UAT, Inc. are taxable organizations and currently file income tax returns in the U.S. federal jurisdiction and various state jurisdictions. These entities are generally no longer subject to income tax examinations for years September 30, 2009 and prior.

Noncontrolling interest: Stormont-Vail, Inc. has a 72% ownership interest in UMP, while other members own a noncontrolling interest. A pro rata share of the income or losses and net assets, in the form of members' equity, applicable to this interest has been recognized in Stormont-Vail's consolidated financial statements.

Fair value of financial instruments: Financial instruments are described as cash or contractual obligations or rights to pay or to receive cash. The fair value for certain financial instruments approximates the carrying value because of the short-term maturity of these instruments which include cash and cash equivalents, receivables, accounts payable, accrued liabilities, estimated net settlements to third-party payors and other current liabilities. The fair value of the liability for retirement benefits approximates carrying value as the Plan's assets are recorded at fair value and the projected benefit obligation is discounted to present value. A portion of Stormont-Vail's investments are carried at fair value on the balance sheets based on quoted market prices. The alternative investments are carried at fair value, which are recorded at NAV as the practical expedient for fair value, which is based primarily on historical investment returns and financial and nonfinancial data of the underlying investees. The fair value of Stormont-Vail's long-term debt (excluding capital lease obligations) as of September 30, 2013 and 2012 was approximately $145,933,000 and $157,425,000, respectively.

Fair value measurements: The *Fair Value Measurements and Disclosures Topic* of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) defines fair value, establishes a framework for measuring fair value and establishes required disclosure of fair value measurements, which applies to all assets and liabilities that are measured and reported on a fair value basis. See Note 4 for additional information.

Electronic health records incentive program: The electronic health records incentive program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for incentive payments under both the Medicare and Medicaid programs to eligible health systems that demonstrate meaningful use of certified electronic health records (EHR) technology. Payments under both the Medicare and Medicaid program are generally made for up to four years based on a statutory formula. The Medicaid programs are determined on a state by state basis, which are approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the Hospital initially attesting to being a meaningful user of EHR technology and then continuing to meet escalating criteria, including other specific requirements that are applicable, for consecutive reporting periods. The Medicare base payment amount is reduced in subsequent years by 25 percent, 50 percent and 75 percent. For the first payment year, the Hospital must attest, subject to audit, that it met the criteria for any continuous 90-day period. For subsequent payment years, the Hospital must demonstrate meaningful use for the entire year. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Stormont-Vail received funds under the EHR incentive programs during 2012. Stormont-Vail recognizes revenue under the contingency model, whereas revenue is not recognized until all contingencies, including receipt of cash, have occurred. Stormont-Vail demonstrated meaningful use for the 90-day period during 2012. Revenue of approximately $5,023,000 in Medicare and Medicaid incentive payments under these programs, respectively, is recognized as other operating revenue during the year ended September 30, 2012 in the accompanying consolidated statements of operations. The final payments will be determined based on information from Stormont-Vail's final audited Medicare cost reports.

Subsequent events: Stormont-Vail has evaluated subsequent events through December 13, 2013, the date on which the consolidated financial statements were issued.

Note 2. Net Patient Service Revenue

Stormont-Vail provides medical and health care services in Northeast Kansas. Stormont-Vail 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.

Stormont-Vail has agreements with third-party payors that provide for payments to Stormont-Vail at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- Medicare: Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Stormont-Vail's classification of inpatients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization and third-party payors under contract with Stormont-Vail. Outpatient services are paid at prospectively determined outpatient procedure rates and fee schedules for lab, therapies and certain designated medical screenings covered by the Medicare program. Stormont-Vail is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by Stormont-Vail and audits thereof by the Medicare administrative contractor. Stormont-Vail's Medicare cost reports have been finalized by the Medicare administrative contractor through September 30, 2009. However, the Hospital has also received tentative settlements on its Medicare cost reports for the years ended September 30, 2010 through 2012.
- Medicaid: Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Stormont-Vail's classification of patients under the Medicaid program and the appropriateness of their admission are subject to an independent review by a peer review organization and third-party payors under contract with Stormont-Vail. Outpatient services are paid at prospectively determined rates per procedure or test performed.
- Blue Cross: Inpatient services rendered to Blue Cross subscribers are reimbursed at prospectively determined discounts from established charges with the exception of a few outpatient procedures which are paid on a fee-screen basis.

Stormont-Vail has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to Stormont-Vail under these agreements includes prospectively determined discounts from established charges and prospectively determined daily rates.

Note 2. Net Patient Service Revenue (Continued)

A summary of net patient service revenue for the years ended September 30, 2013 and 2012 is as follows:

	2013	2012
Patient service revenue, including charity care	$ 1,467,183,583	$ 1,474,176,548
Less charity care, at established charges	(31,913,392)	(34,289,693)
Gross patient service revenue	1,435,270,191	1,439,886,855
Less:		
Contractuals	(888,747,961)	(895,513,430)
Courtesy allowance	(1,726,758)	(1,169,790)
Net patient service revenue, net of contractual allowances	544,795,472	543,203,635
Less provision for uncollectible accounts	(34,638,387)	(33,564,396)
Net patient service revenue	$ 510,157,085	$ 509,639,239

Provisions for contractual adjustments for the years ended September 30, 2013 and 2012 includes the effect of a change in the estimate of the liability due to third-party payors. The effect of this change in estimate is a decrease in the provision for contractual adjustments of approximately $1,478,000 and $2,781,000 for the years ended September 30, 2013 and 2012, respectively.

The Kansas Medicaid State Plan (Plan) approved by the Center for Medicare and Medicaid Services (CMS) establishes an annual tax assessment on certain hospital providers and health maintenance organizations and created the health care access improvement fund. Under the Plan, proceeds from the tax assessment are deposited to the State's health care access improvement fund and are used to obtain Federal matching funds, all of which must be distributed to Kansas hospitals and physicians to help bring Medicaid reimbursement closer to the cost of providing care. The allocation of these funds to specific health care providers is based primarily on the amount of care provided to Medicaid recipients. The Plan increases inpatient diagnosis related group reimbursement rates and also implements several supplemental inpatient and outpatient methodologies. Stormont-Vail's tax assessment for 2013 and 2012 was approximately $5,086,000 and $1,731,000, respectively, and is included in other operating expenses in the consolidated statements of operations.

In June 2012, Stormont-Vail received a settlement from CMS of approximately $3,381,000, which is included as a reduction of contractual adjustment expense. This settlement was the result of a national lawsuit claiming that CMS has applied a negative budget neutrality adjustment to the Medicare inpatient prospective payment system each year since 1998 to account for the increase in payments related to the Medicare wage index rural floor. The rural floor provides that no Metropolitan Statistical Area's wage index can be lower than the state-wide rural wage index.

Note 3. Investments and Limited Use or Restricted Assets

A summary of short-term investments as of September 30, 2013 and 2012 is as follows:

	September 30, 2013	September 30, 2012
Short-term investments:		
U.S. government obligations	$ 3,237,791	$ 2,999,941
Certificate of deposit	612,798	980,000
Money market	1,084,174	1,423,330
Fund of funds, fixed income	-	41,048,534
Foreign issues	136,086	340,852
Corporate bonds	8,002,071	8,728,461
Mutual bond funds	5,684,054	6,069,059
	$ 18,756,974	$ 61,590,177

Limited use or restricted assets which are available for payment of obligations classified as current liabilities are reported as current assets. The composition of limited use or restricted assets for the years ended September 30, 2013 and 2012, stated at fair value or cost for cash and cash equivalents and certificates of deposit, is as follows:

	September 30, 2013	September 30, 2012
Under bond trust indentures, held by Trustee,		
U.S. government obligations	$ 5,693,121	$ 10,958,351
Board-designated for capital improvements:		
Cash and cash equivalents	$ 48,806	$ 1,223,323
Certificates of deposit	1,981,833	2,016,683
U.S. government obligations	51,402	52,495
Corporate bonds	1,268,327	2,782,785
Municipal bonds	2,890,855	-
Money market	216,785	237,087
Foreign issues	51,126	178,270
Hedge funds and funds of funds:		
Hedge fund	34,242,487	33,655,824
Fixed income	35,224,062	18,537,256
Domestic equity	32,940,585	15,740,747
Global equity	34,584,464	19,638,124
	$ 143,500,732	$ 94,062,594

Note 3. Investments and Limited Use or Restricted Assets (Continued)

	September 30, 2013	September 30, 2012
Restricted by professional liability insurance security agreements:		
Cash and cash equivalents	$ 104,775	$ 101,762
U.S. government obligations	1,448,571	1,328,204
Foreign issues	50,376	76,843
Corporate bonds	3,864,823	3,568,678
	$ 5,468,545	$ 5,075,487
Restricted by donors and grantors:		
Cash and cash equivalents	$ 455,617	$ 750,376
Certificates of deposit	34,336	34,219
U.S. government obligations	124,169	148,183
Common stocks	3,451,569	2,750,123
Money market	570,634	140,127
Preferred stocks	25,015	25,085
Corporate bonds	750,493	820,459
Municipal bonds	278,755	-
Foreign issues	1,115,242	78,157
Pledges receivable	360,859	369,970
Other	248,069	-
Beneficial interest held by third party	7,398,327	6,772,563
Exchange, traded and closed end funds	90,064	1,255,791
Taxable bonds	704,763	952,339
Charitable remainder trust receivable	350,000	347,374
	$ 15,957,912	$ 14,444,766

Stormont-Vail's investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements.

Note 3. Investments and Limited Use or Restricted Assets (Continued)

A summary of investment income for the years ended September 30, 2013 and 2012 is as follows:

	2013	2012
Investment income:		
Interest and dividends	$ 173,615	$ 10,956,171
Realized gains on sale of investments, net	649,016	266,937
Change in net unrealized gains on investments	9,548,000	4,855,730
Investment fees	(213,719)	(169,614)
Total investment income	$ 10,156,912	$ 15,909,224
Reconciliation of total investment income reporting:		
Investment income reported as:		
Other operating revenue	$ (352,505)	$ 3,917,220
Nonoperating revenue	440,814	7,120,801
Temporarily restricted	520,603	15,473
Permanently restricted, change in unrealized gains	632,463	1,192,944
Change in net unrealized gains (losses):		
Unrestricted	8,972,844	3,079,145
Temporarily restricted	(57,307)	583,641
Total investment income	$ 10,156,912	$ 15,909,224

Note 4. Investments and Fair Value Measurements

The Fair Value Measurement and Disclosures Topic of the FASB ASC defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, this guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

Note 4. Investments and Fair Value Measurements (Continued)

The fair value hierarchy is as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data. Level 2 investments also include market alternatives, measured using the practical expedient, that do not have any significant redemption restrictions, lock ups, gates or other characteristics that would cause liquidation and report date NAV to be significantly different.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability. Level 3 investments are valued using the practical expedient and would have significant redemption and other restrictions that would limit Stormont-Vail's ability to redeem out of the fund at report date NAV. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques. The fair value of the investment is based on a combination of audited financial statements of the investees and monthly or quarterly statements received from the investees.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below:

Investments in common and preferred stocks, corporate, municipal, mutual fund bonds, foreign issues and exchange traded funds traded on a national securities exchange are valued at the last reported sales price on the day of valuation. These financial instruments are classified as level 1 in the fair value hierarchy.

Investment in U.S. government obligations for which quotations are not readily available are valued using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Investments in hedge funds and fund of funds are valued at fair value based on the applicable percentage ownership of the underlying funds' net assets as of the measurement date. In determining fair value, Stormont utilizes valuations provided by the underlying investment funds. The underlying investment funds value securities and other financial instruments on a fair value basis of accounting. The fair value of Stormont-Vail's investments in hedge funds and fund of funds generally represents the amount Stormont-Vail would expect to receive if it were to liquidate its investments in funds excluding any redemption charges that may apply. These financial instruments are classified as level 2 and level 3 in the fair value hierarchy.

Investments in split interest agreements (beneficial interest held by third party and charitable remainder receivable) are valued as the estimated present value of expected future cash flows. These financial instruments are classified as level 3 in the fair value hierarchy.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Stormont-Vail believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 4. Investments and Fair Value Measurements (Continued)

The following tables summarize assets and liabilities measured at fair value on a recurring basis as of September 30, 2013 and 2012, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

		Fair Value Measurements as of September 30, 2013		
	Fair Value	Level 1	Level 2	Level 3
Assets limited as to use and investments:				
Common and preferred stocks:				
Small cap	$ 614,477	$ 614,477	$ -	$ -
Mid cap	204,255	204,255	-	-
Large cap	2,019,766	2,019,766	-	-
Preferred stock	25,015	25,015	-	-
Common stock	90,160	90,160	-	-
Corporate bonds	13,885,714	13,885,714	-	-
Municipal bonds	3,169,610	3,169,610	-	-
Mutual fund bonds	5,684,054	5,684,054	-	-
Taxable bonds	704,763	704,763	-	-
Other	770,980	770,980	-	-
Foreign issues	1,352,830	1,352,830	-	-
Exchange traded funds	90,064	90,064	-	-
Money market investment funds	1,871,593	1,871,593	-	-
Hedge funds and funds of funds:				
Hedge fund	34,242,487	-	-	34,242,487
Fixed income	35,224,062	-	35,224,062	-
Domestic equity	32,940,585	-	32,940,585	-
Global equity	34,584,464	-	34,584,464	-
U.S. government obligations	10,555,054	-	10,555,054	-
Beneficial interest held by third party	7,398,327	-	-	7,398,327
Charitable remainder trust receivable	350,000	-	-	350,000
Investments at fair value	185,778,260	$ 30,483,281	$ 113,304,165	$ 41,990,814
Cash and cash equivalents and other, at cost	3,599,024			
	$ 189,377,284			

Note 4. Investments and Fair Value Measurements (Continued)

		Fair Value Measurements as of September 30, 2012		
	Fair Value	Level 1	Level 2	Level 3
Assets limited as to use and investments:				
Common and preferred stocks:				
Small cap	$ 228,778	$ 228,778	$ -	$ -
Mid cap	97,004	97,004	-	-
Large cap	925,923	925,923	-	-
Preferred stock	25,085	25,085	-	-
Common stock	71,700	71,700	-	-
Corporate bonds	15,900,383	15,900,383	-	-
Taxable bonds	952,339	952,339	-	-
Mutual fund bonds	6,069,059	6,069,059	-	-
Other	1,426,718	1,426,718	-	-
Foreign issues	674,122	674,122	-	-
Exchange traded funds	1,255,791	1,255,791	-	-
Hedge funds and funds of funds:				
Hedge fund	33,655,824	-	33,655,824	-
Fixed income	59,585,790	-	59,585,790	-
Domestic equity	15,740,747	-	15,740,747	-
Global equity	19,638,124	-	19,638,124	-
U.S. government obligations	15,487,174	-	15,487,174	-
Money market investment fund	1,800,544	1,800,544	-	-
Beneficial interest held by third party	6,772,563	-	-	6,772,563
Charitable remainder trust receivable	347,374	-	-	347,374
Investments at fair value	180,655,042	$ 29,427,446	$ 144,107,659	$ 7,119,937
Cash and cash equivalents and other, at cost	5,476,333			
	$ 186,131,375			

Stormont-Vail has requested redemption of certain investments that were previously classified as level 2 securities. Because of the redemption request, these investments have been transferred from level 2 to level 3 during the year ended September 30, 2013 as these investments have redemption restrictions. The transfer had no effect on total investments. There were no other transfers of assets or liabilities between level 1, 2 or 3 of the fair value hierarchy during the years ended September 30, 2013 and 2012.

Note 4. Investments and Fair Value Measurements (Continued)

The changes in fair value of level 3 investments for the years ended September 30, 2013 and 2012 were as follows:

	Hedge Fund		Beneficial Interest Held by Third Party		Charitable Remainder Trust Receivable	
	2013	2012	2013	2012	2013	2012
Beginning of year	$ -	$ -	$ 6,772,563	$ 5,720,883	$ 347,374	$ 294,434
Purchases	-	-	-	350,000	-	-
Sales and distributions	-	-	(392,000)	(350,000)	-	-
Transfers in	34,154,978	-	-	-	-	-
Total realized and unrealized gains, net, included in earnings	87,509	-	1,017,764	1,051,680	2,626	52,940
End of year	$ 34,242,487	$ -	$ 7,398,327	$ 6,772,563	$ 350,000	$ 347,374
Total gains, net, included in earnings attributable to the change in unrealized gains, net, relating to financial instruments still held at year-end	$ 87,509	$ -	$ 1,017,764	$ 1,051,680	$ 2,626	$ 52,940

Gains and losses included in earnings for the period above are reported in nonoperating income in the statement of operations and changes in net assets.

The following table sets forth additional disclosure of Stormont-Vail's investments whose fair value is estimated using NAV per share (or its equivalent) as of September 30, 2013 and 2012:

Investment	Fair Value 2013	Fair Value 2012	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Hedge funds and funds of funds:					
The Morgan Creek Fund, Ltd. (A)	$ 34,242,487	$ 33,655,824	$ -	(A)	(A)
Summit Domestic Equities Series (B)	32,940,585	15,740,747	-	Twice a month	30 Days
Summit Global Equities Series (C)	34,584,464	19,638,124	-	Twice a month	30 Days
Summit Fixed Income Series (D)	35,224,062	59,585,790	-	Twice a month	30 Days
	$ 136,991,598	$ 128,620,485	$ -		

(A) The Morgan Creek Fund, Ltd. is structured as a fund-of-funds whose investment objective is to generate superior long-term investment returns relative to traditional equity benchmarks with significantly lower volatility of returns, a low degree of correlation to traditional portfolios, and limited risk under a wide range of market conditions. The Morgan Creek Fund, Ltd. seeks to achieve its investment objective by allocating its assets to a broad spectrum of alternative investment managers or in private investment funds sponsored by alternative investment managers. These strategies include investments in equity, debt and mezzanine securities, and include long only and long/short strategies diversified across markets around the world. The Morgan Creek Fund, Ltd. uses the Endowment Model as their diversified approach to investing. The fair value of this investment has been estimated using the NAV per share of the investments provided by the fund manager. Stormont-Vail has requested a redemption of the Morgan Creek Fund, Ltd. funds and Morgan Creek is working through an orderly process to redeem these investments. The total redemption of Stormont-Vail's investments and pension plan assets represents approximately 43% of the fund's net assets. On December 5, 2013, the directors of Morgan Creek Fund, Ltd. made the decision to redeem all investors in the Fund as of December 31, 2013, with redemptions to be paid in 2014. It is intended the Fund will be wound up after all assets have been realized and all redemption proceeds have been paid.

Note 4. Investments and Fair Value Measurements (Continued)

(B) Securities in the Domestic Equities Series will be domestic corporations traded on any national exchange or NASDAQ. Investments in common stock, listed limited partnerships, preferred stock, ETFs, ETNs, securities convertible into common or preferred stock, bonds, American Depository Receipts (ADR's), debentures and warrants are allowed. The series is also permitted to invest in mutual funds and other commingled investment vehicles that invest in the types of domestic securities identified above. The fair value of this investment has been estimated using the NAV per share of the investments provided by the fund manager.

(C) Securities in the Global Equities Series will be both U.S. and non-U.S. based corporations traded on any global exchange. Investments in common stock, listed limited partnerships, preferred stock, ETFs, ETNs, securities convertible into common or preferred stock, bonds, American Depository Receipts (ADR's), debentures and warrants are allowed. Additionally, investments in Global Depository Receipts (GDR's) and European Depository Receipts (EDR's) are allowed. The series is also permitted to invest in mutual funds and other commingled investment vehicles that invest in the types of global securities identified above. The decision to hedge the currency exposure (inherent in international investments) is at the discretion of the underlying investment managers. The fair value of this investment has been estimated using the NAV per share of the investments provided by the fund manager.

(D) The principal purpose of Fixed Income Series is to provide relative safety of principal and a predictable source of income. Additionally, the series may invest in "extended" sectors of the fixed income market (high yield, non-dollar and convertible securities). Each underlying manager will be responsible for investing in securities specific to the manager's mandate. The fair value of this investment has been estimated using the NAV per share of the investments provided by the fund manager.

Note 5. Property, Plant and Equipment

A summary of property, plant and equipment for the years ended September 30, 2013 and 2012 is as follows:

	September 30, 2013	September 30, 2012
Land	$ 17,380,611	$ 15,923,345
Buildings and improvements	249,451,021	245,143,467
Equipment	156,404,440	144,049,263
Equipment under capital lease	1,553,421	1,553,421
Construction in progress	2,500,539	4,555,262
	$ 427,290,032	$ 411,224,758

Accumulated depreciation for equipment acquired under capital leases was $977,985 and $667,301 as of September 30, 2013 and 2012, respectively.

Note 6. Long-Term Debt

Stormont-Vail's long-term debt as of September 30, 2013 and 2012 is summarized as follows:

	2013	2012
Health Facilities Revenue Bonds:		
Series 2007L (A)	$ 50,050,000	$ 50,050,000
Series 2008F (B)	27,630,000	27,785,000
Series 2011F (C)	55,115,000	57,905,000
Series 2012L (D)	8,635,000	8,750,000
	141,430,000	144,490,000
Premium on issuance of Series 2011F bonds (C)	2,732,907	2,899,697
6th and Frazier note payable - 5.90%	-	84,403
Capital lease obligations at interest rates ranging from 4.50% - 4.62%	647,093	956,576
Other notes and contract payable - 4.00% - 6.25%	763,668	944,336
Total long-term debt	145,573,668	149,375,012
Less current portion	(4,228,924)	(3,888,872)
	$ 141,344,744	$ 145,486,140

The Health Facilities Revenue Bonds were issued by the Kansas Development Finance Authority. Stormont-Vail effectively assumed this indebtedness through a Master Trust Indenture and Supplemental Master Trust Indentures.

(A) The 2007L Bonds consist of term bonds bearing interest at rates ranging from 4.625% to 5.125% and in amounts of $1,875,000, $1,115,000, $4,545,000, $10,000,000, $7,515,000 and $25,000,000 due November 15, 2027, November 15, 2029, November 15, 2032, November 15, 2032, November 15, 2036 and November 15, 2036, respectively.

The 2007L Bonds maturing November 15, 2027 and thereafter are subject to optional redemption and payment prior to maturity on or after November 15, 2027. The 2007L Bonds are also subject to mandatory redemption and payment prior to maturity on November 15, 2024 through November 15, 2036 in amounts ranging from $210,000 to $6,740,000.

(B) The 2008F Bonds consist of serial bonds due in annual principal payments ranging from $125,000 to $2,405,000 and mature between November 15, 2013 and November 15, 2030. The 2008F Bonds bear interest at rates ranging from 4.00% to 5.75% payable semi-annually. In addition, term bonds bearing interest at 5.00% in the amounts of $5,480,000 and $2,280,000 are due November 15, 2021 and November 15, 2024, respectively (Series 2008F Term Bonds).

The 2008F bonds maturing in the year 2018 and thereafter are subject to optional redemption and payment prior to maturity on or after November 15, 2017. The Series 2008F Term Bonds are subject to mandatory redemption and payment prior to maturity on November 15, 2019 through November 15, 2024 in amounts ranging from $210,000 to $1,920,000.

(C) The 2011F Bonds consist of serial bonds due in annual principal payments ranging from $1,825,000 to $6,400,000 and mature between November 15, 2013 and November 15, 2030. The 2011F Bonds bear interest at rates ranging from 3.00% to 5.25% payable semi-annually.

The 2011F Bonds maturing in the year 2022 and thereafter are subject to optional redemption and payment prior to maturity on or after November 15, 2019.

Note 6. Long-Term Debt (Continued)

(D) The 2012L Bonds consist of term bonds due that mature between November 15, 2013 and November 15, 2027, bearing interest at 3.02% and in amounts ranging from $465,000 to $705,000.

The 2012L Bonds maturing November 15, 2027 and thereafter are subject to optional redemption and payment prior to maturity on or prior to November 15, 2017 at 101%. The 2012L Bonds are also subject to optional redemption and payment prior to maturity after November 15, 2017 at 100%.

The Health Facilities Revenue Bonds are secured by the gross revenue of Health*Care* (the sole member of the obligated group). The Master Indentures for the Bonds provide for the establishment of debt service accounts which are maintained and administered by a trustee, provide for restrictions as to financial reporting, mergers, and additional indebtedness, and require the maintenance of specified ratios.

Stormont-Vail is the lessee of certain medical equipment under capital leases expiring through 2016. Maturities of long-term debt and minimum future lease payments under capital leases are as follows:

	Health Facilities Revenue Bonds	Other Notes and Contract Payable	Capital Leases
Year ending September 30:			
2014	$ 3,610,000	$ 294,971	$ 346,872
2015	3,730,000	47,675	313,366
2016	3,865,000	49,164	17,738
2017	4,045,000	50,773	-
2018	4,225,000	321,085	-
Thereafter	121,955,000	-	-
Total	$ 141,430,000	$ 763,668	677,976
Less amount representing interest			(30,883)
Present value of net minimum lease payments			$ 647,093

In November 2013, Stormont-Vail issued Series 2013J Health Facilities Revenue Bonds in the amount of $40,000,000. The proceeds from the Series 2013J Bonds are to be used for the acquisition, construction and renovation of various health care facilities and equipment. The principal payments due on the Series 2013J Bonds are excluded from the maturities above. No principal amounts are due in the year ending September 30, 2014 on the Series 2013J Bonds.

Note 7. Net Asset Restrictions

Temporarily restricted net assets of $3,607,937 and $2,972,254 as of September 30, 2013 and 2012, respectively, are available for community health care services and other health related needs of the community. During 2013 and 2012, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes of health related needs of the community.

Permanently restricted net assets of $12,349,975 and $11,472,512 as of September 30, 2013 and 2012, respectively, are restricted to investment in perpetuity. Of those amounts, $7,398,327 and $6,772,563, respectively, are beneficial interest in assets of a perpetual trust held by a third party trustee from which the income distributions are unrestricted. Income from the other $4,951,648 and $4,699,949, respectively, which is under Stormont-Vail's control is expendable primarily to support various endowments' health related purposes.

Note 8. Endowment

Stormont-Vail's endowment consists of approximately 30 individual endowments established for a variety of purposes. Its endowments include donor-restricted permanent endowments and amounts designated by the Board of Directors to function as endowments. These board designated endowments include amounts temporarily restricted by donors as to purpose, as well as, unrestricted amounts. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including board designated endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

<u>Interpretation of Relevant Law</u>

Stormont-Vail has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Stormont-Vail classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Stormont-Vail in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Stormont-Vail considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of Stormont-Vail and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of Stormont-Vail
(7) The investment policies of Stormont-Vail

Note 8. Endowment (Continued)

The endowment net assets at September 30, 2013 and 2012 were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	September 30, 2013			
Donor restricted endowment funds	$ -	$ 864,534	$ 4,951,648	$ 5,816,182
Board-designated endowment funds:				
Donor restricted as to purpose	-	510,997	-	510,997
Board-designated as to purpose	772,453	-	-	772,453
	$ 772,453	$ 1,375,531	4,951,648	$ 7,099,632
Beneficial interest held by third party			7,398,327	
Total permanently restricted net assets			$ 12,349,975	
	September 30, 2012			
Donor restricted endowment funds	$ -	$ 511,246	$ 4,699,949	$ 5,211,195
Board-designated endowment funds:				
Donor restricted as to purpose	-	477,893	-	477,893
Board-designated as to purpose	575,693	-	-	575,693
	$ 575,693	$ 989,139	4,699,949	$ 6,264,781
Beneficial interest held by third party			6,772,563	
Total permanently restricted net assets			$ 11,472,512	

Note 8. Endowment (Continued)

Changes in endowment net assets for the years ended September 30, 2013 and 2012 were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	September 30, 2013			
Endowment net assets, beginning of year	$ 575,693	$ 989,139	$ 4,699,949	$ 6,264,781
Investment return (unrealized and realized)	58,044	463,151	-	521,195
Contributions	-	-	211,699	211,699
Appropriation of endowment assets for expenditure	(6,159)	(76,759)	-	(82,918)
Additions to endowment funds	144,875	-	40,000	184,875
Endowment net assets, end of year	$ 772,453	$ 1,375,531	4,951,648	$ 7,099,632
Beneficial interest held by third party			7,398,327	
Total permanently restricted net assets			$ 12,349,975	
	September 30, 2012			
Endowment net assets, beginning of year	$ 386,683	$ 554,549	$ 4,373,614	$ 5,314,846
Investment return (unrealized and realized)	128,377	593,770	-	722,147
Contributions	-	-	330,864	330,864
Appropriation of endowment assets for expenditure	(26,867)	(199,180)	-	(226,047)
Additions to endowment funds	87,500	40,000	-	127,500
Release of endowment funds by donor	-	-	(4,529)	(4,529)
Endowment net assets, end of year	$ 575,693	$ 989,139	4,699,949	$ 6,264,781
Beneficial interest held by third party			6,772,563	
Total permanently restricted net assets			$ 11,472,512	

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires Stormont-Vail to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States, deficiencies of this nature are reported in board-designated unrestricted net assets. There were no deficiencies as of September 30, 2013 or 2012.

Return Objectives, Risk Parameters and Strategies Employed for Achieving Objectives

Stormont-Vail has adopted an Investment Policy Statement that applies to endowment assets and which is intended to provide a predictable stream of funding to programs supported by its endowment while seeking long term growth in the real value of the endowment assets. Endowment assets include those assets of donor-restricted funds that Stormont-Vail must hold in perpetuity as well as board-designated funds.

Note 8. Endowment (Continued)

Return Objectives, Risk Parameters and Strategies Employed for Achieving Objectives (Continued)

To satisfy its long-term rate-of-return objectives, Stormont-Vail relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Stormont-Vail targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The endowment assets are invested in a manner that is intended to produce results comparable with weighted benchmarks including the Standard and Poor’s 500, the Barclay’s Government/Credit, and 90 day US Treasury bill indices.

Stormont-Vail understands that some level of risk, or volatility, is necessary to meet its long-term goals of providing the long term growth in real value while also supporting programs as intended by the Endowed Funds Spending Policy that is summarized below. Accordingly, Stormont-Vail assumes a moderate level of investment risk. Stormont-Vail expects its endowment funds, over time, to provide an average annual rate of return of up to eight percent. Actual returns in any given year vary, sometimes significantly, from this expectation.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

Through September 30, 2012, Stormont-Vail had an Endowed Funds Spending Policy which permits appropriation for expenditure, each fiscal year, five percent of each endowment fund's value as of September 30 of the immediately preceding fiscal year. Effective October 1, 2012, Stormont-Vail adopted an Endowed Funds Spending Policy which permits a discretionary percentage from zero to five percent of the average of each endowment fund’s value from the prior six bi-annual periods including the most recent March 31. In establishing this policy, Stormont-Vail considered the long-term expected return on its endowment. Accordingly, over the long term, in view of both the Endowed Funds Spending Policy and the Investment Account Policy Statement, Stormont-Vail expects its endowment to grow at an average of between two to three percent annually. This is consistent with Stormont-Vail's objective of creating long term growth in the real value of endowment assets.

Note 9. Operating Leases

Stormont-Vail has operating leases for land, buildings and medical and office equipment which expire through the year 2026. Rental expense under such leases was approximately $5,868,000 and $5,423,000 during the years ended September 30, 2013 and 2012, respectively.

The following is a schedule of approximate future minimum lease payments for operating leases (with initial or remaining terms in excess of one year) as of September 30, 2013:

Year ending September 30:	
2014	$ 4,039,000
2015	3,856,000
2016	3,786,000
2017	3,480,000
2018	1,191,000
Thereafter	414,000
	$ 16,766,000

Note 10. Retirement Plans

Effective October 1, 2012, the Board of Directors adopted a resolution to establish a basic defined contribution plan. For the year ending September 30, 2013, Stormont-Vail will make an annual discretionary contribution of 4% of compensation into this plan for eligible employees. To be eligible, employees must be 18 years old and have at least one year of employment with at least 1,000 hours paid in that year and be employed on September 30th of the year. In addition, Stormont-Vail's Defined Contribution 403(b) match plan will change to contribute an amount equal to participant contributions to the 403b plan up to 2% of their compensation up to the legal limit. There were no changes in employee eligibility in the 403(b) match plan. Stormont-Vail has accrued approximately $8,300,000 and none as of September 30, 2013 and 2012, respectively, for the employer contributions owed for the defined contribution plans. These amounts are included in accrued compensation on the accompanying consolidated balance sheets.

Stormont-Vail also has a noncontributory defined benefit pension plan (Pension Plan). Pension benefits are based on years of service and the highest average of five years' salaries. The funding policy is to contribute the normal cost plus amortization of the unfunded actuarial liabilities over 30 years. Employees are eligible to participate in the Pension Plan upon reaching age 21 and completion of one year of employment with 1,000 hours in that year. Effective September 30, 2012, the Board of Directors adopted a resolution to freeze the defined benefit pension plan. There was a curtailment loss of $3,011,434 as a result of this plan election.

The Compensation – Retirement Benefits Topic of the FASB ASC requires balance sheet recognition of the overfunded or underfunded status of pension and postretirement benefit plans. Actuarial gains and losses, prior service costs or credits and any remaining transition assets or obligations that have not been recognized under previous accounting standards, must be recognized in the changes in unrestricted net assets.

As a result, Stormont-Vail has recognized the underfunded status of the defined benefit pension plan in the accompanying balance sheets as of September 30, 2013 and 2012. The accrual for the defined benefit pension plan liability is based on a comparison of the fair value of the plan assets to the Plan's projected benefit obligation.

Note 10. Retirement Plans (Continued)

The Pension Plan is measured annually on September 30. Information about the Plan follows:

	2013	2012
Projected benefit obligation, beginning of year	$ (293,689,329)	$ (248,478,529)
Service cost	-	(13,741,859)
Interest cost	(11,421,853)	(12,166,032)
Actuarial loss:		
Impact of change in assumptions	37,611,442	(39,042,061)
Other	(2,802,015)	(7,324,700)
Plan amendment	-	22,077,525
Benefits paid	6,018,060	4,986,327
Projected benefit obligation, end of year	(264,283,695)	(293,689,329)
Fair value of plan assets	191,513,591	170,308,456
Funded status, benefit obligation in excess of plan assets	$ (72,770,104)	$ (123,380,873)
Rollforward of accrued benefit:		
Accrued benefit cost on balance sheet, beginning of year	$ (123,380,873)	$ (110,163,807)
Actual return on plan assets	16,630,862	16,980,061
Health*Care* contributions	10,592,333	20,000,000
Change in plan liability	23,387,574	(50,197,127)
Accrued benefit cost on balance sheet, end of year	$ (72,770,104)	$ (123,380,873)
Components of net periodic pension cost (income), which is included as a component of excess revenues over expenses on the accompanying consolidated statements of operations and changes in net assets, consist of:		
Service cost	$ -	$ 13,741,859
Interest cost	11,421,853	12,166,032
Expected return on plan assets	(14,579,701)	(13,957,998)
Amortization of unrecognized net loss	3,063,215	3,560,627
Amortization of unrecognized prior service cost	-	3,290,274
	$ (94,633)	$ 18,800,794
Amounts not yet recognized as components of net periodic pension cost:		
Net actuarial loss	$ 101,191,687	$ 141,115,490
Prior service cost	-	-
Unrecognized amounts, end of year	101,191,687	141,115,490
Unrecognized amounts, beginning of year	141,115,490	126,699,218
Current year change	$ (39,923,803)	$ 14,416,272
Assumptions used in computations:		
In computing ending obligations, discount rate	4.82%	3.90%
In computing net cost:		
Discount rate	3.90%	4.85%
Expected return on plan assets	8.00%	8.00%
Rate of compensation increase - graded based on ages	n/a	2.5 - 10.0%

Note 10. Retirement Plans (Continued)

Stormont-Vail expects to contribute approximately $9,240,000 into the Pension Plan during the year ended September 30, 2014.

The benefit payments are expected to be paid as follows:

Year ending September 30:	
2014	$ 8,404,000
2015	9,506,000
2016	10,521,000
2017	11,656,000
2018	12,914,000
2019 to 2023	78,337,000
	$ 131,338,000

Estimated amounts that will be amortized into net periodic pension cost for the year ending September 30, 2014, is as follows:

Prior service cost	$ -
Actuarial losses	2,168,000
	$ 2,168,000

Stormont-Vail's objective is to maximize long-term returns while reducing losses in order to meet future benefit obligations. Stormont-Vail follows the policy of using historical evidence in computing expected return on assets.

The following summarizes minimum and maximum asset allocations and major asset categories as of September 30, 2013 and 2012:

	Minimum	Maximum	2013	2012
Equity securities	40 %	80 %	64 %	62 %
Debt securities	20	60	5	9
Cash and cash equivalents	-	10	1	2
Other	-	20	30	27
			100 %	100 %

Stormont-Vail's objective is to maintain adequate levels of diversification among plan assets. Stormont-Vail monitors the allocation on an ongoing basis and will reallocate plan assets accordingly.

Note 10. Retirement Plans (Continued)

The fair values of Stormont-Vail's defined benefit pension plan assets as of September 30, 2013 and 2012 by asset category, segregated by the level of the valuation inputs within the fair value hierarchy as described in Note 4, are as follows:

		Fair Value Measurements as of September 30, 2013		
	Fair Value	Level 1	Level 2	Level 3
Hedge funds and funds of funds:				
Hedge fund - MCF	$ 34,655,458	$ -	$ -	$ 34,655,458
Hedge fund - BRIC	1,783,995	-	-	1,783,995
Fixed Income	51,200,697	-	51,200,697	-
Domestic Equity	48,708,181	-	48,708,181	-
Global Equity	50,498,237	-	50,498,237	-
Money market	277,276	277,276	-	-
Investments at fair value	187,123,844	$ 277,276	$ 150,407,115	$ 36,439,453
Other plan assets, cash and cash equivalents, at cost	4,389,747			
Total plan assets	$ 191,513,591			

		Fair Value Measurements as of September 30, 2012		
	Fair Value	Level 1	Level 2	Level 3
Hedge funds and funds of funds:				
Hedge fund - MCF	$ 58,551,917	$ -	$ 58,551,917	$ -
Fixed Income	38,925,456	-	38,925,456	-
Domestic Equity	31,595,662	-	31,595,662	-
Global Equity	39,485,164	-	39,485,164	-
Money market	1,750,257	1,750,257	-	-
Investments at fair value	170,308,456	$ 1,750,257	$ 168,558,199	$ -
Other plan assets, cash and cash equivalents, at cost	-			
Total plan assets	$ 170,308,456			

Stormont-Vail has requested redemption of certain investments that were previously classified as level 2 securities. These investments have been transferred from level 2 to level 3 during the year ended September 30, 2013 as these investments have redemption restrictions. The transfer had no effect on total investments. There were no other transfers of assets or liabilities between level 1, 2 or 3 of the fair value hierarchy during the years ended September 30, 2013 and 2012.

Note 10. Retirement Plans (Continued)

The change in fair value of level 3 investments for the year ended September 30, 2013 is as follows:

	Hedge Funds - MCF 2013	Hedge Funds - BRIC 2013
Beginning of year	$ -	$ -
Purchases	-	-
Sales and distributions	(21,216,005)	-
Transfers in	57,716,814	1,783,995
Transfers out	(1,783,995)	-
Total realized and unrealized gains (losses), net included in earnings	(61,356)	-
End of year	$ 34,655,458	$ 1,783,995
Total gains (losses), net, included in earnings attributable to the change in unrealized gains, net, relating to financial instruments still held at year end	$ (61,356)	$ -

The following table sets forth additional disclosure of Stormont-Vail's defined benefit pension plan assets whose fair value is estimated using NAV per share (or its equivalent) as of September 30, 2013 and 2012:

Investment	Fair Value 2013	Fair Value 2012	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Hedge funds and funds of funds:					
The Morgan Creek Fund, Ltd. (A)	$ 34,655,458	$ 58,551,917	$ -	(A)	(A)
Morgan Creek BRIC, Ltd.	1,783,995	-	-	(E)	(E)
Summit Domestic Equities Series (B)	48,708,181	31,595,662	-	Twice a month	30 Days
Summit Global Equities Series (C)	50,498,237	39,485,164	-	Twice a month	30 Days
Summit Fixed Income Series (D)	51,200,697	38,925,456	-	Twice a month	30 Days
	$ 186,846,568	$ 168,558,199	$ -		

(A) through (D) the hedge funds and funds of funds are further described in Note 4.

(E) Morgan Creek BRIC Plus Private Fund, Ltd is primarily structured as a fund-of-funds whose investment objective is to generate superior long-term investment returns relative to traditional equity benchmarks with significantly lower volatility of returns, a low degree of correlation to traditional portfolios, and limited risk under a wide range of market conditions. The fund seeks to achieve this objective by investing its assets with a diversified group of alternative investment managers or in private funds employing a wide range of investment styles and strategies sponsored by investment managers. By focusing on investments with investment managers who are not constrained by traditional asset management restrictions, such as prohibitions against short selling, leverage, security type or investment concentration, the fund expects to engage investment managers within each market segment and investment discipline. The fair value of this investment has been estimated using the NAV per share of the investments provided by the fund manager. Stormont is receiving special purpose vehicle shares in this fund as it redeems out of the Morgan Creek Fund, Ltd. as a significant portion of the underlying investments in this fund are illiquid. Redemption of these funds is expected through an orderly process within a 2 year period.

Stormont-Vail redeemed $21,216,005 in cash from The Morgan Creek Fund, Ltd. in July and August 2013 and $1,783,995 was transferred into the Morgan Creek BRIC Plus Private Fund, Ltd. fund.

Note 11. Concentrations of Credit Risk

Stormont-Vail grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of the gross receivables from patients and third-party payors as of September 30, 2013 and 2012 was as follows:

	2013	2012
Medicare	27.5 %	29.0 %
Medicaid	9.3	7.8
Blue Cross	15.2	15.3
Other third-party payors	19.3	20.8
Patients	28.7	27.1
	100.0 %	100.0 %

As of September 30, 2013, Stormont-Vail had deposits exceeding the federal depository insurance limits in various major financial institutions. Management believes the credit risk related to these deposits is minimal.

Stormont-Vail routinely invests its surplus operating funds in money market funds. These funds generally invest in highly liquid U.S. government and agency obligations and various investment grade corporate obligations. Most investments in money market funds are not insured or guaranteed by the U.S. government or by the underlying corporation; however, management believes that credit risk related to these investments is minimal.

Stormont-Vail regularly invests its assets limited to use and pension plan assets in hedge funds and funds of hedge funds. As described further in Notes 4 and 10, assets limited as to use and pension plan assets within a few different funds. Management believes that credit risk related to these investments is minimal.

Note 12. Commitments and Contingencies

Self-insured professional liability and workers' compensation:

Stormont-Vail is self-insured for professional liability claims (except for claims against employed physicians which are covered by a third-party insurer subject to a $200,000 per occurrence indemnity deductible) to a maximum of $200,000 for each occurrence and $600,000 in the aggregate per year, with excess coverage provided by the State of Kansas Healthcare Stabilization Fund and a commercial insurance company. All professional liability insurance policies are on a claims-made basis. Stormont-Vail has retained professional actuaries to determine funding requirements for the self-insured portion. Funded amounts have been placed in a self-insurance trust account that is administered by a trustee. Amounts have also been designated by Stormont-Vail for self-insurance purposes. These investments are included with limited use or restricted assets in the accompanying consolidated balance sheets.

Stormont-Vail is self-insured for workers' compensation claims to a maximum of $400,000 per accident, with excess coverage provided by a commercial insurance company. Stormont-Vail has purchased a $1,718,000 surety bond accepted by the State of Kansas as required security for the workers' compensation plan.

Note 12. Commitments and Contingencies (Continued)

Stormont-Vail's accrual for self-insured losses is based upon management's estimate of the potential liability for claims made and for claims incurred but not reported through September 30, 2013. Management utilizes services of an independent actuarial firm to develop an estimate of the liability for incurred but not reported professional liabilities. Additional claims may be asserted against Stormont-Vail arising from services provided or accidents incurred through September 30, 2013. Management is unable to determine the ultimate cost of the resolution of such potential claims.

As of September 30, 2013 and 2012, Stormont-Vail has recorded a liability of approximately $6,395,000 and $5,194,000, respectively, for estimated self-insured professional liability claims. This represents the discounted present value of the liability. The undiscounted liability was approximately $6,717,000 and $5,584,000, respectively for estimated self-insured professional liability claims. As of September 30, 2013 and 2012, Stormont-Vail has recorded a liability for approximately $978,000 and $623,000, respectively, for estimated self-insured workers' compensation claims. This represents the undiscounted present value of the liability. Both estimated self-insured professional liability and estimated self-insured workers' compensation claims are included in other accrued expenses on the accompanying consolidated balance sheets. Stormont-Vail has recorded accounts receivable under the stop-loss insurance coverage of approximately $919,000 and $864,000 as of September 30, 2013 and 2012, respectively, and these amounts are included in other accounts receivable on the accompanying consolidated balance sheets. Operating expenses include costs of claims reported and an estimate of losses incurred but not reported. Expenses relating to these plans were approximately $2,287,000 and $2,542,000 for the years ended September 30, 2013 and 2012, respectively.

Self-insured employee health insurance:

Stormont-Vail is self-insured for its employee health insurance. Stormont-Vail maintains insurance coverage for individual claims which exceed $250,000 per person per year. As of September 30, 2013 and 2012, Stormont-Vail has recorded a liability of approximately $ 4,554,000 and $4,867,000, respectively, for estimated self-insured employee health insurance claims which is included as health insurance accruals on the accompanying consolidated balance sheets. Expenses related to this plan were approximately $25,055,000 and $23,706,000 for the years ended September 30, 2013 and 2012, respectively.

Laws and regulations:

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future governmental review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While Stormont-Vail is subject to similar regulatory reviews, management believes that the outcome of such regulatory reviews will not have a material adverse effect on Stormont-Vail's financial position.

Note 12. Commitments and Contingencies (Continued)

CMS RAC Program:

Congress passed the Medicare Modernization Act in 2003, which among other things established a demonstration of The Medicare Recovery Audit Contractor (RAC) program. The RAC's identified and corrected a significant amount of improper overpayments to providers. In 2006, Congress passed the Tax Relief and Health Care Act of 2006 which authorized the expansion of the RAC program to all 50 states. Stormont-Vail, like similarly situated health care providers, has been subject to such audits and may continue to be subject to additional audits at some time in the future.

Current economic conditions:

Current economic conditions have made it difficult for certain of Stormont-Vail's patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Stormont-Vail's future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for accounts and contributions receivable that could negatively impact Stormont-Vail's ability to meet debt covenants or maintain sufficient liquidity.

Health care reform:

In March 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law. PPACA will result in sweeping changes across the health care industry, including how care is provided and paid for. A primary goal of this comprehensive reform legislation is to extend health coverage to approximately 32 million uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs. Given that final regulations and interpretive guidelines have yet to be published, Stormont-Vail is unable to fully predict the impact of PPACA on its operations and financial results. If the law is implemented as adopted, Stormont-Vail's management expects that in the coming years, patients who were previously uninsured and unable to pay for care will have basic insurance coverage, and amounts for reimbursement for services from both public and private payors will be reduced and made conditional on various quality measures. Management of Stormont-Vail is studying and evaluating the anticipated effects and developing strategies needed to prepare for implementation, and is preparing to work cooperatively with other constituents to optimize available reimbursement.

Litigation:

Stormont-Vail is a party to litigation matters and claims, including alleged medical malpractice, arising in the normal course of its operations. In the opinion of management, disposition of these matters will not have a material adverse effect on Stormont-Vail's consolidated financial position or results of operations.

Note 13. New and Pending Accounting Pronouncements

In 2013, Stormont-Vail adopted Accounting Standards Update (ASU) 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. This ASU was issued to clarify FASB's intent on application of certain aspects of existing fair value measurement requirements and to change certain requirements for measuring fair value and for disclosing information about fair value measurements. These changes (mostly applicable to financial instruments in levels 2 and 3) include guidance on measuring the fair value of financial instruments that are managed within a portfolio, application of premiums and discounts, and additional disclosures about fair value measurements. FASB has concluded that this ASU will achieve the objective of developing common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. The adoption of this ASU resulted in minimal changes to the fair value disclosures of Stormont-Vail, and it had no effect on Stormont-Vail's consolidated balance sheet or consolidated statement of operations.

In 2013, Stormont-Vail adopted ASU No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provisions for Bad Debts, and the Allowance for Doubtful Accounts for Certain Healthcare Entities.* This ASU requires Stormont-Vail to present the provisions for bad debts associated with patient service revenue as a deduction from patient service revenue. The adoption of this ASU changed where the provision for bad debts was presented within the statement of operations; however, it did not affect operating income or the change in unrestricted net assets. All periods presented in these consolidated financial statements and notes to the consolidated financial statement have been reclassified in accordance with the guidance.

In December 2011, the Financial Accounting Standards Board (FASB) issued ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities.* The amendments in this ASU require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. Management is evaluating the impact this ASU may have on Stormont-Vail's consolidated financial statements.

In October 2012, the FASB issued ASU 2012-05, *Statement of Cash Flows: Not-for Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows.* This ASU requires a not-for-profit entity to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any not-for-profit entity-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities. This guidance is effective prospectively for fiscal years, and interim periods within those years, beginning after June 15, 2013. Management is evaluating the impact this ASU may have on Stormont-Vail's consolidated financial statements.

Note 13. New and Pending Accounting Pronouncements (Continued)

In February 2013, the FASB issued ASU No. 2013-04, *Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date* (a consensus of the Emerging Issues Task Force). ASU 2013-04 provides guidance for the recognition, measurement and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this ASU is fixed at the reporting date, except for obligations addressed within existing guidance in U.S. GAAP. The guidance requires an entity to measure those obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance in this ASU also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The amendments in this ASU should be applied retrospectively to all prior periods presented for those obligations resulting from joint and several liability arrangements within the ASU's scope that exist at the beginning of an entity's fiscal year of adoption. An entity may elect to use hindsight for the comparative periods (if it changed its accounting as a result of adopting the amendments in this ASU) and should disclose that fact. Early adoption is permitted. Management is evaluating the impact this ASU may have on Stormont-Vail's consolidated financial statements.

In April 2013, the FASB has issued ASU No. 2013-06, *Not-for-Profit Entities (Topic 958) - Services Received from Personnel of an Affiliate.* The objective of the amendments in this ASU is to specify the guidance that not-for-profit entities apply for recognizing and measuring services received from personnel of an affiliate. More specifically, the amendments in this ASU apply to not-for-profit entities, including not-for-profit, business-oriented health care entities that receive services from personnel of an affiliate that directly benefit the recipient not-for-profit entity and for which the affiliate does not charge the recipient not-for-profit entity. The amendments in this ASU require a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either: (*a*) the cost recognized by the affiliate for the personnel providing that service or; (*b*) the fair value of that service. The amendments in this ASU are effective prospectively for fiscal years beginning after June 15, 2014, and interim and annual periods thereafter. A recipient not-for-profit entity may apply the amendments using a modified retrospective approach under which all prior periods presented upon the date should be adjusted, but no adjustment should be made to the beginning balance of net assets of the earliest period presented. Early adoption is permitted. Management is evaluating the impact this ASU may have on Stormont-Vail's consolidated financial statements.

Supplementary Information

Stormont-Vail Health*Care,* Inc.
and Affiliates

Consolidating Balance Sheet
September 30, 2013
With Comparative Totals for September 30, 2012

Assets	Stormont-Vail HealthCare, Inc.	Stormont-Vail Foundation
Current assets:		
Cash and cash equivalents	$ 90,355,232	$ 727,459
Short-term investments	18,418,321	338,653
Limited use or restricted assets	12,097,431	-
Patient accounts receivable, net	72,990,806	-
Other accounts receivable	2,625,175	202,208
Due from related parties	257,519	1,000
Inventories	5,114,532	-
Other current assets	5,676,443	7,873
Total current assets	207,535,459	1,277,193
Limited use or restricted assets:		
Under bond trust indentures, held by Trustee	5,693,121	-
Board-designated for capital improvements	137,341,268	-
Restricted by professional liability insurance security agreements	5,468,545	-
Restricted by donors or grantors	855,523	15,102,389
Total limited use or restricted assets	149,358,457	15,102,389
Less current portion	12,097,431	-
Limited use or restricted assets, net	137,261,026	15,102,389
Property, plant and equipment	421,127,116	31,746
Less accumulated depreciation	224,226,668	31,408
Property, plant and equipment, net	196,900,448	338
Other assets:		
Debt issue costs, net	1,825,738	-
Investments in affiliates	18,779,144	-
Intangible assets, net	2,853,469	-
Miscellaneous, primarily employee advances	77,256	-
Total other assets	23,535,607	-
	$ 565,232,540	$ 16,379,920

* Other Affiliates includes Dechairo Hospital, Inc., KOSM, Inc., UAT, Inc. and Urish Medical Plaza, L.L.C.

Stormont-Vail, Inc.	Century Health Solutions, Inc.	Other Affiliates*	Eliminations	Total 2013	Total 2012
$ 1,337,745	$ 86,688	$ 388,005	$ -	$ 92,895,129	$ 88,031,207
-	-	-	-	18,756,974	61,590,177
-	-	-	-	12,097,431	10,372,812
668,795	83,385	-	-	73,742,986	74,313,362
39,350	-	-	-	2,866,733	2,822,540
-	31,554	-	(290,073)	-	-
558,651	-	-	-	5,673,183	6,498,729
498,965	35,428	22,226	-	6,240,935	5,323,533
3,103,506	237,055	410,231	(290,073)	212,273,371	248,952,360
-	-	-	-	5,693,121	10,958,351
6,159,464	-	-	-	143,500,732	94,062,594
-	-	-	-	5,468,545	5,075,487
-	-	-	-	15,957,912	14,444,766
6,159,464	-	-	-	170,620,310	124,541,198
-	-	-	-	12,097,431	10,372,812
6,159,464	-	-	-	158,522,879	114,168,386
3,881,473	60,942	2,188,755	-	427,290,032	411,224,758
1,530,260	54,097	555,208	-	226,397,641	212,748,638
2,351,213	6,845	1,633,547	-	200,892,391	198,476,120
-	-	-	-	1,825,738	1,928,737
3,223,571	-	-	(16,299,571)	5,703,144	6,860,142
-	-	390,933	-	3,244,402	938,546
1,000	-	-	-	78,256	30,345
3,224,571	-	390,933	(16,299,571)	10,851,540	9,757,770
$ 14,838,754	$ 243,900	$ 2,434,711	$ (16,589,644)	$ 582,540,181	$ 571,354,636

Stormont-Vail Health*Care,* Inc.
and Affiliates

Consolidating Balance Sheet
September 30, 2013
With Comparative Totals for September 30, 2012

Liabilities, Stockholders' Equity and Net Assets	Stormont-Vail HealthCare, Inc.	Stormont-Vail Foundation
Current liabilities:		
Current portion of long-term debt	$ 3,980,150	$ -
Current portion of payable under employee agreements	397,475	-
Accounts payable	16,522,272	88,103
Accrued expenses:		
Interest	2,279,118	-
Compensation	30,557,585	-
Health insurance	4,554,465	-
Other	7,373,199	5,400
Reserve for third-party payors	2,527,462	-
Due to related parties	26,355	147,503
Total current liabilities	68,218,081	241,006
Long-term debt, less current portion	141,344,744	-
Long-term payable under employee agreements, less current portion	390,505	-
Accrued pension, less current portion	72,770,104	-
Total liabilities	282,723,434	241,006
Stockholders' equity	-	-
Net assets:		
Unrestricted	281,653,583	1,036,525
Noncontrolling interest, unrestricted	-	-
Temporarily restricted	722,664	2,885,273
Permanently restricted	132,859	12,217,116
Total net assets	282,509,106	16,138,914
	$ 565,232,540	$ 16,379,920

* Other Affiliates includes Dechairo Hospital, Inc., KOSM, Inc., UAT, Inc. and Urish Medical Plaza, L.L.C.

Stormont-Vail, Inc.	Century Health Solutions, Inc.	Other Affiliates*	Eliminations	Total 2013	Total 2012
$ -	$ -	$ 248,774	$ -	$ 4,228,924	$ 3,888,872
-	-	-	-	397,475	775,248
163,199	24,498	-	84,488	16,882,560	14,254,991
-	-	-	-	2,279,118	2,275,207
58,911	165,612	-	-	30,782,108	33,366,441
-	-	-	-	4,554,465	4,866,846
40,471	1,102	-	-	7,420,172	6,969,385
-	-	-	-	2,527,462	5,418,036
200,703	-	-	(374,561)	-	-
463,284	191,212	248,774	(290,073)	69,072,284	71,815,026
-	-	-	-	141,344,744	145,486,140
-	-	-	-	390,505	1,326,641
-	-	-	-	72,770,104	123,380,873
463,284	191,212	248,774	(290,073)	283,577,637	342,008,680
14,375,470	52,688	2,185,937	(16,614,095)	-	-
-	-	-	-	282,690,108	213,760,090
-	-	-	314,524	314,524	1,141,100
-	-	-	-	3,607,937	2,972,254
-	-	-	-	12,349,975	11,472,512
-	-	-	314,524	298,962,544	229,345,956
$ 14,838,754	$ 243,900	$ 2,434,711	$ (16,589,644)	$ 582,540,181	$ 571,354,636

Stormont-Vail Health*Care,* Inc.
and Affiliates

Consolidating Statement of Operations
Year Ended September 30, 2013
With Comparative Totals for Year Ended September 30, 2012

	Stormont-Vail HealthCare, Inc.	Stormont-Vail Foundation
Operating revenues:		
Patient service revenue, net of contractual adjustments	$ 544,792,431	$ -
Less provision for uncollectible accounts	34,638,387	-
Net patient service revenue	510,154,044	-
Other operating revenue	5,843,968	-
Net assets released from restriction for operating activities	27,666	387,393
Total operating revenues	516,025,678	387,393
Operating expenses:		
Salaries, wages and employee benefits	313,985,015	355,791
Supplies and other expenses	148,838,926	42,545
Professional services	6,293,984	17,128
Interest	6,849,253	-
Depreciation and amortization	19,871,902	188
Program expense	27,666	529,538
Total operating expenses	495,866,746	945,190
Income (loss) from operations	20,158,932	(557,797)
Nonoperating gains (losses):		
Investment income (loss):		
Interest and dividend income and realized gains (losses) on sales of investments	(169,168)	558,825
Current year change in net unrealized gains (losses) on trading securities	9,013,817	(40,973)
Investment income	8,844,649	517,852
Equity in net gains of unconsolidated affiliates	(283,177)	-
Income tax benefit (expense) and other income (expense), net	(134,513)	160,004
Gain (loss) on disposition of unconsolidated affiliates	(280,026)	-
Change in fair value of interest rate swap	-	-
Total nonoperating gains, net	8,146,933	677,856
Excess of revenues over (under) expenses	28,305,865	120,059
Less excess of revenue over expenses attributable to noncontrolling interest	-	-
Excess of revenues over (under) expenses attributable to controlling interest	28,305,865	120,059
Change in unrecognized funded status of pension plan	39,923,803	-
Unrestricted contributions to (from) affiliates	(420,000)	420,000
Contributions to (from) affiliates for capital expenditures	116,852	(116,852)
Merger of ExcellENT into HealthCare	-	-
Dividends paid to shareholders'	-	-
Net assets released from restriction for capital expenditures	-	116,852
Donation of property and equipment received	173,258	-
Capital contributions	-	-
Equity in net income (loss) of consolidated affiliates	290,181	-
Increase (decrease) in unrestricted net assets/equity	$ 68,389,959	$ 540,059

* Other Affiliates includes Dechairo Hospital, Inc., KOSM, Inc., UAT, Inc. and Urish Medical Plaza, L.L.C.

Schedule 2

ExcellENT Surgery Center, L.L.C.	Stormont-Vail, Inc.	Century Health Solutions, Inc.	Other Affiliates *	Eliminations	Total 2013	Total 2012
$ -	$ 3,041	$ -	$ -	$ -	$ 544,795,472	$ 543,203,635
-	-	-	-	-	34,638,387	33,564,396
-	3,041	-	-	-	510,157,085	509,639,239
-	1,778,470	948,416	335,144	(354,326)	8,551,672	22,679,375
-	-	-	-	-	415,059	641,742
-	1,781,511	948,416	335,144	(354,326)	519,123,816	532,960,356
-	1,246,904	899,583	-	-	316,487,293	325,654,139
-	652,556	364,404	83,464	(354,326)	149,627,569	141,094,248
-	38,442	7,235	-	-	6,356,789	6,311,186
-	-	-	8,182	-	6,857,435	6,370,339
-	92,266	5,183	515,908	-	20,485,447	19,885,154
-	-	-	-	-	557,204	767,002
-	2,030,168	1,276,405	607,554	(354,326)	500,371,737	500,082,068
-	(248,657)	(327,989)	(272,410)	-	18,752,079	32,878,288
-	51,157	-	-	-	440,814	7,120,801
-	-	-	-	-	8,972,844	3,079,145
-	51,157	-	-	-	9,413,658	10,199,946
-	813,188	-	-	-	530,011	2,114,647
-	174,675	125,658	-	-	325,824	(995,726)
-	-	-	-	-	(280,026)	12,984,048
-	-	-	-	-	-	118,520
-	1,039,020	125,658	-	-	9,989,467	24,421,435
-	790,363	(202,331)	(272,410)	-	28,741,546	57,299,723
-	-	-	-	(25,441)	(25,441)	(233,320)
-	790,363	(202,331)	(272,410)	(25,441)	28,716,105	57,066,403
-	-	-	-	-	39,923,803	(14,416,272)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(1,696,522)	-	-	-	1,696,522	-	-
-	(1,300,000)	-	(73,125)	1,373,125	-	-
-	-	-	-	-	116,852	99,947
-	-	-	-	-	173,258	261,469
-	-	184,739	-	(184,739)	-	-
-	(121,993)	-	-	(168,188)	-	-
$ (1,696,522)	$ (631,630)	$ (17,592)	$ (345,535)	$ 2,691,279	$ 68,930,018	$ 43,011,547

Stormont-Vail Health*Care,* Inc.
and Affiliates

Consolidating Statement of Changes in Net Assets/Stockholders' Equity
Year Ended September 30, 2013
With Comparative Totals for Year Ended September 30, 2012

	Stormont-Vail HealthCare, Inc.	Stormont-Vail Foundation
Unrestricted net assets:		
Excess of revenues over (under) expenses	$ 28,305,865	$ 120,059
Change in unrecognized funded status of pension plan	39,923,803	-
Income associated with noncontrolling interests	-	-
Unrestricted contributions to (from) affiliates	(420,000)	420,000
Contributions to (from) affiliates for capital expenditures	116,852	(116,852)
Merger of ExcellENT into HeatlhCare	-	-
Dividends paid to shareholders'	-	-
Net assets released from restriction for capital expenditures	-	116,852
Donation of property and equipment received	173,258	-
Capital contributions	-	-
Equity in net income (loss) of consolidated affiliates	290,181	-
Increase (decrease) in unrestricted net assets/equity	68,389,959	540,059
Temporarily restricted net assets:		
Contributions	57,061	687,237
Change of restriction by donor	-	(40,000)
Investment income	(4,691)	525,294
Change in net unrealized gains (losses) on investments	-	(57,307)
Net assets released from restriction for operating activities	(27,666)	(387,393)
Net assets released from restriction for capital expenditures	-	(116,852)
Increase (decrease) in temporarily restricted net assets	24,704	610,979
Permanently restricted net assets:		
Contributions, net	-	205,000
Change of restriction by donor	-	40,000
Investment income	-	632,463
Increase in permanently restricted net assets	-	877,463
Noncontrolling interest - unrestricted net assets, income associated with noncontrolling interests	-	-
Increase (decrease) in net assets/equity	68,414,663	2,028,501
Net assets/stockholders' equity, beginning of year	214,094,443	14,110,413
Net assets/stockholders' equity, end of year	$ 282,509,106	$ 16,138,914

* Other Affiliates includes Dechairo Hospital, Inc., KOSM, Inc., UAT, Inc. and Urish Medical Plaza, L.L.C.

Schedule 3

ExcellENT Surgery Center, L.L.C.	Stormont-Vail, Inc.	Century Health Solutions, Inc.	Other Affiliates*	Eliminations	Total 2013	Total 2012
$ -	$ 790,363	$ (202,331)	$ (272,410)	$ -	$ 28,741,546	$ 57,299,723
-	-	-	-	-	39,923,803	(14,416,272)
-	-	-	-	(25,441)	(25,441)	(233,320)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(1,696,522)	-	-	-	1,696,522	-	-
-	(1,300,000)	-	(73,125)	1,373,125	-	-
-	-	-	-	-	116,852	99,947
-	-	-	-	-	173,258	261,469
-	-	184,739	-	(184,739)	-	-
-	(121,993)	-	-	(168,188)	-	-
(1,696,522)	(631,630)	(17,592)	(345,535)	2,691,279	68,930,018	43,011,547
-	-	-	-	-	744,298	755,985
-	-	-	-	-	(40,000)	4,529
-	-	-	-	-	520,603	15,473
-	-	-	-	-	(57,307)	583,641
-	-	-	-	-	(415,059)	(641,742)
-	-	-	-	-	(116,852)	(99,947)
-	-	-	-	-	635,683	617,939
-	-	-	-	-	205,000	189,600
-	-	-	-	-	40,000	(4,529)
-	-	-	-	-	632,463	1,192,944
-	-	-	-	-	877,463	1,378,015
-	-	-	-	(826,576)	(826,576)	(476,537)
(1,696,522)	(631,630)	(17,592)	(345,535)	1,864,703	69,616,588	44,530,964
1,696,522	15,007,100	70,280	2,531,472	(18,164,274)	229,345,956	184,814,992
$ -	$ 14,375,470	$ 52,688	$ 2,185,937	$ (16,299,571)	$ 298,962,544	$ 229,345,956

Stormont-Vail Health*Care*, Inc. Schedule 4
(Parent Company Only)

Revenue and Expenses
Years Ended September 30, 2013 and 2012

	2013			
	In-Patient	**Out-Patient**	**Total**	2012
Revenue:				
Revenue from services to patients:				
Anesthesia	**$ 5,279,350**	**$ 6,977,130**	**$ 12,256,480**	$ 12,549,296
Cardiovascular services	**57,941,293**	**68,030,451**	**125,971,744**	131,873,001
Critical care	**31,357,866**	**308,485**	**31,666,351**	34,924,287
Emergency room	**19,325,128**	**44,000,407**	**63,325,535**	59,493,150
Endoscopy and pain management	**2,009,390**	**5,177,008**	**7,186,398**	7,493,929
Enterostomal therapy	**1,218,235**	**202,172**	**1,420,407**	978,029
Laboratory	**75,667,722**	**37,769,780**	**113,437,502**	119,471,711
Materials management	**45,788,631**	**2,914,046**	**48,702,677**	50,686,160
Medical/surgical	**84,644,146**	**11,081,522**	**95,725,668**	95,785,511
Neonatal intensive care unit	**33,440,275**	**-**	**33,440,275**	33,546,348
Obstetrics/gynecology	**19,319,681**	**1,855,347**	**21,175,028**	21,685,996
Pediatric and adolescent	**4,696,957**	**1,085,725**	**5,782,682**	5,363,670
Perfusion	**5,023,412**	**54,500**	**5,077,912**	6,366,573
Pharmacy and IV therapy	**78,778,706**	**63,197,000**	**141,975,706**	127,629,893
Post anesthesia care unit	**4,009,142**	**6,973,916**	**10,983,058**	11,024,357
Psychiatric	**25,588,819**	**1,356,644**	**26,945,463**	29,993,790
Radiology	**43,928,928**	**132,707,177**	**176,636,105**	138,533,515
Rehabilitation services	**7,616,627**	**4,341,404**	**11,958,031**	10,107,416
Respiratory care	**44,420,855**	**2,517,162**	**46,938,017**	48,855,626
Sleep disorders center	**11,368**	**5,470,931**	**5,482,299**	5,422,319
Surgery	**91,022,715**	**74,031,269**	**165,053,984**	167,705,472
Medical services division	**6,036,383**	**305,919,491**	**311,955,874**	348,008,484
Woundcare	**-**	**4,088,309**	**4,088,309**	3,841,406
Less provision for charity care relating to classifications above			**(31,913,392)**	(34,289,693)
Total revenue from services to patients - forward			**$ 1,435,272,113**	$ 1,437,050,246

(Continued)

Stormont-Vail Health*Care*, Inc.
(Parent Company Only)

Schedule 4, Cont.

Revenue and Expenses
Years Ended September 30, 2013 and 2012

	2013	2012
Total revenue from services to patients - forwarded	**$ 1,435,272,113**	$ 1,437,050,246
Less:		
Courtesy and other allowances	**1,726,758**	1,169,790
Contractual adjustments:		
Medicare	**515,122,807**	509,925,873
Medicaid	**131,023,448**	132,661,093
Blue Cross	**143,486,658**	153,211,529
Tri-Care	**24,347,764**	24,042,723
Other	**74,772,247**	74,037,932
Provision for uncollectible accounts	**34,638,387**	33,363,039
	925,118,069	928,411,979
Net revenue from services to patients	**510,154,044**	508,638,267
Other operating revenue:		
Nutritional services	**2,179,082**	2,274,823
Education services/School of Nursing	**2,171,316**	2,072,404
Pharmacy and IV therapy	**438,469**	8,865
Investment income (loss)	**(352,505)**	3,917,220
Maternal fetal medicine	**94,702**	105,775
Lifeline	**433,790**	453,058
Electronic health records incentive payments	**-**	6,764,958
Other	**879,114**	1,318,073
Total other operating revenue	**5,843,968**	16,915,176
Net assets released from restriction for operating activities	**27,666**	40,526
Total operating revenue	**$ 516,025,678**	$ 525,593,969

(Continued)

Stormont-Vail Health*Care*, Inc.
(Parent Company Only)

Schedule 4, Cont.

Revenue and Expenses
Years Ended September 30, 2013 and 2012

	2013	2012
Operating expenses:		
Salaries	**$ 256,236,421**	$ 256,277,576
Employee benefits	**57,748,594**	65,594,409
Supplies	**87,212,543**	84,415,672
Other expenses	**57,170,124**	50,213,950
Utilities	**4,456,259**	4,416,119
Professional services	**6,293,984**	5,810,028
Interest	**6,849,253**	6,354,150
Depreciation and amortization of intangibles	**19,871,902**	19,068,603
Program expense	**27,666**	40,526
Total operating expenses	**495,866,746**	492,191,033
Income from operations	**20,158,932**	33,402,936
Nonoperating gains (losses):		
Investment income (loss):		
Interest and dividend income and realized gains (losses) on sale of investments	**(169,168)**	6,635,802
Current year change in net unrealized gains on trading securities	**9,013,817**	2,980,237
Investment income	**8,844,649**	9,616,039
Equity in net gains (losses) of unconsolidated affiliates	**(283,177)**	281,058
Other income, net	**(134,513)**	37,897
Gain (loss) on disposition of unconsolidated affiliates	**(280,026)**	11,510,587
Change in fair value of interest rate swap	**-**	118,520
Nonoperating gains, net	**8,146,933**	21,564,101
Excess of revenues over expenses	**28,305,865**	54,967,037
Change in unrecognized funded status of retirement plan	**39,923,803**	(14,416,272)
Contributions to affiliate	**(420,000)**	(360,000)
Contributions from affiliate for capital expenditures	**116,852**	99,947
Donation of property and equipment received	**173,258**	261,469
Equity in net income of consolidated affiliates	**290,181**	2,041,068
Increase in unrestricted net assets	**$ 68,389,959**	$ 42,593,249

Stormont-Vail Health*Care*, Inc. <u>Schedule 5</u>
(Parent Company Only)

Operating Expenses
(Excluding Depreciation and Amortization, Interest and Program Expense)

Year Ended September 30, 2013
With Comparative Totals for Year Ended September 30, 2012

	2013				
	Salaries, Wages and Employee Benefits	**Supplies and Other Expenses**	**Professional Services**	**Total**	Total 2012
Administration	**$ 5,493,344**	**$ 11,808,722**	**$ 309,690**	**$ 17,611,756**	$ 12,484,278
Anesthesia	**-**	**560,489**	**1,910,338**	**2,470,827**	2,583,112
Cardiovascular services	**4,431,709**	**11,103,356**	**-**	**15,535,065**	15,181,134
Case management	**1,945,370**	**9,037**	**-**	**1,954,407**	1,959,986
Critical care	**5,407,348**	**952,718**	**-**	**6,360,066**	6,857,409
Educational services	**1,429,056**	**136,185**	**951**	**1,566,192**	1,188,780
Emergency room	**6,531,929**	**581,429**	**-**	**7,113,358**	7,340,624
Employee benefits	**62,493,884**	**181,164**	**-**	**62,675,048**	78,375,493
Endoscopy and pain management	**634,245**	**441,411**	**-**	**1,075,656**	1,067,177
Environmental services	**2,479,609**	**1,174,190**	**-**	**3,653,799**	3,567,249
Enterostomal therapy	**287,964**	**10,058**	**-**	**298,022**	279,390
Facilities management	**2,909,239**	**5,256,287**	**-**	**8,165,526**	7,985,670
Fiscal operations	**6,132,162**	**5,116,854**	**-**	**11,249,016**	11,038,388
Health connections	**1,073,006**	**11,332**	**-**	**1,084,338**	1,094,816
Health sciences library	**158,633**	**119,579**	**-**	**278,212**	351,277
Human resources	**1,483,088**	**258,218**	**-**	**1,741,306**	1,630,573
Information systems	**6,100,202**	**9,579,799**	**-**	**15,680,001**	13,461,888
Laboratory	**7,178,757**	**8,177,690**	**553,790**	**15,910,237**	16,090,598
Laundry-linen services	**469,605**	**296,457**	**-**	**766,062**	754,222
Marketing	**579,506**	**866,338**	**25,571**	**1,471,415**	1,725,788
Materials management	**1,442,852**	**4,503,524**	**-**	**5,946,376**	6,385,672
Medical records and transcription	**1,360,668**	**715,899**	**-**	**2,076,567**	2,298,006
Medical staff office	**248,736**	**24,226**	**36,000**	**308,962**	310,511
Medical/surgical	**22,210,205**	**1,195,660**	**-**	**23,405,865**	25,261,877
Medical services division	**114,233,636**	**22,067,749**	**1,238,000**	**137,539,385**	142,162,451
Neonatal intensive care unit	**5,402,502**	**232,491**	**142,969**	**5,777,962**	5,792,362
Nursing	**1,816,250**	**404,825**	**-**	**2,221,075**	2,045,712
Nutritional services	**2,298,486**	**3,194,452**	**-**	**5,492,938**	5,368,264
Obstetrics/gynecology	**4,930,417**	**456,664**	**85,000**	**5,472,081**	5,442,850
Operating expenses forward	**$ 271,162,408**	**$ 89,436,803**	**$ 4,302,309**	**$ 364,901,520**	$ 380,085,557

(Continued)

Stormont-Vail Health*Care*, Inc.
(Parent Company Only)

Operating Expenses
(Excluding Depreciation and Amortization, Interest and Program Expense)

Year Ended September 30, 2013
With Comparative Totals for Year Ended September 30, 2012

	Salaries, Wages and Employee Benefits	Supplies and Other Expenses	Professional Services	2013 Total	2012 Total
Operating expenses forwarded	$ 271,162,408	$ 89,436,803	$ 4,302,309	$ 364,901,520	$ 380,085,557
Pediatric and adolescent	2,141,394	119,166	767,474	3,028,034	3,314,965
Perfusion	449,296	430,782	-	880,078	1,027,381
Pharmacy and IV therapy	6,392,706	30,926,335	-	37,319,041	22,445,606
Post anesthesia care unit	1,173,732	37,137	-	1,210,869	1,382,188
Psychiatric	4,300,005	437,369	-	4,737,374	4,722,182
Radiology	5,179,569	3,157,064	-	8,336,633	6,197,869
Registration and pre-access	2,844,199	74,652	-	2,918,851	2,771,666
Rehabilitation services	2,402,839	181,398	-	2,584,237	2,277,497
Respiratory care	2,965,661	328,954	-	3,294,615	3,190,433
Risk management and infection control	566,535	9,687	-	576,222	571,791
Safety and employee health	175,161	772,085	-	947,246	287,587
School of Nursing	1,537,065	51,603	-	1,588,668	1,498,627
Security	1,328,135	40,274	-	1,368,409	1,278,718
Sleep disorders center	743,828	56,549	-	800,377	792,642
Surgery	8,323,406	21,559,454	354,000	30,236,860	30,652,430
Telecommunications	392,623	565,765	-	958,388	875,290
Transportation	702,297	279,668	-	981,965	966,009
Volunteers	313,594	45,188	-	358,782	334,014
Women's center	890,562	328,993	870,201	2,089,756	2,055,302
Total	$ 313,985,015	$ 148,838,926	$ 6,293,984	$ 469,117,925	$ 466,727,754

Stormont-Vail Health*Care*, Inc.
(Parent Company Only)

Schedule 6

Patient Accounts Receivable
September 30, 2013 and 2012

An aging of patient receivables at September 30, 2013, with comparative 2012 totals, follows:

	Private Pay	Third Party	Medical Services Division	Totals 2013	Totals 2012
Current	**$ 7,048,848**	**$ 86,886,227**	**$ 26,592,579**	**$ 120,527,654**	$ 118,512,079
31-60 days	**6,897,203**	**13,929,185**	**3,347,660**	**24,174,048**	27,324,323
61-90 days	**5,365,728**	**7,786,930**	**3,012,764**	**16,165,422**	14,893,629
91-150 days	**8,250,529**	**6,650,748**	**4,258,194**	**19,159,471**	14,503,911
151 days and over	**11,673,155**	**10,461,240**	**49,510,720**	**71,645,115**	56,411,783
Gross patient accounts receivable				**251,671,710**	231,645,725
Less allowance for contractual adjustments				**(102,402,414)**	(91,462,124)
Patient accounts receivable, net of allowance for contractual adjustments				**149,269,296**	140,183,601
Less allowance for uncollectible accounts				**(76,278,490)**	(67,001,637)
Patient accounts receivable, net				**$ 72,990,806**	$ 73,181,964