CoxHealth

Independent Auditor's Report and Consolidated Financial Statements

September 30, 2013 and 2012

BKD LLP
CPAs & Advisors

CoxHealth
September 30, 2013 and 2012

Contents

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Independent Auditor's Report

Board of Directors
CoxHealth
Springfield, Missouri

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

Management's Responsibility for the Consolidated 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 the Health System as of September 30, 2013 and 2012, and the results of its operations, the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 22* to the consolidated financial statements, in 2013, the Health System adopted new accounting guidance that changed its method of presentation and disclosure of patient service revenue, provision for doubtful accounts and the allowance for uncollectible accounts in accordance with Accounting Standards Updated 2011-07. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Springfield, Missouri
February 6, 2014

CoxHealth
Consolidated Balance Sheets
September 30, 2013 and 2012

Assets

	2013	2012
Current Assets		
Cash and cash equivalents	$ 75,596,714	$ 62,190,301
Short-term investments	76,878,583	138,215,424
Assets limited as to use – current	18,507,358	12,302,466
Patient accounts receivable, net of allowance; 2013 – $153,562,000, 2012 – $108,203,000	160,062,368	144,834,804
Estimated amounts due from third-party payers	3,055,098	2,369,599
Other receivables	4,999,181	2,705,221
Contributions receivable - current	1,155,156	339,382
Supplies	15,266,770	12,148,240
Prepaid expenses	5,851,988	5,133,137
Total current assets	361,373,216	380,238,574
Assets Limited As To Use		
Investments		
Internally designated		
Building fund investments and other	217,451,302	114,839,234
Donated investments	159,182,853	135,552,086
Externally restricted		
Donor restricted	32,853,976	20,688,996
Under deferred compensation agreement	9,342,911	6,818,548
Required statutory reserves	9,904,488	11,531,016
Held by trustees		
Self-insurance trust investments	31,283,318	28,709,296
Under bond indenture agreements	175,575,937	26,009,254
	635,594,785	344,148,430
Less amount required to meet current obligations	18,507,358	12,302,466
	617,087,427	331,845,964
Contributions receivable	2,591,732	1,714,852
	619,679,159	333,560,816
Long-Term Receivables	8,216,130	9,537,615
Property and Equipment, At Cost	1,005,825,109	891,639,603
Less accumulated depreciation	587,257,302	554,864,473
	418,567,807	336,775,130
Goodwill and Intangible Assets	26,591,061	25,352,061
Other Assets	17,210,253	15,975,274
Total assets	$ 1,451,637,626	$ 1,101,439,470

See Notes to Consolidated Financial Statements

Liabilities and Net Assets

		2013		2012
Current Liabilities				
Current maturities of long-term debt	$	15,932,743	$	6,373,615
Accounts payable		40,832,004		38,105,033
Accrued payroll and vacation pay		35,107,184		31,213,120
Accrued interest		8,125,442		3,787,918
Other accrued expenses		29,275,363		29,897,237
Estimated amounts due to third-party payers		4,111,226		5,171,782
Estimated insurance costs – current		20,222,546		18,487,619
Other long-term liabilities – current		-		5,399,690
Deferred revenue – current		4,703,924		5,370,179
Total current liabilities		158,310,432		143,806,193
Estimated Insurance Costs		25,045,834		26,888,031
Interest Rate Basis Swap		7,545,761		3,265,240
Deferred Compensation		9,444,753		6,902,544
Accrued Pension Liability		46,895,656		115,790,862
Other Long-Term Liabilities		3,018,014		2,112,314
Long-Term Debt				
Bonds payable		515,642,309		302,925,970
Direct obligation and mortgage notes payable		25,510,220		15,168,525
		541,152,529		318,094,495
Total liabilities		791,412,979		616,859,679
Net Assets				
Unrestricted		623,597,716		461,821,091
Temporarily restricted		18,219,363		12,587,233
Permanently restricted		18,407,568		10,171,467
Total net assets		660,224,647		484,579,791
Total liabilities and net assets	$	1,451,637,626	$	1,101,439,470

CoxHealth

Consolidated Statements of Operations and Changes in Net Assets

Years Ended September 30, 2013 and 2012

	2013	2012 (Adjusted - *Note 22)*
Unrestricted Revenues, Gains and Other Support		
Patient service revenue (net of contractual discounts and allowances)	$ 1,130,283,432	$ 953,801,566
Provision for uncollectible accounts	(137,533,538)	(82,044,428)
Net patient service revenue less provision for uncollectible accounts	992,749,894	871,757,138
Premium revenue	110,174,546	101,709,101
Other revenue	56,667,107	48,001,456
Net assets released from restrictions used for operations	3,118,018	3,461,653
Total unrestricted revenues, gains and other support	1,162,709,565	1,024,929,348
Expenses		
Salaries and wages	408,126,694	364,195,515
Employee benefits	98,197,985	88,372,768
Purchased services and professional fees	225,148,931	172,698,299
Supplies and other	309,092,887	279,293,938
State provider tax program	50,175,110	44,056,008
Depreciation	42,490,933	35,520,167
Amortization	828,055	595,181
Interest	16,616,528	14,117,793
Total expenses	1,150,677,123	998,849,669
Operating Income	12,032,442	26,079,679
Other Income (Expense)		
Contributions	406,305	633,810
Investment return	10,362,656	5,865,820
Change in unrealized gains and losses on trading securities and fair value of interest rate basis swap	27,716,661	34,891,477
Other	(1,920,739)	(95,338)
Contribution from Skaggs Regional Medical Center	56,806,570	-
Total other income (expense)	93,371,453	41,295,769
Excess of Revenues Over Expenses	105,403,895	67,375,448

CoxHealth

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

Years Ended September 30, 2013 and 2012

	2013	2012
Unrestricted Net Assets		
Excess of revenues over expenses	$ 105,403,895	$ 67,375,448
Investment return – change in unrealized gains and losses on other than trading securities	(652,864)	(132,919)
Net assets released from restriction used for purchase of property and equipment	414,549	699,120
Change in defined benefit pension plan gains and losses and prior service costs	56,611,045	(24,075,066)
Increase in unrestricted net assets	161,776,625	43,866,583
Temporarily Restricted Net Assets		
Contributions	7,173,064	3,532,374
Investment return	728,295	655,339
Contribution from Skaggs Regional Medical Center	1,274,848	-
Change in interest in net assets of Skaggs Foundation	(11,510)	-
Net assets released from restrictions	(3,532,567)	(4,160,773)
Increase in temporarily restricted net assets	5,632,130	26,940
Permanently Restricted Net Assets		
Contributions	746,996	141,259
Investment return	92,354	192,567
Contribution from Skaggs Regional Medical Center	7,396,751	-
Increase in permanently restricted net assets	8,236,101	333,826
Change in Net Assets	175,644,856	44,227,349
Net Assets, Beginning of Year	484,579,791	440,352,442
Net Assets, End of Year	$ 660,224,647	$ 484,579,791

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

	2013	2012
Operating Activities		
Change in net assets	$ 175,644,856	$ 44,227,349
Items not requiring (providing) operating cash flow		
Depreciation and amortization	43,318,988	36,115,348
Gain on sale and impairment of property and equipment, net	1,519,189	71,037
Gain on refinancing of bonds	(40,457)	-
Loss on investment in equity investees	296,257	95,338
Appreciation of Series H Capital Appreciation Bonds	1,997,314	1,869,931
Net gain on investments	(31,619,442)	(26,119,726)
Change in defined benefit pension plan gains, losses and prior service costs	(56,611,045)	24,075,066
Contribution from Skaggs Regional Medical Center	(65,478,169)	-
Restricted contributions and investment income received	(8,729,199)	(4,339,772)
Change in fair value of interest rate basis swap	4,280,521	(5,703,229)
Changes in		
Receivables	(1,362,787)	(37,473,644)
Estimated third-party settlements	(94,831)	2,135,314
Accrued self-insurance costs	(1,685,377)	(1,021,923)
Other assets and liabilities	(15,649,067)	10,935,332
Net cash provided by operating activities	45,786,751	44,866,421
Investing Activities		
Proceeds from sales of short-term investments, net	64,943,983	12,860,856
Purchase of investments	(385,308,559)	(207,599,876)
Proceeds from sale of investments	152,471,925	182,571,370
Purchase of property and equipment	(36,302,133)	(22,668,304)
Proceeds from sale of property and equipment	287,966	132,296
Net cash paid to acquire Skaggs Regional Medical Center	(4,389,473)	-
Advances and repayments of long-term notes receivable, net	9,743	1,044,736
Advances to and investments in equity investees	39,748	(70,449)
Change in cash surrender value of life insurance policies	896,844	335,560
Net cash used in investing activities	(207,349,956)	(33,393,811)

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

	2013	2012
Financing Activities		
Proceeds from restricted contributions and investment income received	$ 8,729,199	$ 4,339,772
Proceeds from issuance of long-term debt	215,816,650	-
Principal payments on long-term debt	(44,176,541)	(6,353,801)
Payment on regulatory settlement	(5,399,690)	(5,192,010)
Net cash provided by (used in) financing activities	174,969,618	(7,206,039)
Change in Cash and Cash Equivalents	13,406,413	4,266,571
Cash and Cash Equivalents, Beginning of Year	62,190,301	57,923,730
Cash and Cash Equivalents, End of Year	$ 75,596,714	$ 62,190,301
Supplemental Cash Flows Information		
Purchase of property and equipment in accounts payable	$ 4,132,858	$ 1,393,381
Interest paid	$ 16,377,504	$ 14,228,830
Capital lease obligation incurred for property and equipment	$ 8,690,935	$ 1,861,259
Acquisition of Skaggs Regional Medical Center (see *Note 23*)		
Assets acquired	$ 153,471,101	$ -
Liabilities assumed	$ 61,992,932	$ -

CoxHealth
Notes to Consolidated Financial Statements
September 30, 2013 and 2012

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Lester E. Cox Medical Centers and its wholly owned subsidiaries plus certain affiliated not-for-profit entities are collectively referred to here as CoxHealth. CoxHealth (the "Health System") operates as an integrated delivery system including four hospitals, surgical center, inpatient rehabilitation facility, home care companies, physician services, mental health services, insurance companies and a foundation. The Health System primarily earns revenues by providing inpatient, outpatient, emergency care, inpatient rehabilitation, home care, physician services and health insurance products to patients and employers in Springfield, Missouri, and the surrounding southwest Missouri area.

Principles of Consolidation

The consolidated financial statements include the consolidated financial statements of Lester E. Cox Medical Centers (the "Medical Centers") and its wholly owned subsidiaries, Medical Developments, Inc., Cox Health Systems HMO, Inc. and the Other CoxHealth Entities. Cox Health Systems HMO, Inc. is the sole owner of Cox Health Systems Insurance Company and Cox Health Plans, LLC. The Insurance Company of Springfield, Inc., Primrose Place, Inc. and CoxHealth Alliance, LLC are collectively referred to as Other CoxHealth Entities. Medical Developments, Inc., Cox Health Systems Insurance Company, Cox Health Systems HMO, Inc., Cox Health Plans, LLC and Insurance Company of Springfield, Inc. are for-profit entities.

The consolidated financial statements also include the following not-for-profit entities for which the Boards are appointed by the Health System:

Cox Alternative Care of the Ozarks, Inc., Healthcare Services of the Ozarks, Inc. and Cox Healthcare Services of the Midwest, Inc. collectively referred to as Oxford Home Health Care

Cox-Monett Hospital

The Skaggs Community Hospital Association d/b/a Cox Medical Center Branson (acquired January 1, 2013, see *Note 23*)

Cox HPS of the Ozarks, Inc.

CoxHealth Foundation

Primrose Place, Inc., included as a component of Other CoxHealth Entities

CoxHealth Alliance, LLC, included as a component of Other CoxHealth Entities

All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

Cash Equivalents

The Health System considers all liquid investments, other than those limited as to use, with original maturities of three months or less to be cash equivalents. At September 30, 2013 and 2012, cash equivalents consisted primarily of money market accounts with brokers, repurchase agreement accounts and certificates of deposit.

At September 30, 2013, the Health System's cash accounts exceeded federally insured limits by approximately $27,700,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and investments in all debt securities are carried at fair value. Investments in equity investees are reported on the equity method of accounting and are included with long-term receivables on the consolidated balance sheets. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the consolidated statements of operations and changes in net assets as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Health Claims Incurred and Reserved

Cox Health Systems Insurance Company and Cox Health Systems HMO, Inc. contract with various health care providers for the provision of hospitalization and other medical services to their members. These companies compensate the providers based upon negotiated discounts from established rates or at predetermined rates based upon diagnosis.

Accrued medical claims and related expenses (hospitalization and other medical services) include amounts billed and not paid, an estimate of costs incurred for unbilled services and an estimate of costs to be incurred for hospitalizations in progress at period end. Management believes such estimates to be adequate; however, the actual amount paid may be more or less than the amounts provided. Adjustments to these estimates are included in current operations.

All claims paid to CoxHealth from its consolidated insurance companies have been eliminated in consolidation.

Assets Limited As To Use

Assets limited as to use include assets set aside by the Board of Directors and management for future capital improvements, major contingencies and debt service over which the Board and management retains control and may at its discretion subsequently use the assets for other purposes; assets externally restricted by donors, deferred compensation agreements and required statutory reserves for Cox Health Systems Insurance Company and Cox Health Systems HMO, Inc.; assets held by trustees under indenture agreements; self-insurance trust arrangements and certain contributions receivable. Amounts required to meet current liabilities of the Health System are included in current assets. Donated investments are limited to the purpose of paying bonded or lienable indebtedness under the Health System's Articles of Association.

Patient Accounts and Notes Receivable

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the Health System analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for uncollectible accounts. Management regularly reviews data about these major payer 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, the Health System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers 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), the Health System 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 or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Health System's allowance for doubtful accounts for self-pay patients increased from 89% of self-pay accounts receivable at September 30, 2012, to 90% of self-pay accounts receivable at September 30, 2013. In addition, the Health System's write-offs increased approximately $14,600,000 from approximately $81,600,000 for the year ended September 30, 2012, to approximately $96,200,000 for the year ended September 30, 2013. Both increases were the result of negative trends experienced in the collection of amounts from self-pay patients in fiscal year 2013 and the addition of Cox Medical Center Branson which increased write-offs by $17,700,000 in 2013, due to the acquisition on January 1, 2013.

Supplies

The Health System states supply inventories at the lower of cost, determined using the first-in, first-out method, or market.

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated on a straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service.

The Health System capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized and incurred for was:

	2013	2012
Total interest expense incurred on borrowings for project	$ 2,876,510	$ -
Interest income from investment of proceeds of borrowings for project	(38,153)	-
Net interest cost capitalized	$ 2,838,357	$ -
Interest capitalized	$ 2,876,510	$ -
Interest charged to expense	16,616,528	14,117,793
Total interest incurred	$ 19,493,038	$ 14,117,793

Long-Lived Assets Impairment

The Health System evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimate future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. During 2013, a building was demolished in Branson for renovation of the emergency department. The buildings remaining net book value of approximately $1,665,000 was therefore impaired as of September 30, 2013. The impairment was recorded within other in the other income (expense) section of the statement of operations. No impairment was recorded in 2012.

Interest in Net Assets of Skaggs Foundation

Skaggs Foundation holds certain restricted net assets on behalf of the Health System. The Health System accounts for its interest in the net assets of Skaggs Foundation (Interest) in a manner similar to the equity method. Changes in the Interest are included in change in net assets. Transfers of assets between the Skaggs Foundation and the Health System are recognized as increases or decreases in the Interest.

Goodwill

Goodwill is evaluated annually for impairment or more frequently if impairment indicators are present. A qualitative assessment is performed to determine whether the existence of events or circumstances leads to a determination that it is more likely than not the fair value is less than the carrying amount, including goodwill. If, based on the evaluation, it is determined to be more likely than not that the fair value is less than the carrying value, then goodwill is tested further for impairment. If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the financial statements.

Other Assets

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the interest method of amortization. Other loan costs are being amortized on a straight-line basis over the term of the loan.

The Health System funds life insurance policies for certain key executives. Upon termination of the policies all premiums advanced to the policy holder will be returned to the Health System.

Deposits of various amounts are on account with certain vendors which provides for additional discounts on purchases made.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Health System has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Health System in perpetuity.

The governing Board of the Health System treats any appreciation in endowment funds as permanently restricted unless specified otherwise by the donor. Interest and dividends from permanently restricted investments are recorded as unrestricted net assets unless donor stipulations restrict such earnings.

Net Patient Service Revenue

The Health System has agreements with third-party payers that provide for payments to the Health System at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Premium Revenue

The Health System receives premium revenue through Cox Health Systems Insurance Company and Cox Health Systems HMO, Inc., resulting from the sale of health insurance policies. Premiums are reported as earned in the period in which members are entitled to receive health care services. Premiums received prior to such period are recorded as deferred revenue and reflected as a liability in the accompanying balance sheets.

Charity Care

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

Contributions Receivable

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Gifts received with donor stipulations are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions. Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

Estimated Insurance Costs and Professional Liability Claims

An annual estimated provision is accrued for professional liability claims, comprehensive general liabilities, employee health care and worker's compensation claims and includes an estimate of the ultimate costs, including estimated costs to defend the claims, for both reported claims and claims incurred but not reported. The estimated liability for claims not expected to be settled within the next year is included in long-term liabilities.

The Health System recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in *Note 8*.

Income Taxes

The following organizations are exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the organizations are subject to federal income tax on any unrelated business taxable income.

Lester E. Cox Medical Centers
Cox Alternative Care of the Ozarks, Inc.
Healthcare Services of the Ozarks, Inc.
Cox Healthcare Services of the Midwest, Inc.
Cox HPS of the Ozarks, Inc.
Cox-Monett Hospital
Cox Medical Center Branson
Primrose Place, Inc.
CoxHealth Foundation

Medical Developments, Inc., Cox Health Systems Insurance Company, CoxHealth System HMO, Inc., CoxHealth Plans, LLC, Insurance Company of Springfield, Inc. and CoxHealth Alliance, LLC are for-profit entities and subject to federal and state income tax.

The Health System files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Health System is no longer subject to U.S. federal examinations by tax authorities for years before 2010.

Deferred Revenue

The Health System receives payment in advance of services being provided for home care services, nursing education tuition and insurance policy premiums. These advance payments are recorded as deferred revenue and recognized as revenue as services are provided.

As a result of an affiliation agreement with a local mental health organization for collaborative services contained therein, the Health System will receive five annual payments of $965,000 beginning in July 2008. At September 30, 2013 and 2012, $0 and $803,610, respectively, of deferred revenue has been recorded in connection with this agreement.

Excess of Revenues Over Expenses

The consolidated statements of operations and changes in net assets include excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, accrued pension liability adjustments 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).

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period end date.

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 one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the Health System continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. 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.

The Health System recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

The System recognized revenue of approximately $7,800,000 and $6,000,000 during 2013 and 2012, respectively, which is included in other revenue within operating revenues in the statements of operations and changes in net assets.

Reclassifications

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 financial statements presentation. These reclassifications had no effect on the change in net assets.

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were issued.

Note 2: Net Patient Service Revenue

The Health System recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Health System recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Health System's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Health System records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided. This provision for uncollectible accounts is presented on the statement of operations as a component of net patient service revenue.

The Health System has agreements with third-party payers that provide for payments to the Health System at amounts different from its established rates. These payment arrangements include:

Medicare. Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain outpatient services and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. Cox-Monett Hospital is a critical access hospital. As such, it is paid on a cost basis for most inpatient and outpatient services. The Health System is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Health System and audits thereof by the Medicare administrative contractor.

Medicaid. Inpatient services rendered to Medicaid program beneficiaries are reimbursed based on a prospectively established per diem rate. Medicaid outpatient reimbursement is based on a prospective percentage rate determined from prior cost reports regressed forward.

During the year ended September 30, 2012, the Department of Health and Human Services reached a $700 million dollar settlement to compensate approximately 500 hospitals for past underpayments related to an error in Medicare's rural floor budget neutrality adjustment for fiscal years 1999 through 2011. The Centers for Medicare and Medicaid Services has agreed to settle related lawsuits involving approximately 2,000 hospitals due to the fact that they incorrectly applied an adjustment from 1999 to 2006 in a way that was not budget neutral and progressively reduced Medicare payments for inpatient hospital services over time. During the year ended September 30, 2013 and 2012, the Health System received approximately $0 and $4,052,000, respectively, for their portion of the settlement, which is recorded in net patient service revenue in the accompanying consolidated financial statements.

The Health System participates in the states provider tax program which provides for additional reimbursement from the Medicaid program in relation to the percentage of Medicaid and indigent population the Health System serves. The Health System paid assessments of $50,175,000 and $44,056,000 in state provider tax during 2013 and 2012, respectively, which is presented in operating expenses within the accompanying consolidated financial statements.

Funding received in excess of costs to provide services to the Medicaid and indigent population may be refunded to the state for reallocation to other healthcare systems. The Health System received approximately $54,750,000 and $47,659,000 in 2013 and 2012, respectively, which is recorded in net patient service revenue in the accompanying consolidated financial statements. Currently, no funds are expected to be repaid to the state, however, it is reasonably possible that circumstances could change materially in the near term.

The Health System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and/or preferred provider organizations. The basis for payment to the Health System under these agreements includes prospectively determined rates per discharge, discounts from established charges and/or prospectively determined daily rates.

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the years ended September 30, 2013 and 2012, respectively, was approximately:

	2013	2012
Medicare	$ 352,189,390	$ 328,191,452
Medicaid	123,021,708	99,772,426
Commercial insurance	525,174,470	443,617,801
Patients	129,897,864	82,219,887
	$ 1,130,283,432	$ 953,801,566

Note 3: Concentrations of Credit Risk

The Health System grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of net receivables from patients and third-party payers at September 30, 2013 and 2012, is:

	2013	2012
Medicare	18.8%	20.4%
Medicaid	6.4%	6.3%
Commercial insurance	55.1%	58.4%
Patients	19.7%	14.9%
	100.0%	100.0%

Note 4: Investments and Investment Return

Assets Limited as to Use

Assets limited as to use, at September 30, include:

	2013	2012
Internally designated for		
Capital improvements – building fund		
Cash and cash equivalents	$ 78,539,225	$ 1,872,216
Guaranteed investment contract	14,573,138	14,763,285
Certificates of deposit	13,291,286	14,122,841
Governmental obligations	13,487,056	13,157,012
Corporate obligations	20,372,621	17,550,726
Equity securities	19,675,837	14,012,003
Mutual funds – equity securities	57,280,793	39,124,793
Other	231,346	236,358
	217,451,302	114,839,234

	2013	2012
Bonded and lienable indebtedness – donated investments		
Cash and cash equivalents	$ 2,543,260	$ 1,640,719
Governmental obligations	17,414,496	17,568,171
Corporate obligations	23,671,437	23,678,869
Equity securities	37,281,378	29,124,749
Mutual funds – equity securities	77,943,792	63,259,905
Other	328,490	279,673
	159,182,853	135,552,086
Total internally designated by Board of Directors	376,634,155	250,391,320
Externally restricted		
By donors		
Cash and cash equivalents	1,268,056	948,492
Guaranteed investment contract	18,514,317	16,287,084
Governmental obligations	195,471	197,196
Corporate obligations	265,703	265,785
Equity securities	418,468	326,913
Mutual funds – equity securities	874,887	710,067
Assets under perpetual trusts	10,053,737	1,953,459
Other	1,263,337	-
	32,853,976	20,688,996
Under deferred compensation agreement		
Cash and cash equivalents	552,761	652,570
Mutual funds – equity securities	7,733,350	5,689,710
Mutual funds – debt securities	1,056,800	476,268
	9,342,911	6,818,548

	2013	2012
Required statutory reserves		
Cash and cash equivalents	$ 21,247	$ 120,649
Certificates of deposit	4,350,520	5,877,159
Governmental obligations	2,224,121	2,510,347
Corporate obligations	3,280,183	2,993,325
Other	28,417	29,536
	9,904,488	11,531,016
Total externally restricted	52,101,375	39,038,560
Held by trustees		
Self-insurance trust investments		
Cash and cash equivalents	538,628	680,820
Governmental obligations	6,880,134	6,797,188
Corporate obligations	10,358,462	10,368,072
Equity securities	4,140,549	3,200,643
Mutual funds – equity securities	9,197,707	7,481,316
Other	167,838	181,257
	31,283,318	28,709,296
Under bond indenture agreements		
Cash and cash equivalents	152,882,649	9,060,761
Governmental obligations	22,522,044	16,756,493
Other	171,244	192,000
	175,575,937	26,009,254
Total held by trustees	206,859,255	54,718,550
	635,594,785	344,148,430
Less amount required to meet current obligations	18,507,358	12,302,466
	$617,087,427	$331,845,964

The guaranteed investment contract is with one company in the financial guaranty insurance business. The insurance company is not required to maintain certain ratings by nationally recognized rating agencies. However, at September 30, 2013 and 2012, this insurance company was rated AA- and A1, and AA- and A2 by Standard & Poor's and Moody's, respectively.

Short-Term Investments

Short-term investments, at September 30, include:

	2013	2012
Cash and cash equivalents	$ 4,856,690	$ 3,188,347
Governmental obligations	38,010,643	52,484,353
Corporate obligations	33,645,308	81,791,878
Other	365,942	750,846
	$ 76,878,583	$ 138,215,424

Investment Return

Total investment return is comprised of the following:

	2013	2012
Interest and dividend income	$ 12,638,093	$ 13,776,275
Realized gains and losses on securities	182,769	(3,189,889)
Unrealized gains (losses) on trading securities	31,926,069	29,199,575
Unrealized gains (losses) on other than trading securities	(489,396)	110,040
Change in fair value of interest rate basis swap	(4,280,521)	5,703,229
	$ 39,977,014	$ 45,599,230

Total investment return is reflected in the statements of operations and changes in net assets as follows:

	2013	2012
Unrestricted net assets		
Unrestricted revenues, gains and other support	$ 1,729,912	$ 4,126,946
Other income		
Investment return	10,362,656	5,865,820
Change in unrealized gains and losses on trading securities and fair value of interest basis swap	27,716,661	34,891,477
Change in unrealized gains and losses on other than trading securities	(652,864)	(132,919)
Temporarily restricted net assets	728,295	655,339
Permanently restricted net assets	92,354	192,567
	$ 39,977,014	$ 45,599,230

Investment return of $1,466,233 and $1,190,840 on unexpended debt proceeds limited as to use under bond indenture agreements and self-insurance trust earnings has been included in unrestricted revenues, gains and other support for the years ended September 30, 2013 and 2012, respectively.

Note 5: Contributions Receivable

Contributions receivable, temporarily restricted by donors for the purposes of construction projects, consist of the following unconditional promises to give:

	2013	2012
Due within one year	$ 1,155,156	$ 339,382
Due in one to five years	3,067,500	2,258,145
Due in five to ten years	360,000	-
	4,582,656	2,597,527
Less		
Unamortized discount	835,768	543,293
	$ 3,746,888	$ 2,054,234

Discount rates ranged from 2% to 6% for 2013 and 2012.

Note 6: Property and Equipment

Property and equipment are stated at cost. A summary of cost by category and the related total accumulated depreciation follows:

	2013	2012
Land	$ 32,232,570	$ 26,936,394
Land improvements	25,635,780	19,545,003
Buildings	367,409,478	320,011,654
Fixed equipment	204,273,947	193,650,187
Major movable equipment	360,186,641	329,302,080
Construction in progress	16,086,693	2,194,285
	1,005,825,109	891,639,603
Less accumulated depreciation	587,257,302	554,864,473
	$ 418,567,807	$ 336,775,130

At September 30, 2013, construction in progress represents costs incurred in connection with the Cox South patient tower and the Cox Branson expansion. The total cost of the projects in progress at September 30, 2013, is estimated to be approximately $160,000,000 representing an additional commitment to complete the projects of approximately $144,100,000, which will be funded by bond funds obtained in 2013.

Note 7: Beneficial Interest in Perpetual Trusts

The Health System is an income beneficiary of perpetual trusts controlled by unrelated third-party trustees. The beneficial interest in the assets of these trusts are included in the Health System's financial statements as an asset externally restricted by a donor and part of permanently restricted net assets. Income is distributed in accordance with the individual trust documents and is included in contributions. The estimated value of the expected future cash flows is $10,053,737 and $1,953,459, which represents the fair value of the trust assets at September 30, 2013 and 2012, respectively.

Note 8: Professional Liability Claims

The Health System is primarily insured for professional liability claims, comprehensive general liabilities, employee health care and worker's compensation. The Health System purchases a claims-made policy for malpractice claims in excess of self-insured limits that covers individual claims in excess of $4 million or $30 million total policy limits. Effective February 1, 2010, the total policy limit increased to $40 million. Losses from asserted and unasserted claims identified under the Health System's incident reporting system are accrued based on estimates that incorporate the Health System's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors.

Based upon the Health System's claims experience, an accrual has been made for the Health System's estimated malpractice costs, including costs associated with litigating or settling claims, under its malpractice insurance policy, amounting to approximately $30,600,000 and $32,500,000 as of September 30, 2013 and 2012, respectively. Management is vigorously contesting the current claims and believes the accrued liability for self-insured claims is sufficient to cover probable losses. However, given the nature of the claims and the uncertainties involved, it is possible that management's estimate of ultimate losses for self-insured claims may change materially in the near term.

Cox Branson purchased professional liability insurance under a claims-made policy on a retrospectively rated premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of professional liability claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. It is reasonably possible that this estimate could change materially in the near term. Effective October 1, 2013, Cox Branson joined the Health System's professional liability plan.

Activity in the Health System's accrued self-insurance liabilities during 2013 and 2012 is summarized as follows:

	2013	2012
Balance, beginning of year	$ 45,375,650	$ 40,040,888
Liabilities assumed	1,210,286	-
Current year claims incurred and change in estimates for claims incurred in prior years	52,691,999	60,151,394
Claims and expenses paid	(54,009,555)	(54,816,632)
Balance, end of year	$ 45,268,380	$ 45,375,650

Note 9: Long-Term Debt

Long-term debt consists of the following:

	2013	2012
Medical Centers -		
Health Facilities Revenue Bonds Series H 1992 (A)	$ 31,317,173	$ 29,319,859
Health Facilities Revenue Bonds Series I 1993 (B)	10,865,000	15,080,000
Health Facilities Revenue Bonds Series 2008A (C)	162,500,000	162,500,000
Health Facilities Revenue Bonds Series 2008B (D)	70,000,000	70,000,000
Health Facilities Revenue Bonds Series 2008C (E)	34,635,000	34,860,000
Health Facilities Revenue Bonds Series 2013 (F)	201,475,000	-
Health Facilities Revenue Note (G)	2,174,986	2,660,552
Capital leases (H)	8,340,298	2,432,424
Purchase Agreement (I)	6,027,390	6,482,108
Note payable (J)	5,635,000	5,692,500
Cox-Branson Hospital -		
Capital leases (K)	9,488,969	-
Notes payable (L)	4,877,748	-
Cox-Monett Hospital -		
Capital leases (M)	73,226	56,021
	547,409,790	329,083,464
Less unamortized bond discount (premium)	(9,675,482)	4,615,354
Less current maturities	15,932,743	6,373,615
	$ 541,152,529	$ 318,094,495

(A) Series H bonds issued in 1992 in the original amount of $20,347,292, which are capital appreciation bonds bearing interest at 4.25% to 6.7%. The bonds were to accrete to a peak amount of $61,128,095, but a portion of the proceeds from the Series 2002 Variable Rate Demand Bonds was used to extinguish the Current Interest Serial Bonds and the Current Interest Term Bonds associated with the Series H Bonds. The total amount extinguished with proceeds from the Series 2002 Variable Rate Demand Bonds was $5,755,000. During 2008, the Health System defeased 37.9% or $13,685,080 of the Series H bonds maturing in years 2016 through 2022 using existing cash and investments. The defeasance will result in a reduction in annual debt service of approximately $4 million in each of the years in which such Series H bonds mature. With the 2008 defeasance, the bonds will now accrete to a peak amount of $45,849,773 in 2022.

(B) Series I Bonds issued in 1993 in the original amount of $60,865,000, which bear interest at 2.6% to 5.35%. The bonds are due in graduated installments from June 1, 1994, to June 1, 2015.

(C) Series 2008A bonds, issued on September 10, 2008, in the original amount of $162,500,000, with an original issue discount of $5,421,241. These bonds bear interest rates at 5.0% to 5.5% and mature between November 15, 2022, and November 15, 2039. The proceeds of the 2008A bonds were used to redeem the 1997, 2002 Variable Rate Demand Bonds, a portion of the 1992 Series H bonds and fund certain construction and remodeling projects.

(D) Variable Rate Demand Revenue Bonds, Series 2008B, issued on October 15, 2008, in the original amount of $70,000,000. The interest rate was 0.09% at September 30, 2013. The bonds are due in graduated installments from November 15, 2023, through November 15, 2044. The proceeds of the 2008B bonds were used to fund certain construction and remodeling projects. On December 18, 2013, the Health System completed a mode conversion to an indexed put mode (see *Note 25*).

The Health System maintains a letter of credit facility that permits the remarketing agent to draw an amount up to the principal amount outstanding should the bonds not be remarketed and become due. The letter of credit, which expires on October 14, 2014, can be used to pay principal or interest on the Series 2008B bonds. The letter of credit is renewable, subject to approval by the financial institution, through the term of the Series 2008B bonds. Drawings under the letter-of-credit agreement are due to be paid in sixty equal quarterly installments, beginning 365 days after the drawdown, bearing interest between 7-12%.

(E) Variable Rate Demand Revenue Bonds, Series 2008C, issued on October 15, 2008, in the original amount of $35,000,000. The interest rate was 0.8125% at September 30, 2013. The bonds are due in graduated installments from November 15, 2012, through November 15, 2044. The proceeds of the 2008C bonds were used to fund certain construction and remodeling projects.

On December 1, 2012, the Health System completed a mode conversion of the Variable Rate Demand Revenue Bonds, Series 2008C to an indexed put mode. Upon conversion the bonds were directly purchased by a financial institution, thereby, replacing the prior requirement to maintain a letter-of-credit facility. The Series 2008C Bonds will bear interest at the LIBOR index rate through the initial indexed put period ending December 1, 2017. At such time, the Health System may enter into a new indexed put rate period with the current or a replacement financial institution or seek other mode conversion options.

The Medical Center's Health Facilities Revenue Bonds, Series H 1992 and Series I 1993 are insured by a municipal bond guaranty policy which insures payment of interest and principal at stated maturity or pursuant to scheduled mandatory redemption provisions subject to certain restrictions.

The Medical Center's bonds are secured by all tangible personal property of the institution, including all fixtures, furnishings, machinery and equipment constituting part of the south facility and certain equipment located at the north facility. The bonds are also secured by all revenue and proceeds of the operations of the facilities excluding only gifts, grants, bequests, donations and contributions to the Medical Centers and the income and gains derived therefrom which are specifically restricted by the donor or grantor to a particular purpose other than payment of the bonds.

(F) Series 2013A bonds, issued on April 17, 2013, in the original amount of $201,475,000, with an original issue premium of $14,289,775. These bonds bear interest rates at 5.0% to 5.5% and mature between November 15, 2016, and November 15, 2048. The proceeds of the 2013A bonds were used to redeem The Skaggs Community Hospital Association d/b/a Skaggs Regional Medical Center Series 1998 and 2005 Hospital Revenue Bonds and fund certain construction and remodeling projects.

The Obligated Group member for all of the outstanding bonds at September 30, 2013 and 2012, is Lester E. Cox Medical Centers and Cox Medical Center Branson. The indenture agreements require that certain funds be established with the trustees. Accordingly, these funds are included as assets limited as to use held by trustee in the financial statements. The bond indenture agreements require the Obligated Group to comply with certain restrictive covenants including minimum insurance coverage, maintaining financial ratios above specified levels and restrictions on incurrence of additional indebtedness.

(G) Revenue note issued in 2007 in the original amount of $5,000,000, bearing interest at 4.32%. The note is payable in monthly installments of $51,393 beginning August 2007 through July 2017 and secured by the equipment purchased.

(H) Capital leases for various equipment, payable in monthly installments through 2018. The capital leases bear imputed interest rates between 1% to 4% and are secured by the equipment.

(I) Purchase agreement notes payable dated September 1, 1997, payable in annual installments ranging from $169,407 to $3,475,529 through September 2035. The notes bear interest at 8% annually.

(J) Promissory note in connection with the purchase of a specialty clinic in the original amount of $5,750,000, dated January 5, 2011, bearing interest at 2.5%. The note is payable in annual installments ranging from $57,500 to $2,012,500 through December 2030.

(K) Capital leases for various equipment, payable in monthly installments through 2025. The capital leases bear imputed interest rates between 1% to 8% and are secured by the equipment.

(L) Notes payable in monthly installments through 2014. The notes payable bear interest rates between 0% to 3% and are secured by the equipment.

(M) Capital leases for equipment payable through 2015 and secured by the equipment.

Aggregate annual maturities of long-term debt at September 30, 2013, are:

	Accelerated Maturities with Letter-of-Credit Expirations	Scheduled Maturities Based on Loan Agreements
2014	$ 15,932,743	$ 15,932,743
2015	25,012,002	11,142,002
2016	25,234,853	11,364,853
2017	22,214,507	8,314,507
2018	72,263,472	23,858,472
Thereafter	396,427,695	486,472,695
	$ 557,085,272	$ 557,085,272

Advanced Refunding

The proceeds from the 2008A bond offering by the Health System were used to advance refund a portion of the 1992 Series H bonds. Proceeds sufficient to cover repayment of the bond offerings were placed in escrow with a bond trustee and upon making the advance refunding deposits with the bond trustee, the Health System has no further obligation under the financing documents and has been released from the liability. Accordingly, the outstanding obligations related to this bond offering and the related escrow deposit are not reflected in the accompanying consolidated financial statements. The outstanding obligations and escrow deposit related to this bond offering is $19,017,086 and $24,803,120, respectively, at September 30, 2013.

Note 10: Interest Rate Basis Swap

The Medical Centers entered into an interest rate basis swap agreement which has not been designated as a hedging instrument. The swap agreement provides for the Medical Centers to receive variable rates of interest from and to pay variable rates of interest to the counterparty on the notional amount of $200,000,000. The pay rate on the notional amount is SIFMA (Securities Industry and Financial Markets Association Municipal Swap Index), and the Medical Centers receives 67% of three-month USD-LIBOR-BBA plus 0.445%. The LIBOR rate was .62% and .42%, respectively, at September 30, 2013 and 2012. The BBA rate was .06% at September 30, 2013 and 2012. Under the agreement, the Medical Centers pays or receives the net interest amount monthly with the monthly settlements included in investment return.

The interest rate basis swap agreement is carried at fair value based on quoted market prices and changes in fair value are included in excess of revenues over expenses. The carrying amount of the swap agreement is $(7,545,761) and $(3,265,240) at September 30, 2013 and 2012, respectively. The Medical Centers is not subject to collateral requirements based on the fair value of the swap agreement.

Note 11: Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2013	2012
Health care services		
Health education	$ 2,082,943	$ 1,636,087
Indigent care	7,086,670	6,251,947
Health services	2,497,968	1,313,682
Construction projects	5,410,857	2,223,948
Research and other	1,140,925	1,161,569
	$ 18,219,363	$ 12,587,233

During 2013 and 2012, net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes in the amounts of $3,118,018 and $3,461,653, respectively. During 2013 and 2012, net assets of $414,549 and $699,120, respectively, were released to purchase property and equipment.

Permanently restricted net assets are restricted to:

	2013	2012
Investments to be held in perpetuity, the income is restricted to be spent only for the donor's intended purpose	$ 18,407,568	$ 10,171,467

Note 12: Charity Care

The estimated cost of charity care provided under the Health System's charity care policy was approximately $29,002,000 and $25,865,000 for 2013 and 2012, respectively. The cost of charity care is estimated by applying the ratio of cost to charges to the gross uncompensated care charges.

Note 13: Functional Expenses

The Health System provides health care services to residents within its service area. Expenses related to providing these services are as follows:

	2013	2012
Health care services	$ 893,767,792	$ 771,043,436
General and administrative	192,691,955	159,530,407
Cox Health Systems Insurance Company and HMO health claims expense	64,217,376	68,275,826
	$ 1,150,677,123	$ 998,849,669

Note 14: Operating Leases

Rental expense under operating lease agreements for various physician clinic buildings and equipment totaled approximately $17,600,000 and $15,700,000 for the years ended September 30, 2013 and 2012, respectively.

Future minimum payments required under noncancellable operating leases for various physician clinic buildings and equipment at September 30, 2013, are summarized as follows:

2014	$ 8,520,431
2015	7,383,232
2016	5,103,582
2017	1,170,824
2018	982,106
Thereafter	3,075,883
	$ 26,236,058

Note 15: Significant Commitments

During the year ended September 30, 2012, the Health System and Cerner formed a strategic alignment, Si3 – The Star Initiative for Information and Innovation, dedicated to transforming health information in the region, enhancing clinical processes and health care delivery capabilities and positioning the Health System for future growth and advancement. With this alignment, Cerner will assume operational and administrative responsibilities for the Health System's information technology environment and services, including remote hosting, monitoring and system performance capabilities. The agreement is effective as of October 2012 for an initial term of 10 years. At the end of the initial term, the agreement will automatically renew in one-year increments. The payments on these agreements are recognized as expense when incurred.

Future minimum payments required under these agreements at September 30, 2013, are summarized as follows:

2014	$ 20,877,897
2015	21,280,712
2016	22,102,398
2017	22,890,976
2018	2,610,631
Thereafter	100,013,051
	$ 189,775,665

Note 16: Pension Plans

Defined Benefit Pension Plan

The Health System has a noncontributory defined benefit pension plan covering all employees who meet the eligibility requirements. Effective April 25, 2009, an amendment was enacted to freeze the plan, whereby no further benefits will be accrued under the plan. The Health System makes contributions to the plan in conformity with the required level of funding determined by the plan's actuary. The Health System expects to contribute approximately $6,000,000 to the plan in 2014.

The Health System uses a September 30 measurement date for the plan. Information about the plan's funded status follows:

	2013	2012
Change in benefit obligation		
Beginning of year	$ 309,781,296	$ 263,047,415
Interest cost	11,698,261	12,441,179
Actuarial (gain) loss	(36,666,006)	41,212,752
Benefits paid	(8,111,497)	(6,920,050)
End of year	276,702,054	309,781,296
Change in fair value of plan assets		
Beginning of year	193,990,434	167,390,869
Actual return on plan assets	31,427,461	27,319,615
Employer contribution	12,500,000	6,200,000
Benefits paid	(8,111,497)	(6,920,050)
End of year	229,806,398	193,990,434
Funded status at end of year	$ (46,895,656)	$ (115,790,862)
Amounts recognized in the balance sheets		
Noncurrent accrued pension liability	$ (46,895,656)	$ (115,790,862)

Amounts recognized in unrestricted net assets not yet recognized as components of net periodic benefit cost consist of:

	2013	2012
Net loss	$ (71,324,439)	$ (127,935,484)

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	2013	2012
Projected benefit obligation	$ 276,702,054	$ 309,781,296
Accumulated benefit obligation	$ 276,702,054	$ 309,781,296
Fair value of plan assets	$ 229,806,398	$ 193,990,434
Components of net periodic benefit cost		
Interest cost	$ 11,698,261	$ 12,441,179
Expected return on plan assets	(14,461,143)	(12,455,622)
Amortization of net loss	2,978,721	2,273,693
Net periodic benefit cost	$ 215,839	$ 2,259,250

Other changes in plan assets and benefit obligations recognized in unrestricted net assets:

	2013	2012
Net (gain) loss	$ (53,632,324)	$ 26,348,759
Amortization of net loss	(2,978,721)	(2,273,693)
Total recognized in unrestricted net assets	$ (56,611,045)	$ 24,075,066

The estimated net loss for the defined benefit pension plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year is $1,389,820.

Significant assumptions include:

	2013	2012
Weighted average assumptions used to determine benefit obligations		
Discount rate	4.72%	3.83%
Rate of compensation increase	0.00%	0.00%
Weighted average assumptions used to determine benefit costs		
Discount rate	3.83%	4.80%
Expected return on plan assets	7.50%	7.50%
Rate of compensation increase	N/A	N/A

The Health System has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

Asset allocation is primarily based on a strategy to provide stable earnings while still permitting the plan to recognize potentially higher returns through a limited investment in equity securities. The target asset allocation percentages for 2013 and 2012 are as follows:

Equity securities	0 - 70%
Debt securities	0 - 50%
Other	0 - 10%

Pension Plan Assets

Following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets include equity securities, mutual funds and money market accounts with brokers. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. For these investments, the inputs used by the pricing service to determine the fair value include one or a combination of observable inputs, such as broker/dealer quotes, issuer spreads, benchmark securities, bid offers and reference data market research publications and are classified within the Level 2 valuation hierarchy. Level 2 plan assets include government obligations and corporate bonds. In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy. There are no Level 3 securities.

The fair values of the Health System's pension plan assets at September 30, 2013 and 2012, by asset class are as follows:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2013				
Money market	$ 9,929,383	$ 9,929,383	$ -	$ -
Governmental obligations	43,211,031	-	43,211,031	-
Corporate bonds	15,075,877	-	15,075,877	-
Equity securities				
Materials and industrial	11,282,543	11,282,543	-	-
Consumer discretionary	4,504,282	4,504,282	-	-
Financial industry	6,515,047	6,515,047	-	-
Health care	3,839,510	3,839,510	-	-
Information technology	9,778,993	9,778,993	-	-
Other industries	5,923,735	5,923,735	-	-
Mutual funds - equity				
Domestic equity	72,831,126	72,831,126	-	-
International funds	46,914,871	46,914,871	-	-

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2012				
Money market	$ 2,279,078	$ 2,279,078	$ -	$ -
Governmental obligations	42,932,262	-	42,932,262	-
Corporate bonds	17,910,360	-	17,910,360	-
Equity securities				
Materials and industrial	8,676,748	8,676,748	-	-
Consumer discretionary	3,400,410	3,400,410	-	-
Financial industry	4,142,179	4,142,179	-	-
Health care	5,725,897	5,725,897	-	-
Information technology	7,518,620	7,518,620	-	-
Other industries	3,339,008	3,339,008	-	-
Mutual funds - equity				
Domestic equity	59,720,960	59,720,960	-	-
International funds	38,344,912	38,344,912	-	-

Plan assets are held by a bank-administered trust fund, which invests the plan assets in accordance with the provisions of the plan agreement. The plan agreement permits investment in common stocks, corporate bonds and debentures, U.S. government obligations and other specified investments, based on certain target allocation percentages.

The following benefit payments expected to be paid as of September 30, 2013:

2014	$ 9,418,899
2015	10,421,137
2016	11,494,118
2017	12,524,580
2018	13,388,120
2019 - 2023	80,484,118

Defined Contribution Plans

The Health System has a 403(b) retirement plan which covers eligible employees. Contributions to the plan are made by the Health System and participants. The Health System matches up to 5% of the participant's qualifying compensation and discretionary contributions, as approved by the Health System's Board of Directors. The Health System's contributions to the plan were $10,021,969 and $11,098,944 for the years ended September 30, 2013 and 2012, respectively. The Health System accrued an additional discretionary contribution of $0 and $1,000,000 in 2013 and 2012, respectively.

The Health System provides certain employees of Ferrell-Duncan Clinic a defined contribution retirement plan. The Health System contributes a percentage of wages for each eligible employee. The Health System's contributions to the plan were $378,158 and $396,973 for the years ended September 30, 2013 and 2012, respectively.

The Health System also provides 457(b) and 457(f) deferred compensation plans. The plans are eligible to full-time physicians and management of the Health System. The plans consist of salary reduction only and there are no contributions by the Health System. Under the terms of the plans, the deferred compensation liability and related assets limited as to use are recorded by the Health System and are subject to the general creditors of the Health System. At September 30, 2013 and 2012, the investment balance in these plans is $9,342,911 and $6,818,548, respectively.

Note 17: Related Party Transactions

The Health System has two lease agreements with an employed physician group under a contractual arrangement for approximately 200,000 square feet of building clinical space. The lease payments are adjusted annually based on the increase in the Consumer Price Index and expire on September 1, 2016. CoxHealth has rental expense with this group of $4,826,014 and $4,847,133 in 2013 and 2012, respectively.

Primrose Place, Inc. has also entered into agreements with this employed physician group to lease property and a parking lot (which contains 261 parking spaces) of Primrose Place, Inc. for a period of 99 years. Together the Primrose Place, Inc. leases are for approximately $270,000 annually, payable in monthly installments. Throughout the period of the lease the monthly payments are adjusted based on market conditions and other factors.

Note 18: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 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 for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. Level 2 securities include government obligations and corporate obligations. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. There are no Level 3 securities.

Interest Rate Basis Swap Agreement

The fair value is estimated by a third party using inputs that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

Beneficial Interest in Perpetual Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2013 and 2012:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2013				
Money market funds	$ 241,202,516	$ 241,202,516	$ -	$ -
Governmental obligations	100,733,965	-	100,733,965	-
Corporate obligations	91,593,714	-	91,593,714	-
Equity securities				
Materials and industrial	16,811,785	16,811,785	-	-
Consumer discretionary	6,296,028	6,296,028	-	-
Financial industry	9,622,867	9,622,867	-	-
Health care	5,475,487	5,475,487	-	-
Information technology	14,495,507	14,495,507	-	-
Other industries	8,814,558	8,814,558	-	-
Mutual funds - equity				
Domestic equity	98,565,717	98,565,717	-	-
International funds	54,464,812	54,464,812	-	-
Mutual funds - fixed income	1,056,800	1,056,800	-	-
Beneficial interest in perpetual trusts	10,053,737	-	10,053,737	-
Interest rate basis swap agreement	(7,545,761)	-	(7,545,761)	-

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2012				
Money market funds	$ 18,164,574	$ 18,164,574	$ -	$ -
Governmental obligations	109,470,760	-	109,470,760	-
Corporate obligations	136,648,655	-	136,648,655	-
Equity securities				
Materials and industrial	12,889,308	12,889,308	-	-
Consumer discretionary	4,606,937	4,606,937	-	-
Financial industry	5,875,988	5,875,988	-	-
Health care	8,099,125	8,099,125	-	-
Information technology	10,855,957	10,855,957	-	-
Other industries	4,336,993	4,336,993	-	-
Mutual funds - equity				
Domestic equity	74,074,209	74,074,209	-	-
International funds	42,191,582	42,191,582	-	-
Mutual funds - fixed income	472,268	472,268	-	-
Beneficial interest in perpetual trusts	1,953,459	-	1,953,459	-
Interest rate basis swap agreement	(3,265,240)	-	(3,265,240)	-

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying balance sheets at amounts other than fair value.

Cash and Cash Equivalents

The carrying amount approximates fair value.

Contributions Receivable

Fair value is estimated at the present value of the future payments expected to be received.

Long-Term Receivables

Long-term receivables consist of investments in affiliates and certain related party and other receivables. Investments in affiliates are not considered financial instruments. The carrying amounts reported in the balance sheets for other long-term receivables approximate fair value.

Accrued Interest Payable

The carrying amount for accrued interest payable is a reasonable estimate of fair value.

Notes Payable and Long-Term Debt Excluding Capital Lease Obligations

Fair value is estimated based on the borrowing rates currently available to the Health System for bank loans with similar terms and maturities. Fair value of bonds payable is determined based on quoted market prices.

The following table presents estimated fair values of the Health System's financial instruments at September 30, 2013 and 2012.

	2013		2012	
	Carrying Amount Value	Fair Value	Carrying Amount Value	Fair Value
Financial Assets (Liabilities)				
Cash and cash equivalents	$ 75,596,714	$ 75,596,714	$ 62,190,301	$ 62,190,301
Contributions receivable	2,591,732	2,591,732	1,714,852	1,714,852
Long-term receivables	6,808,325	6,808,325	7,955,175	7,955,175
Accrued interest payable	(8,125,442)	(8,125,442)	(3,787,918)	(3,787,918)
Long-term debt excluding capital lease obligations	(539,182,779)	(538,499,491)	(321,979,665)	(343,445,946)

Note 19: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerability due to certain concentrations. Those matters include the following:

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in *Notes 1* and *2*.

Self-Insurance Claims

Estimates related to the accrual for self-insurance claims are described in *Notes 1* and *8*.

Legal Contingencies

In the normal course of business, the Health System is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Health System's self-insurance program or by commercial insurance; for example, allegations regarding employment practices, billing arrangements or performance of contracts. The Health System evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of the ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Pension Benefit Obligation

The Health System has a noncontributory defined benefit pension plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the projected unit credit cost method. It is reasonably possible that events could occur that would change the estimate of this liability materially in the near term.

Investments

The Health System invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated balance sheets.

Note 20: Other Long-Term Liabilities

From 2005 to 2006, the Health System was involved in an investigation by the Office of Inspector General and the Department of Justice (the "Federal Government"). In 2008, the Health System reached a final settlement with the Federal Government regarding the investigation and paid $35,000,000 upon execution of the final settlement agreement. Also as part of the settlement agreement, the Health System will make annual payments of $5,615,678 through 2013, which includes interest at the rate of 4.0%. The amount outstanding related to the regulatory settlement is $0 and $5,399,690 at September 30, 2013 and 2012, respectively. The regulatory settlement was paid in full at September 30, 2013.

During the year ended September 30, 2010, the Health System entered into a sponsorship agreement with a local university over a period of twenty years. In consideration of the sponsorship agreement, the Health System has agreed to pay the university $1,500,000 over a five-year period in payments of $300,000 per year. The amount outstanding relating to this agreement is $300,000 and $600,000 at September 30, 2013 and 2012, respectively.

Due to changes in the Affordable Care Act regulations, Cox Health Systems Insurance Company recorded an asset life reserve in association with its individual life insurance policies. The asset life reserve will better match the premium revenues earned with claims expense incurred over the duration of the policies. The reserve is $2,800,000 and $1,500,000 at September 30, 2013 and 2012, respectively.

Note 21: 340B Outpatient Drug Discount Program

The Health System participates in the 340B outpatient drug discount program administered by the Office of Pharmacy Affairs of the Health Resources and Services Administration (HRSA). Under this program, the Health System received approximately $11,400,000 and $8,400,000 in benefits generated from purchases of outpatient pharmaceuticals in 2013 and 2012, respectively.

Note 22: Change in Accounting Principle

In 2013, the Health System changed its method of presentation and disclosure of patient service revenue, provision for uncollectible accounts and the allowance for doubtful accounts in accordance with Accounting Standards Update (ASU) 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts and the Allowance for Doubtful Accounts for Certain Health Care Entities*. The major changes associated with ASU 2011-07 are to reclassify the provision for uncollectible accounts related to patient service revenue to a deduction from patient service revenue and to provide enhanced disclosures around the Health System's policies related to uncollectible accounts. The change had no effect on prior year change in net assets.

The following financial statement line items for fiscal 2012 were affected by the change:

	As Adjusted	As Previously Reported	Effect of Change
Total unrestricted revenues, gains and other support	$ 1,024,929,348	$ 1,106,973,776	$ (82,044,428)
Total expenses and losses	$ 998,849,669	$ 1,080,894,097	$ (82,044,428)

Note 23: Acquisition of The Skaggs Community Hospital Association d/b/a Skaggs Regional Medical Center

In September 2012, the Board of Trustees for The Skaggs Community Hospital Association, d/b/a Skaggs Regional Medical Center (the "Acquiree"), a hospital in neighboring Branson, Missouri, voted in favor of establishing a strategic partnership with CoxHealth. With this partnership, CoxHealth became the parent company of Skaggs Regional Medical Center effective January 1, 2013, and was renamed Cox Medical Center Branson.

Subject to the terms and conditions contained in the affiliation agreement, CoxHealth will make a one-time cash contribution in the amount of $25,000,000 to the Skaggs Foundation, a Missouri not-for-profit corporation. Additionally, CoxHealth will provide restricted contributions to the Skaggs Foundation in the amount of $10,500,000 for the sole purpose of supporting the needs of Cox Medical Center Branson and $1,000,000 for scholarships.

The following table summarizes the amounts of the assets acquired and liabilities assumed recognized at the acquisition date.

Recognized Amounts of Identifiable Assets Acquired and Liabilities Assumed

Current assets	$ 44,869,251
Assets limited as to use	27,876,415
Long-term receivables	113,543
Property, plant and equipment	78,841,496
Other assets	1,770,396
Total assets	153,471,101
Current liabilities	14,861,446
Long-term debt	47,131,486
Total liabilities	61,992,932
Cash paid	26,000,000
Total inherent contribution received	$ 65,478,169
Summary of contributions received by net asset classification	
Unrestricted contribution received	$ 56,806,570
Temporarily restricted contributions received	1,274,848
Permanently restricted contributions received	7,396,751
	$ 65,478,169

The acquisition resulted in an inherent contribution received of $65,478,169, which represents the net recognized amount of the identifiable assets acquired over the liabilities assumed. This amount has been included in other income, temporarily and permanently restricted contribution in the consolidated statement of operations and changes in net assets, based on net asset restrictions.

Cox Branson Medical Center contributed revenues of $116,644,305, deficiency of revenues over expenses of $1,158,370, and changes in unrestricted, temporarily restricted and permanently restricted net assets of $81,648,200, $1,263,338 and $8,010,611 to the Health System for the period from the affiliation date through September 30, 2013, before eliminations. The following unaudited pro forma summary presents consolidated information of the Health System as if the affiliation had occurred on October 1, 2012:

	Pro Forma Year Ended September 30, 2013	Pro Forma Year Ended September 30, 2012
Revenue	$ 1,203,547,169	$ 1,178,702,508
Excess of revenues over expenses	51,983,032	70,690,976
Change in		
Unrestricted net assets	80,355,762	47,178,323
Temporarily restricted net assets	4,390,865	79,908
Permanently restricted net assets	919,742	923,304

Note 24: Patient Protection and Affordable Care Act

The *Patient Protection and Affordable Care Act* (PPACA) will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Starting in 2014, the legislation requires the establishment of health insurance exchanges, which will provide individuals without employer-provided health care coverage the opportunity to purchase insurance. It is anticipated that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. It is possible the reimbursement rates paid by insurers participating in the insurance exchanges may be substantially different than rates paid under current health insurance products. Another significant component of the PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs, such as Medicare disproportionate share, will be substantially decreased. Each state's participation in an expanded Medicaid program is optional.

The state of Missouri has currently indicated it will not expand the Medicaid program, which may result in revenues from newly covered individuals not offsetting the Health System's reduced revenue from other Medicare/Medicaid programs.

The PPACA is extremely complex and may be difficult for the federal government and each state to implement. While the overall impact of the PPACA cannot currently be estimated, it is possible that it will have a negative impact on the Health System's net patient service revenue. Additionally, it is possible the Health System will experience payment delays and other operational challenges during PPACA's implementation.

Note 25: Subsequent Events

On December 18, 2013, the Health System completed a mode conversion of the Variable Rate Demand Revenue Bonds, Series 2008B to an indexed put mode. Upon conversion the bonds were directly purchased by a financial institution, thereby, replacing the prior requirement to maintain a letter-of-credit facility. The Series 2008B Bonds will bear interest at 68% of the 30-day LIBOR index rate plus 60 basis points through the initial indexed put period ending December 18, 2018. At such time, the Health System may enter into a new indexed put rate period with the current or a replacement financial institution or seek other mode conversion options.

Supplementary Information

CoxHealth

Patient Accounts Receivable – Medical Centers

September 30, 2013 and 2012

	2013		2012	
	Amount	Percent	Amount	Percent
Accounts Receivable				
Patient accounts				
Medicare	$ 115,363,625	21.3%	$ 112,745,251	22.8%
Medicaid	47,544,810	8.8%	46,540,004	9.4%
Commercial insurance	209,969,767	38.7%	217,247,313	44.1%
Patients	169,445,702	31.2%	117,257,174	23.7%
	542,323,904	100.0%	493,789,742	100.0%
Allowance for				
Uncollectible accounts	(148,368,000)		(103,760,000)	
Contractuals	(257,843,941)		(247,861,941)	
	$ 136,111,963		$ 142,167,801	
Aging of Patient Accounts				
September	$ 204,395,582	37.7%	$ 210,092,611	42.5%
August	63,153,450	11.6%	80,247,059	16.3%
July	46,855,341	8.6%	62,579,365	12.7%
June	39,354,172	7.3%	50,705,861	10.3%
May	26,466,543	4.9%	19,850,043	4.0%
April and prior	162,098,816	29.9%	70,314,803	14.2%
	$ 542,323,904	100.0%	$ 493,789,742	100.0%

CoxHealth

Allowance for Uncollectible Accounts – Medical Centers

Years Ended September 30, 2013 and 2012

	2013	2012
Balance, Beginning of Year	$ 103,760,000	$ 93,284,000
Add		
Provision for uncollectible accounts	107,897,047	76,660,381
Collections on accounts previously charged off	10,055,351	9,924,436
	117,952,398	86,584,817
Less		
Accounts charged off during the year	73,344,398	76,108,817
	44,608,000	10,476,000
Balance, End of Year	$ 148,368,000	$ 103,760,000

CoxHealth

Consolidating Schedule – Balance Sheet Information

September 30, 2013

Assets

	Medical Centers	Cox-Branson	Cox-Monett Hospital	Medical Developments, Inc.	Health Systems HMO, Inc.	HPS of the Ozarks, Inc.	Oxford Home Health Care	CoxHealth Foundation	Other CoxHealth Entities	Eliminations	Total
Current Assets											
Cash and cash equivalents	$ 39,315,356	$ 21,707,355	$ 197,504	$ 1,201,777	$ 7,428,302	$ 1,096,599	$ 2,349,924	$ 1,452,491	$ 847,406	$ -	$ 75,596,714
Short-term investments	73,271,082	107,501	-	-	3,500,000	-	-	-	-	-	76,878,583
Assets limited as to use – current	17,285,368	1,221,990	-	-	-	-	-	-	-	-	18,507,358
Patient accounts receivable, net of allowance	136,111,963	20,556,432	3,767,178	-	-	2,429,939	4,494,526	-	-	(7,297,670)	160,062,368
Estimated amounts due from third-party payers	828,530	1,747,318	479,250	-	-	-	-	-	-	-	3,055,098
Other receivables	5,247,478	1,157,530	87	565,247	2,119,780	-	370,446	-	-	(4,461,387)	4,999,181
Contributions receivable - current	-	-	133,839	-	-	-	-	1,021,317	-	-	1,155,156
Supplies	11,751,088	1,990,283	371,981	783,805	-	356,652	-	12,961	-	-	15,266,770
Prepaid expenses	4,349,338	1,161,384	16,460	-	204,084	-	128,762	-	415,562	(423,602)	5,851,988
Total current assets	288,160,203	49,649,793	4,966,299	2,550,829	13,252,166	3,883,190	7,343,658	2,486,769	1,262,968	(12,182,659)	361,373,216
Assets Limited As To Use											
Investments											
Internally designated											
Building fund investments and other	164,149,284	16,176,713	-	-	22,280,657	9,927,163	4,120,270	752,567	44,648	-	217,451,302
Donated investments	159,182,853	-	-	-	-	-	-	-	-	-	159,182,853
Externally restricted											
Donor restricted	3,869,406	9,273,948	-	-	-	-	11,272	18,496,750	1,202,600	-	32,853,976
Under deferred compensation agreement	9,342,911	-	-	-	-	-	-	-	-	-	9,342,911
Required statutory reserves	-	-	-	-	9,904,488	-	-	-	-	-	9,904,488
Held by trustees											
Self-insurance trust investments	31,283,318	-	-	-	-	-	-	-	-	-	31,283,318
Under bond indenture agreements	147,600,159	27,975,778	-	-	-	-	-	-	-	-	175,575,937
	515,427,931	53,426,439	-	-	32,185,145	9,927,163	4,131,542	19,249,317	1,247,248	-	635,594,785
Less amount required to meet current obligations	17,285,368	1,221,990	-	-	-	-	-	-		-	18,507,358
	498,142,563	52,204,449	-	-	32,185,145	9,927,163	4,131,542	19,249,317	1,247,248	-	617,087,427
Contributions receivable	-	-	-	-	-	-	-	2,591,732	-	-	2,591,732
	498,142,563	52,204,449	-	-	32,185,145	9,927,163	4,131,542	21,841,049	1,247,248	-	619,679,159
Long-Term Receivables	14,780,876	83,070	-	-	-	-	-	-	6,268,151	(12,915,967)	8,216,130
Interest in Net Assets of Subsidiaries	175,595,323	-	-	-	-	-	-	-	-	(175,595,323)	-
Property and Equipment, At Cost	877,606,687	79,467,052	25,046,726	1,204,037	6,277,927	5,921,762	5,898,116	-	4,402,802	-	1,005,825,109
Less accumulated depreciation	549,070,596	4,955,801	16,617,165	757,815	5,944,267	1,042,011	4,479,743	-	4,389,904	-	587,257,302
	328,536,091	74,511,251	8,429,561	446,222	333,660	4,879,751	1,418,373	-	12,898	-	418,567,807
Goodwill and Intangible Assets	25,252,061	1,239,000	-	-	-	-	100,000	-	-	-	26,591,061
Other Assets	15,286,691	725,395	47,512	253,139	-	248,000	15,375	-	634,141	-	17,210,253
Total assets	$ 1,345,753,808	$ 178,412,958	$ 13,443,372	$ 3,250,190	$ 45,770,971	$ 18,938,104	$ 13,008,948	$ 24,327,818	$ 9,425,406	$ (200,693,949)	$ 1,451,637,626

CoxHealth

Consolidating Schedule – Balance Sheet Information

September 30, 2013

Liabilities and Net Assets

	Medical Centers	Cox-Branson	Cox-Monett Hospital	Medical Developments, Inc.	Health Systems HMO, Inc.	HPS of the Ozarks, Inc.	Oxford Home Health Care	CoxHealth Foundation	Other CoxHealth Entities	Eliminations	Total
Current Liabilities											
Current maturities of long-term debt	$ 10,242,919	$ 5,653,758	$ 36,066	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 15,932,743
Accounts payable	33,936,149	3,382,907	180,205	127,229	3,213,467	256,527	291,979	1,436	12,500	(570,395)	40,832,004
Accrued payroll and vacation pay	28,181,603	4,107,467	1,199,291	-	-	661,628	957,195	-	-	-	35,107,184
Accrued interest	6,903,452	1,221,990	-	-	-	-	-	-	-	-	8,125,442
Other accrued expenses	21,034,086	2,952,147	-	642,274	16,120,572	70,586	-	94,248	1,424	(11,639,974)	29,275,363
Estimated amounts due to third-party payers	2,486,136	524,045	1,101,045	-	-	-	-	-	-	-	4,111,226
Estimated insurance costs – current	17,112,140	2,244,737	276,564	-	-	74,712	514,393	-	-	-	20,222,546
Other long-term liabilities – current	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue – current	2,236,022	62,013	-	-	2,395,889	-	-	-	433,602	(423,602)	4,703,924
Total current liabilities	122,132,507	20,149,064	2,793,171	769,503	21,729,928	1,063,453	1,763,567	95,684	447,526	(12,633,971)	158,310,432
Estimated Insurance Costs	25,736,860	-	-	-	-	-	-	-	6,268,151	(6,959,177)	25,045,834
Interest Rate Basis Swap	7,545,761	-	-	-	-	-	-	-	-	-	7,545,761
Deferred Compensation	9,444,753	-	-	-	-	-	-	-	-	-	9,444,753
Accrued Pension Liability	46,895,656	-	-	-	-	-	-	-	-	-	46,895,656
Other Long-Term Liabilities	-	-	2,631,807	-	2,800,000	745,019	728,652	218,014	-	(4,105,478)	3,018,014
Long-Term Debt											
Bonds payable	457,144,600	58,497,709	-	-	-	-	-	-	-	-	515,642,309
Direct obligation and mortgage notes payable	16,629,024	8,844,036	37,160	-	1,400,000	-	-	-	-	(1,400,000)	25,510,220
	473,773,624	67,341,745	37,160	-	1,400,000	-	-	-	-	(1,400,000)	541,152,529
Total liabilities	685,529,161	87,490,809	5,462,138	769,503	25,929,928	1,808,472	2,492,219	313,698	6,715,677	(25,098,626)	791,412,979
Net Assets											
Unrestricted	623,597,716	81,648,200	7,812,935	2,480,687	19,841,043	17,129,632	10,490,777	1,904,321	1,507,129	(142,814,724)	623,597,716
Temporarily restricted	18,219,363	1,263,338	168,299	-	-	-	25,952	14,276,711	-	(15,734,300)	18,219,363
Permanently restricted	18,407,568	8,010,611	-	-	-	-	-	7,833,088	1,202,600	(17,046,299)	18,407,568
Total net assets	660,224,647	90,922,149	7,981,234	2,480,687	19,841,043	17,129,632	10,516,729	24,014,120	2,709,729	(175,595,323)	660,224,647
Total liabilities and net assets	$ 1,345,753,808	$ 178,412,958	$ 13,443,372	$ 3,250,190	$ 45,770,971	$ 18,938,104	$ 13,008,948	$ 24,327,818	$ 9,425,406	$ (200,693,949)	$ 1,451,637,626

CoxHealth

Consolidating Schedule – Statement of Operations Information

Year Ended September 30, 2013

	Medical Centers	Cox-Branson	Cox-Monett Hospital	Medical Developments, Inc.	Health Systems HMO, Inc.	HPS of the Ozarks, Inc.	Oxford Home Health Care	CoxHealth Foundation	Other CoxHealth Entities	Eliminations	Total
Unrestricted Revenues, Gains and Other Support											
Patient service revenue (net of contractual discounts and allowances)	$ 966,731,787	$ 135,806,868	$ 34,613,876	$ -	$ -	$ 18,818,687	$ 21,398,152	$ -	$ -	$ (47,085,938)	$ 1,130,283,432
Provision for uncollectible accounts	(107,897,047)	(23,956,953)	(5,456,126)	-	-	(211,688)	(11,724)	-	-	-	(137,533,538)
Net patient service revenue less provision for uncollectible accounts	858,834,740	111,849,915	29,157,750	-	-	18,606,999	21,386,428	-	-	(47,085,938)	992,749,894
Premium revenue	-	-	-	-	110,174,546	-	-	-	1,270,805	(1,270,805)	110,174,546
Other revenue	40,156,431	4,794,390	889,054	8,116,881	2,601,393	14,355	2,834,697	-	(7,188)	(2,732,906)	56,667,107
Net assets released from restrictions used for operations	1,278,166	-	122,033	-	-	-	-	1,717,819	-	-	3,118,018
	900,269,337	116,644,305	30,168,837	8,116,881	112,775,939	18,621,354	24,221,125	1,717,819	1,263,617	(51,089,649)	1,162,709,565
Expenses											
Salaries and wages	325,125,273	43,178,187	13,689,007	1,115,802	4,228,534	4,386,394	16,403,497	-	-	-	408,126,694
Employee benefits	77,787,049	14,392,731	3,279,393	275,602	1,132,401	1,103,482	2,792,676	-	-	(2,565,349)	98,197,985
Purchased services and professional fees	201,676,434	19,607,031	4,610,428	382,862	-	266,297	492,664	-	-	(1,886,785)	225,148,931
Supplies and other	193,437,049	27,503,378	4,914,701	5,723,776	106,021,756	12,007,764	3,591,053	2,172,951	1,317,329	(47,596,870)	309,092,887
State provider tax program	42,053,559	6,170,176	1,951,375	-	-	-	-	-	-	-	50,175,110
Depreciation	35,189,333	5,055,254	1,065,424	60,995	271,559	239,793	608,575	-	-	-	42,490,933
Amortization	466,116	361,939	-	-	-	-	-	-	-	-	828,055
Interest	14,877,002	1,730,268	9,258	-	35,353	-	-	-	-	(35,353)	16,616,528
	890,611,815	117,998,964	29,519,586	7,559,037	111,689,603	18,003,730	23,888,465	2,172,951	1,317,329	(52,084,357)	1,150,677,123
Operating Income (Loss)	9,657,522	(1,354,659)	649,251	557,844	1,086,336	617,624	332,660	(455,132)	(53,712)	994,708	12,032,442
Other Income (Expense)											
Contributions	1,083,880	138,853	111,776	-	-	-	-	(13,497)	44,648	(959,355)	406,305
Investment return	8,587,180	505,282	2,139	-	196,686	364,927	172,210	44,620	524,965	(35,353)	10,362,656
Change in unrealized gains and losses on trading securities and fair value of interest rate basis swap	26,343,871	1,277,576	-	-		(114,531)	-	209,745	-	-	27,716,661
Contribution from Skaggs Regional Medical Center	56,806,570	-								-	56,806,570
Other	(195,317)	(1,725,422)	-	-	-	-	-	-	-	-	(1,920,739)
Change in interest in net assets of subsidiaries	3,684,298	-	-	-	-	-	-	-	-	(3,684,298)	-
	96,310,482	196,289	113,915	-	196,686	250,396	172,210	240,868	569,613	(4,679,006)	93,371,453
Excess (Deficiency) of Revenues Over Expenses	105,968,004	(1,158,370)	763,166	557,844	1,283,022	868,020	504,870	(214,264)	515,901	(3,684,298)	105,403,895
Contributed (return of) capital	(220,674)		-	-	220,674	-	-	-	-	-	-
Investment return – change in unrealized gains and losses on other than trading securities	(581,750)	-	-	-	(71,114)	-	-	-	-	-	(652,864)
Net assets released from restriction used for purchase of property and equipment	-	-	-	-	-	-	-	414,549	-	-	414,549
Change in defined benefit pension plan gains and losses and prior service costs	56,611,045	-	-	-	-	-	-	-	-	-	56,611,045
Acquisition of Skaggs Regional Medical Center	-	82,806,570	-	-	-	-	-	-	-	(82,806,570)	-
Transfer from (to) affiliates	-	-	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Unrestricted Net Assets	$ 161,776,625	$ 81,648,200	$ 763,166	$ 557,844	$ 1,432,582	$ 868,020	$ 504,870	$ 200,285	$ 515,901	$ (86,490,868)	$ 161,776,625

CoxHealth

Consolidating Schedule – Statement of Cash Flows Information

Year Ended September 30, 2013

	Medical Centers	Cox-Branson	Cox-Monett Hospital	Medical Developments, Inc.	Health Systems HMO, Inc.	HPS of the Ozarks, Inc.	Oxford Home Health Care	CoxHealth Foundation	Other CoxHealth Entities	Eliminations	Total
Operating Activities											
Change in net assets	$ 175,644,856	$ 90,922,149	$ 641,133	$ 557,844	$ 1,432,582	$ 868,020	$ 510,414	$ 4,456,763	$ 582,347	$ (99,971,252)	$ 175,644,856
Items not requiring (providing) operating cash flow											
Depreciation and amortization	35,655,449	5,417,193	1,065,424	60,995	271,559	239,793	608,575	-	-	-	43,318,988
(Gain) loss on sale of property and equipment	(134,347)	1,662,036	(125)	-	-	-	(8,375)	-	-	-	1,519,189
Gain on refinancing of bonds	-	(40,457)	-	-	-	-	-	-	-	-	(40,457)
Loss on investment in equity investees	195,317	100,940	-	-	-	-	-	-	-	-	296,257
Appreciation of Series H Capital Appreciation Bonds	1,997,314	-	-	-	-	-	-	-	-	-	1,997,314
Net (gain) loss on investments	(30,021,767)	(1,782,858)	-	-	71,114	114,531	-	(462)	-	-	(31,619,442)
Change in defined benefit pension plan gains, losses and prior service costs	(56,611,045)	-	-	-	-	-	-	-	-	-	(56,611,045)
Change in interest in net assets of subsidiaries	(8,493,083)	-	-	-	-	-	-	-	-	8,493,083	-
Contribution from Skaggs Regional Medical Center	(65,478,169)	(91,478,169)	-	-	-	-	-	-	-	91,478,169	(65,478,169)
Restricted contributions and investment income received	(1,666,013)	(602,350)	-	-	-	-	(5,544)	(6,388,846)	(66,446)	-	(8,729,199)
Change in fair value of interest rate basis swap	4,280,521	-	-	-	-	-	-	-	-	-	4,280,521
Changes in											
Receivables	3,059,863	(3,862,571)	832,889	(124,753)	(1,097,642)	(843,024)	(1,345,753)	(1,830,831)	-	3,849,035	(1,362,787)
Estimated third-party settlements	(343,029)	427,951	(179,753)	-	-	-	-	-	-	-	(94,831)
Accrued self-insurance costs	(1,342,052)	1,034,451	11,151	-	(1,554,055)	3,722	161,406	-	-	-	(1,685,377)
Other assets and liabilities	(15,808,269)	925,406	(1,683,732)	(206,488)	2,235,247	(5,246)	(300,284)	175,809	(69,763)	(911,747)	(15,649,067)
Net cash provided by (used in) operating activities	40,935,546	2,723,721	686,987	287,598	1,358,805	377,796	(379,561)	(3,587,567)	446,138	2,937,288	45,786,751
Investing Activities											
Proceeds from sales of short-term investments, net	64,944,342	(359)	-	-	-	-	-	-	-	-	64,943,983
Purchase of investments	(311,151,905)	(34,288,896)	-	-	(37,330,842)	(1,967,628)	(155,297)	(413,991)	-	-	(385,308,559)
Proceeds from sale of investments	104,974,320	10,521,730	-	-	36,666,096	1,602,702	-	(1,292,923)	-	-	152,471,925
Purchase of property and equipment	(32,370,067)	(1,994,416)	(1,259,249)	(133,805)	(209,064)	(13,592)	(321,940)	-	-	-	(36,302,133)
Proceeds from sale of property and equipment	279,591	-	-	-	-	-	8,375	-	-	-	287,966
Net cash paid to acquire Skaggs Regional Medical Center	(26,000,000)	21,610,527	-	-	-	-	-	-	-	-	(4,389,473)
Advances and repayments of long-term notes receivable, net	3,017,498	(70,467)	-	-	-	-	-	-	-	(2,937,288)	9,743
Advances to and investments in equity investees	39,748	-	-	-	-	-	-	-	-	-	39,748
Change in cash surrender value of life insurance policies	896,844	-	-	-	-	-	-	-	-	-	896,844
Net cash used in investing activities	(195,369,629)	(4,221,881)	(1,259,249)	(133,805)	(873,810)	(378,518)	(468,862)	(1,706,914)	-	(2,937,288)	(207,349,956)

CoxHealth
Consolidating Schedule – Statement of Cash Flows Information
Year Ended September 30, 2013

	Medical Centers	Cox-Branson	Cox-Monett Hospital	Medical Developments, Inc.	Health Systems HMO, Inc.	HPS of the Ozarks, Inc.	Oxford Home Health Care	CoxHealth Foundation	Other CoxHealth Entities	Eliminations	Total
Financing Activities											
Proceeds from restricted contributions and investment income received	$ 1,666,013	$ 602,350	$ -	$ -	$ -	$ -	$ 5,544	$ 6,388,846	$ 66,446	$ -	$ 8,729,199
Proceeds from issuance of long-term debt	157,076,028	58,688,747	51,875								215,816,650
Principal payments on long-term debt	(8,056,289)	(36,085,582)	(34,670)	-	-	-	-	-	-	-	(44,176,541)
Payment on regulatory settlement	(5,399,690)	-	-	-	-	-	-	-	-	-	(5,399,690)
Transfer to/from affiliates	-	-		-	-	-	-	-	-	-	-
Net cash provided by (used in) financing activities	145,286,062	23,205,515	17,205	-	-	-	5,544	6,388,846	66,446	-	174,969,618
Change in Cash and Cash Equivalents	(9,148,021)	21,707,355	(555,057)	153,793	484,995	(722)	(842,879)	1,094,365	512,584	-	13,406,413
Cash and Cash Equivalents, Beginning of Year	48,463,377	-	752,561	1,047,984	6,943,307	1,097,321	3,192,803	358,126	334,822	-	62,190,301
Cash and Cash Equivalents, End of Year	$ 39,315,356	$ 21,707,355	$ 197,504	$ 1,201,777	$ 7,428,302	$ 1,096,599	$ 2,349,924	$ 1,452,491	$ 847,406	$ -	$ 75,596,714

CoxHealth

Obligated Group Schedule – Balance Sheet Information

September 30, 2013

Assets

	Medical Centers	Cox-Branson	Eliminations	Total
Current Assets				
Cash and cash equivalents	$ 39,315,356	$ 21,707,355	$ -	$ 61,022,711
Short-term investments	73,271,082	107,501	-	73,378,583
Assets limited as to use – current	17,285,368	1,221,990	-	18,507,358
Patient accounts receivable, net of allowance	136,111,963	20,556,432	-	156,668,395
Estimated amounts due from third-party payers	828,530	1,747,318	-	2,575,848
Other receivables	5,247,478	1,157,530	(2,343,465)	4,061,543
Supplies	11,751,088	1,990,283	-	13,741,371
Prepaid expenses	4,349,338	1,161,384	-	5,510,722
Total current assets	288,160,203	49,649,793	(2,343,465)	335,466,531
Assets Limited As To Use				
Investments				
Internally designated				
Building fund investments and other	164,149,284	16,176,713	-	180,325,997
Donated investments	159,182,853	-	-	159,182,853
Externally restricted				
Donor restricted	3,869,406	9,273,948	-	13,143,354
Under deferred compensation agreement	9,342,911	-	-	9,342,911
Held by trustees				
Self-insurance trust investments	31,283,318	-	-	31,283,318
Under bond indenture agreements	147,600,159	27,975,778	-	175,575,937
	515,427,931	53,426,439	-	568,854,370
Less amount required to meet current obligations	17,285,368	1,221,990	-	18,507,358
	498,142,563	52,204,449	-	550,347,012
Long-Term Receivables	14,780,876	83,070	-	14,863,946
Interest in Net Assets of Subsidiaries	175,595,323	-	(90,922,149)	84,673,174
Property and Equipment, At Cost	877,606,687	79,467,052	-	957,073,739
Less accumulated depreciation	549,070,596	4,955,801	-	554,026,397
	328,536,091	74,511,251	-	403,047,342
Goodwill and Intangible Assets	25,252,061	1,239,000	-	26,491,061
Other Assets	15,286,691	725,395	-	16,012,086
Total assets	$ 1,345,753,808	$ 178,412,958	$ (93,265,614)	$ 1,430,901,152

CoxHealth

Obligated Group Schedule – Balance Sheet Information

September 30, 2013

Liabilities and Net Assets

	Medical Centers	Cox-Branson	Eliminations	Total
Current Liabilities				
Current maturities of long-term debt	$ 10,242,919	$ 5,653,758	$ -	$ 15,896,677
Accounts payable	33,936,149	3,382,907	-	37,319,056
Accrued payroll and vacation pay	28,181,603	4,107,467	-	32,289,070
Accrued interest	6,903,452	1,221,990	-	8,125,442
Other accrued expenses	21,034,086	2,952,147	(2,343,465)	21,642,768
Estimated amounts due to third-party payers	2,486,136	524,045	-	3,010,181
Estimated self-insurance costs – current	17,112,140	2,244,737	-	19,356,877
Deferred revenue – current	2,236,022	62,013	-	2,298,035
Total current liabilities	122,132,507	20,149,064	(2,343,465)	139,938,106
Estimated Self-Insurance Costs	25,736,860	-	-	25,736,860
Interest Rate Basis Swap	7,545,761	-	-	7,545,761
Deferred Compensation	9,444,753	-	-	9,444,753
Accrued Pension Liability	46,895,656	-	-	46,895,656
Long-Term Debt				
Bonds payable	457,144,600	58,497,709	-	515,642,309
Direct obligation and mortgage notes payable	16,629,024	8,844,036	-	25,473,060
	473,773,624	67,341,745	-	541,115,369
Total liabilities	685,529,161	87,490,809	(2,343,465)	770,676,505
Net Assets				
Unrestricted	623,597,716	81,648,200	(81,648,200)	623,597,716
Temporarily restricted	18,219,363	1,263,338	(1,263,338)	18,219,363
Permanently restricted	18,407,568	8,010,611	(8,010,611)	18,407,568
Total net assets	660,224,647	90,922,149	(90,922,149)	660,224,647
Total liabilities and net assets	$ 1,345,753,808	$ 178,412,958	$ (93,265,614)	$ 1,430,901,152

CoxHealth

Obligated Group Schedule – Statement of Operations Information

Year Ended September 30, 2013

	Medical Centers	Cox-Branson	Eliminations	Total
Unrestricted Revenues, Gains and Other Support				
Patient service revenue (net of contractual discounts and allowances)	$ 966,731,787	$ 135,806,868	$ -	$ 1,102,538,655
Provision for uncollectible accounts	(107,897,047)	(23,956,953)	-	(131,854,000)
Net patient service revenue less provision for uncollectible accounts	858,834,740	111,849,915	-	970,684,655
Other revenue	40,156,431	4,794,390	-	44,950,821
Net assets released from restrictions used for operations	1,278,166	-	-	1,278,166
	900,269,337	116,644,305	-	1,016,913,642
Expenses				
Salaries and wages	325,125,273	43,178,187	-	368,303,460
Employee benefits	77,787,049	14,392,731	-	92,179,780
Purchased services and professional fees	201,676,434	19,607,031	-	221,283,465
Supplies and other	193,437,049	27,503,378	-	220,940,427
State provider tax program	42,053,559	6,170,176	-	48,223,735
Depreciation	35,189,333	5,055,254	-	40,244,587
Amortization	466,116	361,939	-	828,055
Interest	14,877,002	1,730,268	-	16,607,270
	890,611,815	117,998,964	-	1,008,610,779
Operating Income (Loss)	9,657,522	(1,354,659)	-	8,302,863
Other Income (Expense)				
Contributions	1,083,880	138,853	-	1,222,733
Investment return	8,587,180	505,282	-	9,092,462
Change in unrealized gains and losses on trading securities and fair value of interest rate basis swap	26,343,871	1,277,576	-	27,621,447
Other	(195,317)	(1,725,422)	-	(1,920,739)
Contribution from Skaggs Regional Medical Center	56,806,570	-	-	56,806,570
Change in interest in net assets of subsidiaries	3,684,298	-	1,158,370	4,842,668
	96,310,482	196,289	1,158,370	97,665,141
Excess (Deficiency) of Revenues Over Expenses	105,968,004	(1,158,370)	1,158,370	105,968,004
Contributed (return of) capital	(220,674)		-	(220,674)
Investment return – change in unrealized gains and losses on other than trading securities	(581,750)	-	-	(581,750)
Change in defined benefit pension plan gains and losses and prior service costs	56,611,045	-	-	56,611,045
Acquisition of Skaggs Regional Medical Center	-	82,806,570	(82,806,570)	-
Increase (Decrease) in Unrestricted Net Assets	$ 161,776,625	$ 81,648,200	$ (81,648,200)	$ 161,776,625