St. Joseph's Hospital Health Center
CUSIP Base #: 682832
Notice of Conference Call
In connection with:

$142,745,000 Onondaga Civic Development Corporation
Tax-Exempt Revenue Bonds
(St. Joseph's Hospital Health Center Project), Series 2012

And

$68,315,000 Onondaga Civic Development Corporation
Tax-Exempt Revenue Bonds
(St. Joseph's Hospital Health Center Project), Series 2014A

Notice is hereby given that St. Joseph's Hospital Health Center ("SJHHC") shall conduct a conference call with interested parties at **1:00 PM EDT on Wednesday, March 11, 2015.** To access the conference call, please dial 888-664-9855 and provide the passcode 85880 when prompted.

Conference Call Details:

Date: Wednesday, March 11, 2015

Time: 1:00PM EDT

Dial In: 888-664-9855

Passcode: 85880

Materials: Presentation materials will be available on EMMA 48 hours in advance of the call.

Recording will be available 1 hour after call has ended and will be available until April 11, 2015.

To access the recording, call:

Toll free number: 888-445-8676

Passcode: 113012

St. Joseph's Hospital Health Center and Subsidiaries
Management's Discussion and Analysis
For the Twelve Months Ended December 31, 2014

Introduction

The unaudited operating results and other financial information for the twelve months ended December 31, 2014 for St. Joseph's Hospital Health Center and Subsidiaries are attached. These financial statements have been prepared comparing the balance sheet as of December 31, 2014 to the audited balance sheet as of December 31, 2013, and the audited statement of operations for the twelve months ended December 31, 2014. The consolidated balance sheet and statement of operations as of December 31, 2014 for St. Joseph's Hospital Health Center and Subsidiaries include St. Joseph's Hospital Health Center (the "Hospital"), S.J. Management Company (SJM), a wholly owned subsidiary, SJLS, LLC (SJLS), a 51% owned subsidiary of SJM, St. Joseph's Physician Enterprise (SJPE), St. Joseph's Medical P.C. (SJMPC) and St. Joseph's Physician Health, P.C. (SJPHPC).

The Hospital is the entity that is committed on the 2012 and 2014 loan agreements, however, consolidated financial statements have also been included in response to prior requests for this information.

The attached statements have been presented in the same groupings and format as the audited financial statements.

Significant Events or Key Issues during 2014

St. Joseph's has entered a period of transformation, preparing for a healthcare environment that demands scale, quality, continuity and cost efficiency. Our key paths to this future include:

- Developing the right inpatient and outpatient facilities. We opened a new surgical patient tower in September of 2014.

- Expanding our care management and communications structures through the use of a comprehensive electronic medical records system. We had a positive installation of our new Epic system in May of 2014 and are now working to optimize the benefits.

- Improving our quality and outcomes through partnerships with our medical staff. We are creating a clinically integrated network with our medical staff to emphasize alignment around quality and cost reductions.

- Developing regional and national partnerships to enhance our access to best practices, and overhead reductions.

This past year represented a complex set of implementations, and at times required us to reduce schedules and productivity to accommodate training, moves and implementation of new systems. We have now made these investments and will be able to optimize the benefits for our patients

through improved flow, facilities, satisfaction and outcomes. These items are discussed in further detail below.

Effective January 1, 2014, St. Joseph's Hospital Health Center entered into an Affiliation Agreement with CHE Trinity Health, now known as Trinity Health. Through this affiliation, we have met or conferred regularly with Trinity Health to obtain their advice on operational and strategic matters. We have joined their purchasing system as further described below. We have also had access to their intellectual capital on matters such as formation of a clinically integrated network, structuring of bundled payment arrangements, physician integration, quality outcomes and improved patient flow. We continue to work together on ways that we might gain access to resources and economies of scale provided by a large health system that shares our mission of compassionate care. Those collaborative discussions have been extremely helpful to St. Joseph's – and are continuing.

Effective April 1, 2014 St. Joseph's Hospital Health Center froze its defined benefit pension plan to new participants and benefit accruals. Enhanced matching contributions are being made to the 401k defined contribution plan.

On April 24, 2014 the Hospital closed on the 2014 Series A and B bonds in the amount of $68,315,000 and $12,430,000 respectively. These bonds were used to finance the Hospital's Epic electronic medical records system, its new energy cogeneration plant and general routine capital. As of December 31, 2014 there was $1.459 million remaining in bond funds for the remaining payments on the cogeneration plant.

On May 1, 2014 the Hospital went live on Epic, its new electronic medical records system. The go-live was successful and at 40 weeks post go-live our revenue cycle indicators are tracking above the top quartile for Epic customers. Our cumulative charges are at 109% of baseline and our cumulative payments are at 115% of baseline. Epic awarded St. Joseph's Hospital with their MVP award for Outstanding Revenue Cycle in Resolute Hospital Billing. The award recognizes the Hospital Billing team as a top performer in coding and claim edits, and achieving best practice for cumulative revenue capture, cash over baseline six months post go-live, and AR back to baseline three months post go-live. Despite these successes, the Hospital did experience some challenges in billing resulting in approximately $2 million of lost opportunity, some of which may ultimately be recovered.

Effective May 1, 2014, four of SJPHPC's physician practices were transferred to SJMPC. The transfer was planned and is reflected in the consolidated operating budget. In addition, hospitalists and clinical affiliates were transferred from the Hospital to SJPHPC as of May as reflected in the budget. These moves were made to consolidate the ambulatory physician practices within SJMPC and consolidate the hospital based services within SJPHPC. It will also allow for improved billing for provider services.

In June 2014 the Hospital signed an agreement to become part of the Trinity Health Group Purchasing Organization (GPO), HealthTrust. The new pricing for certain products went into effect September 2, 2014. These pricing improvements are expected to yield $3.8 million in annual savings, and $1 million in savings was realized in the last quarter of 2014. In addition to

the price changes that went into effect in September 2014, the Hospital is working on transitioning its conversion items to HealthTrust throughout 2015, which could result in additional savings.

On August 6, 2014 St. Joseph's Hospital Health Center was awarded a $500,000 Delivery System Reform Incentive Payment (DSRIP) Design Grant by the New York State Department of Health. On October 24, 2014 St. Joseph's Hospital Health Center was notified that an additional $400,000 was awarded for the DSRIP Design Grant, making the total awarded $900,000. A total of $775,000 was recognized in 2014. This grant provided us with the funding to support the work required to complete the DSRIP Plan Application. The Hospital has taken a lead role with three other hospitals in the formation of the single Performing Provider System ("PPS") for the Central New York region. An additional grant of $1.3 million has been distributed by the Department of Health for the benefit of the PPS. A significant portion of that award is expected to be received by the Hospital.

On September 20, 2014 we opened our new surgical patient tower which includes 72 private patient rooms and 38 intensive care rooms. This project was completed on time and on budget. We continue to receive overwhelmingly positive feedback from patients and families.

In early October, 2014 the Hospital successfully completed its annual accreditation survey by DNV (Det Norske Veritas).

In November 2014 St. Joseph's Health (the "System Parent"), was formed. That entity is the parent of St. Joseph's Hospital Health Center, St. Joseph's Health Center Properties, Inc. and St. Joseph's Hospital Health Center Foundation, Inc. The System Parent was formed for the following reasons: (i) to allow for the preparation of a consolidated financial statement for the above mentioned entities and all of their subsidiaries; (ii) to facilitate transactions with potential regional partners; and (iii) to facilitate a potential transaction with a national health system if such a transaction were to occur.

In November 2014 St. Joseph's Health signed a non-binding term sheet with a large nonprofit healthcare system relating to a proposed agreement to join that entity. The agreement will bring St. Joseph Health support in sustaining its mission through access to the proposed affiliate's intellectual and infrastructure resources. The proposed system and St. Joseph Health are in the process of completion of legal, financial and other due diligence, regulatory approvals and final negotiation of a definitive agreement. No assurances can be given that a definitive agreement will be entered into or that the transaction will be completed.

As of December 1, 2014, the Hospital's state-of-the-art cogeneration plant was fully operational. This project came in on time and on budget. The cogeneration plant is expected to produce energy savings of more than $1 million annually. The Hospital has received a $1.8 million NYSERDA grant for this project, payable through the end of the second year after we go operational.

On December 1, 2014 St. Joseph's Hospital Health Center sold 9% of its share in SJLS, LLC for $4.3 million. This took the Hospital's ownership from 60% to 51% and maintains the Hospital's control of this entity. The Hospital recognized a gain on this sale of $3,750,961.

On February 10, 2015 St. Joseph's was awarded LEED-Gold certification for its state-of-the-art emergency services building, operating suite and surgical tower. St. Joseph's is one of only 28 hospitals in the country to receive LEED Gold certification.

Balance Sheet

St. Joseph's Hospital Health Center (the "Hospital"):

Assets:
Cash and cash equivalents decreased by $1,430,000 however cash and investments combined has increased by $5,065,000. The decrease in cash is related to an increase in funding required from operations for Phase IIB, the EHR implementation and Co-Generation project costs, offset in part by the cash received relating to the sale of the Hospital's 9% interest in SJLS, as noted above. In late 2014 we became aware of a possible issue relating to the reconciliation of cash. This issue remains unresolved and is being investigated by St. Joseph's management team, our auditors (Fust, Charles, Chambers LLP) and Grant Thorton. Investments increased from December 31, 2013 by $6,496,000 as the first twelve months market activity has resulted in $5,272,000 of unrealized gains. Days cash in hand decreased from 75.02 days last December to 74.36 days. A decrease in net patient accounts receivable from December 31, 2013 is related to additional reserves being provided for patient receivables on the legacy billing system. In December 2014 the Hospital updated it's methodology for calculating reserves on outstanding patient receivables. This update was deemed necessary based on new information made available after our system conversion to Epic in May 2014. The update in our reserve methodology resulted in a $2.6 million write off of legacy system accounts that are deemed uncollectible and a $3.9 million increase in our reserves to reflect our updated collection percentages using 2014 actual experience.

As of December 2014 the short term portion of assets limited as to use increased by $2,695,000 as a result of an increase in the current portion of the debt liability in July 2014 for the 2012 bond payable and the addition of the short term portion related to the 2014 bond payable. Estimated third party settlements decreased by approximately $2,007,000 due to additional liabilities related to Blue Cross charge creep and Medicare upper payment limit settlements.

Property, plant and equipment increased by approximately $22,407,000 due to the construction of Phase IIB, placed into service in September 2014, which consisted of a six story patient tower and improvements on several units throughout the Hospital allowing for private patient rooms; the Co-Generation project, placed into service in November 2014, which included the installation of turbines to the Hospital facility; and the EHR implementation project, placed into service in May 2014. Assets limited to use have decreased by $2,274,000 which is attributed to the July principal and interest payments made on the 2012 and 2014 bonds payable. The reduction is also

a result of the proceeds from the 2014 and 2012 bond issuances being used to purchase equipment, software, and hardware for the Co-Generation project, the EHR implementation and the construction of Phase IIB. The 2014 bond sale caused a $2,451,000 increase in the unamortized debt issuance costs from December 31, 2013. As a result of increased intercompany activity with SJPHPC, other assets increased by $4,391,000 in throughout 2014.

Liabilities:
Short-term borrowings decreased from December 31, 2013 by $18,000,000 as proceeds from the 2014 bond sale were used to pay off the outstanding balances on the $6,000,000 and $44,000,000 lines of credit, used to fund Epic and other capital projects. The $6,000,000 line of credit remains available to the Hospital and the $44,000,000 line of credit has been repurposed in the amount of $14,000,000, for total availability of $20,000,000. There were no funds drawn on these lines of credit as of December 31, 2014. Likewise, the $79,661,000 (net of discount) 2014 bond increased long term debt by $63,424,000 the offset relates to normal debt payments. Accounts payable decreased by $3,977,000 as invoices are being paid more quickly. This is also reflected in the 8 day decrease in the days in accounts payable ratio from December 31, 2013. Accrued pension benefits decreased from December 2013 due to a curtailment charge of $2,289,000 in 2014 which was a result of the Plan being frozen in April 2014. In 2014, the accrued postretirement benefits increased by $1,980,000 which is attributed to a decrease in the discount rate used in the actuarial calculation from 4.70% in 2013 to 3.9% in 2014. A decrease of $1,331,000 in other liabilities is a result of the $3,397,000 long term retention payable on the Phase IIB project moving to short term as the project has been completed and an invoice for retention received. This was offset by an increase in the long term workers compensation accrual and the 457b accrual.

St. Joseph's Hospital Health Center and Subsidiaries:

Assets:
Cash and cash equivalents decreased by $2,886,000 however cash and investments combined increased by $3,609,000, which is attributed to the Hospital (see the Hospital, the Assets section above), SJM and SJMPC. The decrease in SJMPC's cash is a result of the timing of accounts payable checks on Dec 30th, 2014. From December 31, 2013 to December 31, 2014 investments increased by $6,496,000 which is due to Hospital activity as explained above under Hospital Only Assets. The current portion of assets limited to use increased by $2,695,000 and is due solely to the Hospital as explained above.

Property, plant and equipment increased by approximately $20,909,000. Of this increase $22,407,000 relates to the Hospital as explained under Hospital Only Assets above. The difference represents normal depreciation of the other entities property, plant and equipment. In addition, assets limited to use decreased and unamortized debt issuance costs increased which relates entirely to the Hospital as explained in the Assets section above. Due to the creation of a joint venture between SJMPC and St. Joseph's Imaging to provide outpatient diagnostic imaging

services, other assets increased from December 31, 2013 reflecting assets contributed to the joint venture and recorded in intercompany accounts.

Liabilities:
As explained under the Hospital Only Liabilities short term borrowings decreased as $18,000,000 was paid from the 2014 bond sale on the $44,000,000 and $6,000,000 lines of credit. In addition, SJMPC paid down short-term borrowings in the amount of $900,000 in the first quarter of 2014. A decrease in the Hospital's accounts payable of $3,977,000 as discussed above and decreases from SJM and SJMPC have caused a decrease in the consolidated accounts payable of $4,617,000. Accrued liabilities decreased by $1,487,000 of which $1,331,000 relates to the Hospital due to a reduction in the construction payables as a result of Phase IIB's completion. SJPHPC also attributed to the decrease as accrued payroll decreased from 2013 as a result of the four physician practices being transferred to SJMPC on May 1, 2014. An increase of $62,395,000 in long-term debt is related to the Hospital's 2014 bond sale as discussed above which was offset by normal payments on outstanding debt balances. The Hospital's accrued postretirement and accrued pension benefits changed from December 31, 2013 as explained above. Other liabilities decreased by $1,265,000 from December 31, 2013 which is a result of the Hospital's long term retention payable on the Phase IIB project moving to short term as the project has been completed and an invoice for retention received.

Operations

St. Joseph's Hospital Health Center (the "Hospital"):

Overall, for the twelve months ending December 31, 2014, the Hospital reflected an operating loss of approximately $2,653,000. This change from prior year is largely the result of non-recurring, one-time items described on **Exhibit 1** which is attached at the end of this report. Net patient revenue less bad debts decreased by $8,490,000, which was due to a decrease of 589 outpatient surgeries, as well as an increase in our reserves on accounts receivable balances, described above. Bad debt expense increased by $1,139,000 over December 31, 2013 due to the cleanup of patient receivables to prepare for the new electronic medical records system, which also included a policy change to recognize bad debts prior to sending them to collection agencies. In 2014, the Hospital accounted for all intercompany revenue within other operating revenue as compared to 2013 where it was applied against the related expense. This change and the Hospital leasing their clinical affiliates to SJPHPC accounts for $25,609,000 of the $23,358,000 increase in other operating revenue from December 2013. The offset to the increase is due to a decrease in the contributions received in 2014. A one-time unrestricted contribution of $2.5 million was received from the Foundation in Dec 2013. The change in the manner in which intercompany revenue is presented on the financial statements also contributed to a $5,573,000 increase in salaries and a $1,418,000 increase in benefits. In addition salaries increased as there were $2,599,000 less salaries capitalized related to the electronic medical records system implementation and Phase IIB as these projects were placed into service in May and September 2014. The remaining increases were a result of end user training and additional IT resources needed for the new electronic medical records system. Certain fringe benefit costs also increased including employee medical costs, workers compensation and the postretirement health benefit. Offsetting these explained increases, total FTE's have decreased from 3,648 as of December

2013 to 3,594 as a result of attrition and efficiencies. Supplies and Other Expenses increased from December 2013 by $8,636,000. Contributing to this increase were consulting expenses, collection agency fees, medical supplies, other purchased services and the new electronic medical records system's hardware and software maintenance costs. Collection agency fees have grown in 2014 as legacy system billing has been outsourced to a billing and collection agency in order to focus on the transition to the new electronic medical records system. The new electronic medical records system has also resulted in increased consulting expenses as outside professionals were brought in to improve the revenue cycle, as well as improve the operational efficiencies of our Hospital-based providers. Further explanation of these one-time expenses can be found in **Exhibit 1** at the end of this narrative. Spinal and special surgical supplies have also increased over the prior year as a result of the purchase of spinal titanium screws and increased purchases of programmers and leads. Depreciation expense increased by $8,547,000 due to the increase in property, plant and equipment for Phase IIA construction completed throughout 2012, the new operating rooms going into operation in July 2013, the new electronic medical records system going live in May 2014, Phase IIB - Tower being placed into service in September 2014 and the Co-Generation Plant becoming operational in December 2014. The 2014 and 2012 bonds payable increased interest expense by approximately $4,384,000 as payments are due semi-annually. In December 2014, the Hospital sold 9% of its share in SJLS which attributed to most of the $3,741,000 increase in the equity in earnings of investees.

St. Joseph's Hospital Health Center and Subsidiaries:

The year ended 2014 resulted in a decrease in net patient revenue less bad debts of $10,619,000 on a consolidated basis. Of this decrease $8,490,000 relates to the Hospital as discussed above and $6,437,000 to SJMPC. The change of providers at SJMPC over the last two calendar years and some delayed billing due to system issues with the new electronic medical records system has resulted in the decrease in net patient revenue. SJMPC is actively recruiting to meet the growing patient needs. During 2014 a total of 12 Physicians and 11 Nurse Practitioners/Physicians Assistants have joined the practice. We expect those new providers will help increase patient revenue for the practice. To offset the decrease, SJPHPC and SJM had increases of approximately $1,741,000 and $3,000,000, respectively, in their net patient revenue less bad debts. The increase in SJPHPC net patient revenue is due to increased revenues from new providers transferred from the Hospital referred to in significant events above. Other revenue increased from December 31, 2013 as the Hospital received revenue from the Medical Home, Tobacco Cessation, DSRIP and NYSERDA grants; meaningful use money attributed to the electronic medical records system implementation, and accrued population health incentive money from Excellus. SJMPC's other operating income also increased from 2013 due to the formation of the joint venture which provides outpatient medical imaging services and gains from the disposal of fixed assets. Total operating expenses increased from December 31, 2013 by $28,750,000. Salaries and wages and fringe benefits attributed to $7,858,000 of this increase of which all relates to the Hospital as described above. Supplies and Other Expenses increased by $7,598,000 which relates to the Hospital as explained above. Depreciation expense increased by $8,856,000 as a result of an increase in the Hospital's property, plant and equipment as explained above. The 2014 and 2012 bonds payable increased interest expense by approximately $4,287,000 as payments are due semi-annually.

The December 31, 2014 consolidated loss from operations of $21,661,000 reflects a negative difference of $35,920,000 when compared to December 31, 2013. However, the one-time expenses described above and in **Exhibit 1** account for $19 million of that variance. Included in the operating results for both 2013 and 2014 are significant losses ($7.5 million in 2013 and $8.2 million in 2014) attributed to the Hospital's outpatient behavioral health operations. The Hospital has requested special funding from the State to support these operational losses. Absent the receipt of these funds the Hospital is considering closing or limiting our outpatient behavioral health services. Also contributing to the variance is additional depreciation of $8.8 million and the $4.2 million growth in interest expense related to the 2014 bonds.

Conclusion

The Hospital has made significant investments to position the System for success in the changing world of health care. The System expects to realize returns on those investments in 2015 and beyond.

SPECIAL NOTE CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements or elements included in Management's Discussion & Analysis section of this document may include certain "forward-looking statements" which involves known and unknown risks and uncertainties inherent in the operation of a healthcare facility. Actual actions or results may differ materially from those discussed above. Specific factors that may cause such differences include competition from other healthcare facilities in the service area of St. Joseph Hospital Health Center and Subsidiaries, federal and state regulation of healthcare providers, and reimbursement policies of the state and federal governments and managed care organizations. In particular, statements proceeded by, followed by or that include the words "believes," "estimates," "anticipates," "plans," "intends," "scheduled," or other similar expressions are or may constitute forward-looking statements.

Exhibit 1 – 2014 "One-Time" Financial Statement Impact

St. Joseph's Hospital Health Center
2014 Financial Statement Impact

	YTD 2014
Additional A/R Reserves	(6,500,000) [1]
Write-off Federal UPL Receivable	(1,168,630) [2]
Consulting Fees - GT, KH and TRG	(2,891,709) [3]
Epic related costs incurred:	
Salaries for employees in training	(2,285,627) [4]
Consulting Fees	(708,142) [4]
Certified Trainers	(308,010) [4]
Epic post go-live visits	(466,539) [4]
Other printing, advertising and food	(341,700) [4]
Kopp Collection Fees	(2,000,000) [4]
Lost revenue for reduced schedules during Epic (roughly 30 OR cases and May clinic visits at 50% schedule)	(1,070,000) [4]
Reserve for Medicare Accounts missing co-signed order	(1,667,000) [5]
Total of Unusual Adjustments/One-Time Costs	**(19,407,357)**

[1] In December 2014 the Hospital updated it's methodology for calculating reserves on outstanding patient receivables. This update was deemed necessary based on new information made available after our system conversion to Epic in May 2014. The update in our reserve methodology resulted in a $2.6 million write off of legacy system accounts that are deemed uncollectible and a $3.9 million increase in our reserves to reflect our updated collection percentages using 2014 actual experience.

[2]Consistent with past practice, in 2014 the Hospital had recognized income relating to the federal portion of the Medicaid upper payment limit. As of this date we have received neither payment nor confirmation that the amount recognized will be paid, therefore we have written off this receivable. There is possibility that CMS will acknowledge this obligation, but at this time receipt of these funds remains uncertain.

[3] During 2014 the Hospital engaged several consultants to assist with both revenue enhancing activities and strategic initiatives. These consultants include Grant Thorton, Kaufman Hall and TRG. The schedule

below describes the some of the anticipated benefits from these expenditures. These fees are anticipated to be substantially less in 2015 as these projects come to conclusion.

	One-Time	Annual
Projected Revenue Cycle Benefit	6,600,000	3,500,000
Projected Hospital Based Physician Benefit	-	5,307,275
	6,600,000	8,807,275

[4] The costs specified above were one-time, non-recurring expenses, not capitalized, relating to the Epic implementation.

[5] As noted in the narrative pertaining to the balance sheet, the Hospital reserved for $1.7 million for Medicare accounts that were missing necessary documentation for billing purposes. This documentation issue arose in connection with the Epic system conversion and was discovered shortly after go-live. Measures were put in place to mitigate future occurrences. The Hospital is seeking authority to bill for these accounts. The outcome of this endeavor is uncertain.

ST. JOSEPH'S HOSPITAL HEALTH CENTER

Balance Sheets - Hospital Only

Assets	December 31, 2014	December 31, 2013	$ Change	
Current assets:				
Cash and cash equivalents	$ 42,705,892	$ 44,136,305	$ (1,430,413)	-3.24%
Investments	69,232,209	62,736,568	6,495,641	10.35%
Patient accounts receivable, net of allowance for charity care and doubtful accounts of approximately $15,412,000 in 2014 and $15,609,000 in 2013	89,479,521	92,147,379	(2,667,858)	-2.90%
Other receivables	4,827,879	4,607,522	220,357	4.78%
Inventories	6,351,919	5,940,145	411,774	6.93%
Prepaid expenses	5,236,301	5,159,244	77,057	1.49%
Assets limited as to use	6,605,000	3,910,000	2,695,000	68.93%
Estimated third-party payor settlements	590,061	2,596,805	(2,006,744)	-77.28%
Total current assets	225,028,782	221,233,968	3,794,814	
Property and equipment, net	365,387,109	342,980,322	22,406,787	6.53%
Assets limited as to use	24,636,956	26,911,150	(2,274,194)	-8.45%
Unamortized debt issuance costs	7,796,952	5,345,677	2,451,275	45.86%
Other assets	17,904,980	13,514,103	4,390,877	32.49%
Investment in interest rate cap	86,883	546,394	(459,511)	-84.10%
Equity interest in net assets of St. Joseph's Hospital Health Center Foundation, Inc.	21,826,460	21,717,869	108,591	0.50%
Total assets	$ 662,668,122	$ 632,249,483	$ 30,418,639	

ST. JOSEPH'S HOSPITAL HEALTH CENTER

Balance Sheets

Liabilities and Net Assets	December 31, 2014	December 31, 2013	$ Change	
Current liabilities:				
Short-term borrowings	$ 1,751,113	$ 19,751,113	$ (18,000,000)	-91.13%
Current portion of long-term debt	12,965,387	11,956,268	1,009,119	8.44%
Accounts payable	45,292,523	49,269,933	(3,977,410)	-8.07%
Accrued expenses and other liabilities	46,428,955	47,585,521	(1,156,566)	-2.43%
Total current liabilities	106,437,978	128,562,835	(22,124,857)	
Long-term debt, net	270,404,433	206,980,648	63,423,785	30.64%
Accrued postretirement benefits	20,549,983	18,569,892	1,980,091	10.66%
Accrued pension benefits	12,842,779	15,698,653	(2,855,874)	-18.19%
Due to St. Joseph's Health Center Properties, Inc.	6,378,233	4,828,429	1,549,804	32.10%
Other liabilities	21,797,041	23,128,267	(1,331,226)	-5.76%
Total liabilities	438,410,447	397,768,724	40,641,723	
Net assets:				
Unrestricted	210,589,172	221,452,683	(10,863,511)	-4.91%
Temporarily restricted	10,441,968	9,905,237	536,731	5.42%
Permanently restricted	3,226,535	3,122,839	103,696	3.32%
Total net assets	224,257,675	234,480,759	(10,223,084)	
Total liabilities and net assets	$ 662,668,122	$ 632,249,483	$ 30,418,639	

ST. JOSEPH'S HOSPITAL HEALTH CENTER

Statement of Operations - Hospital Only

	December 31, 2014	December 31, 2013	$ Change	
Unrestricted revenues, gains and other support:				
Net patient service revenue (net of contractual allowances and discounts)	$ 544,091,005	$ 551,442,052	$ (7,351,047)	-1.33%
Provision for bad debt	(16,768,383)	(15,629,609)	(1,138,774)	7.29%
Net patient service revenue less provision for bad debts	527,322,622	535,812,443	(8,489,821)	-1.58%
Other revenue	52,297,037	28,939,167	23,357,870	80.71%
Total revenue, gains and other support	579,619,659	564,751,610	14,868,049	
Expenses:				
Salaries and wages	242,645,952	232,103,003	10,542,949	4.54%
Fringe benefits	64,409,958	58,645,261	5,764,697	9.83%
Supplies and other expenses	230,118,193	221,482,659	8,635,534	3.90%
Depreciation and other expenses	32,852,476	24,305,959	8,546,517	35.16%
Interest incurred and expensed	10,046,771	5,662,472	4,384,299	77.43%
New York State gross receipts tax	2,199,475	2,051,569	147,906	7.21%
Total expenses	582,272,825	544,250,923	38,021,902	
Income from operations	(2,653,166)	20,500,687	(23,153,853)	
Nonoperating revenue:				
Investment income	1,025,042	1,849,577	(824,535)	-44.58%
Change in fair value of interest rate cap	(459,511)	155,602	(615,113)	-395.31%
Equity in change in unrestricted net assets of St. Joseph's Hospital Health Center Foundation Inc.	(750,348)	(856,937)	106,589	-12.44%
Equity in earnings of investees	4,737,828	997,229	3,740,599	375.10%
Excess of revenue over expenses	1,899,845	22,646,158	(20,746,313)	-91.61%

ST. JOSEPH'S HOSPITAL HEALTH CENTER

Statement of Changes in Net Assets

	December 31, 2014	December 31, 2013	$ Change	
Unrestricted net assets:				
Excess of revenues over expenses - St. Joseph's Hospital Health Center	$ 1,899,845	$ 22,646,158	$ (20,746,313)	-91.61%
Pension and postretirement related changes other than net periodic benefit cost	(531,328)	14,196,619	(14,727,947)	-103.74%
Change in net unrealized gains and losses on investments	5,271,800	(7,049,306)	12,321,106	-174.78%
Equity transfer (to) from affiliates	(19,442,870)	(14,361,805)	(5,081,065)	35.38%
Net assets released from restrictions used for purchase and renovation of property	1,939,042	5,637,067	(3,698,025)	-65.60%
Increase in unrestricted net assets	(10,863,511)	21,068,733	(31,932,244)	-152%
Temporarily restricted net assets:				
Contributions received	955,319	2,517,123	(1,561,804)	-62.05%
Equity in change in temporarily restricted net assets of St. Joseph's Hospital Health Center Foundation, Inc.	755,243	880,656	(125,413)	-14.24%
Net assets released from restrictions used for operations	(1,173,831)	(785,000)	(388,831)	49.53%
Net assets released from restrictions used for purchase and renovation of property	-	(5,637,067)	5,637,067	-100.00%
Increase (decrease) in temporarily restricted net assets	536,731	(3,024,288)	3,561,019	-118%
Permanently restricted net assets:				
Equity in change in permanently restricted net assets of St. Joseph's Hospital Health Center Foundation, Inc.	103,696	6,779	96,917	1429.67%
Increase in net assets	(10,223,084)	18,051,224	(28,274,308)	
Net assets at beginning of year	234,480,759	216,429,535	18,051,224	
Net assets at end of year	$ 224,257,675	$ 234,480,759	$ (10,223,084)	

ST. JOSEPH'S HOSPITAL HEALTH CENTER AND SUBSIDIARIES

Consolidated Balance Sheets

Assets	Hospital	SJM	Subtotal	SJPE	SJPHPC	SJMPC	Eliminations	December 31, 2014 Consolidated	December 31, 2013 Consolidated	Change	
Current assets:											
Cash and cash equivalents	$ 42,705,892	$ 1,539,209	$ 44,245,101	$ 5,631	$ 1,660,736	$ 860,948	$ -	$ 46,772,416	$ 49,658,592	$ (2,886,176)	-5.81%
Investments	69,232,209	-	69,232,209	-	-	-	-	69,232,209	62,736,568	6,495,641	10.35%
Patient accounts receivable, net of allowance for charity care and doubtful accounts of approximately $24,052,000 in 2014 and $26,433,000 in 2013	89,479,521	2,866,404	92,345,925	-	1,388,370	3,627,258	(292,114)	97,069,439	99,397,699	(2,328,260)	-2.34%
Other receivables	4,827,879	618,101	5,445,980	-	224,409	256,145	(196,564)	5,729,970	5,250,396	479,574	9.13%
Inventories	6,351,919	203,909	6,555,828	-	-	4,694	40,622	6,601,144	6,190,090	411,054	6.64%
Prepaid expenses	5,236,301	691,993	5,928,294	-	51,691	486,679	(600,000)	5,866,664	6,491,281	(624,617)	-9.62%
Assets limited as to use	6,605,000	-	6,605,000	-	-	-	-	6,605,000	3,910,000	2,695,000	68.93%
Estimated third-party payor settlements	590,061	(161,781)	428,280	-	-	-	-	428,280	502,784	(74,504)	-14.82%
Total current assets	225,028,782	5,757,835	230,786,617	5,631	3,325,206	5,235,724	(1,048,056)	238,305,122	234,137,410	4,167,712	
Property and equipment, net	365,387,109	2,452,487	367,839,596	-	8,995	1,665,504	-	369,514,095	348,604,966	20,909,129	6.00%
Assets limited as to use	24,636,956	-	24,636,956	-	-	-	-	24,636,956	26,911,150	(2,274,194)	-8.45%
Unamortized debt issuance costs	7,796,952	-	7,796,952	-	-	-	-	7,796,952	5,345,677	2,451,275	45.86%
Intangible assets	-	-	-	-	-	205,333	-	205,333	-	205,333	#DIV/0!
Other assets	17,904,980	-	17,904,980	-	-	2,694,995	(5,819,002)	14,780,973	12,910,719	1,870,254	14.49%
Investment in interest rate cap	86,883	-	86,883	-	-	-	-	86,883	546,394	(459,511)	-84.10%
Equity interest in net assets of St. Joseph's Hospital Health Center Foundation, Inc.	21,826,460	-	21,826,460	-	-	-	-	21,826,460	21,717,869	108,591	0.50%
Goodwill	-	636,892	636,892	-	-	26,155,801	-	26,792,693	26,675,713	116,980	0.44%
Total assets	$ 662,668,122	$ 8,847,214	$ 671,515,336	$ 5,631	$ 3,334,201	$ 35,957,357	$ (6,867,058)	$ 703,945,467	$ 676,849,898	$ 27,095,569	

ST. JOSEPH'S HOSPITAL HEALTH CENTER AND SUBSIDIARIES

Consolidated Balance Sheets

Liabilities and Net Assets	Hospital	SJM	Subtotal	SJPE	SJPHPC	SJMPC	Eliminations	December 31, 2014 Consolidated	December 31, 2013 Consolidated	Change	
Current liabilities:											
Short-term borrowings	$ 1,751,113	$ -	$ 1,751,113	-	$ -	$ -	$ -	$ 1,751,113	$ 20,651,113	$ (18,900,000)	-91.52%
Current portion of long-term debt	12,965,387	-	12,965,387	-	-	1,996,431	-	14,961,818	14,239,401	722,417	5.07%
Accounts payable	45,292,523	1,432,887	46,725,410	-	74,407	236,765	(9,899)	47,026,683	51,643,676	(4,616,993)	-8.94%
Accrued expenses and other liabilities	46,428,955	1,802,583	48,231,538	571,200	548,234	2,051,527	(1,823,965)	49,578,534	51,065,078	(1,486,544)	-2.91%
Total current liabilities	106,437,978	3,235,470	109,673,448	571,200	622,641	4,284,723	(1,833,864)	113,318,148	137,599,268	(24,281,120)	
Long-term debt, net	270,404,433	-	270,404,433	-	-	21,715,387	-	292,119,820	229,724,499	62,395,321	27.16%
Accrued postretirement benefits	20,549,983	-	20,549,983	-	-	-	-	20,549,983	18,569,892	1,980,091	10.66%
Accrued pension benefits	12,842,779	-	12,842,779	-	-	-	-	12,842,779	15,698,653	(2,855,874)	-18.19%
Due to St. Joseph's Health Center Properties, Inc.	6,378,233	-	6,378,233	-	263,514	-	-	6,641,747	7,154,747	(513,000)	-7.17%
Other liabilities	21,797,041	-	21,797,041	-	5,033,195	359,015	(5,033,194)	22,156,057	23,421,223	(1,265,166)	-5.40%
Total liabilities	438,410,447	3,235,470	441,645,917	571,200	5,919,350	26,359,125	(6,867,058)	467,628,534	432,168,282	35,460,252	
Net assets:											
Unrestricted											
St. Joseph's Hospital Health Center	210,589,172	2,537,175	213,126,347	(565,569)	(2,585,149)	9,598,232	-	219,573,861	229,610,860	(10,036,999)	-4.37%
Noncontrolling interest in SJLS, LLC	-	3,074,569	3,074,569	-	-	-	-	3,074,569	2,042,680	1,031,889	50.52%
Total unrestricted net assets (deficit)	210,589,172	5,611,744	216,200,916	(565,569)	(2,585,149)	9,598,232	-	222,648,430	231,653,540	(9,005,110)	
Temporarily restricted	10,441,968	-	10,441,968	-	-	-	-	10,441,968	9,905,237	536,731	5.42%
Permanently restricted	3,226,535	-	3,226,535	-	-	-	-	3,226,535	3,122,839	103,696	3.32%
Total net assets	224,257,675	5,611,744	229,869,419	(565,569)	(2,585,149)	9,598,232	-	236,316,933	244,681,616	(8,364,683)	
Total liabilities and net assets	$ 662,668,122	$ 8,847,214	$ 671,515,336	$ 5,631	$ 3,334,201	$ 35,957,357	$ (6,867,058)	$ 703,945,467	$ 676,849,898	$ 27,095,569	

ST. JOSEPH'S HOSPITAL HEALTH CENTER AND SUBSIDIARIES

Consolidated Statement of Operations

	Hospital	SJM	Subtotal	SJPE	SJPHPC	SJMPC	Eliminations	Unaudited December 31, 2014 Consolidated	Audited December 31, 2013 Consolidated	$ Change	
Unrestricted revenues, gains and other support:											
Net patient service revenue (net of contractual allowances and discounts)	$ 544,091,005	$ 23,647,267	$ 567,738,272	$ -	$ 12,581,361	$ 33,676,925	$ (1,859,487)	$ 612,137,071	$ 618,108,788	$ (5,971,717)	-0.97%
Provision for bad debt	(16,768,383)	(99,136)	(16,867,519)	-	(501,945)	(4,640,983)	-	(22,010,447)	(17,363,082)	(4,647,365)	26.77%
Net patient service revenue less provision for bad debts	527,322,622	23,548,131	550,870,753	-	12,079,416	29,035,942	(1,859,487)	590,126,624	600,745,706	(10,619,082)	-1.77%
Other revenue	52,297,037	12,711	52,309,748	232,000	932,693	3,280,920	(28,106,265)	28,649,096	25,199,923	3,449,173	13.69%
Total revenue, gains and other support	579,619,659	23,560,842	603,180,501	232,000	13,012,109	32,316,862	(29,965,752)	618,775,720	625,945,629	(7,169,909)	
Expenses:											
Salaries and wages	242,645,952	5,319,035	247,964,987	-	12,905,412	26,299,266	(15,361,615)	271,808,050	268,312,681	3,495,369	1.30%
Fringe benefits	64,409,958	2,039,234	66,449,192	-	625,537	5,263,398	(2,356,387)	69,981,740	65,618,641	4,363,099	6.65%
Supplies and other expenses	230,118,191	7,616,898	237,735,089	362,590	13,510,868	12,055,868	(12,247,750)	251,416,665	243,818,887	7,597,778	3.12%
Depreciation and other expenses	32,852,476	567,340	33,419,816	-	38,336	671,861	-	34,130,013	25,274,141	8,855,872	35.04%
Interest incurred and expensed	10,046,771	564	10,047,335	-	(432)	848,902	-	10,895,805	6,608,775	4,287,030	64.87%
New York State gross receipts tax	2,199,475	-	2,199,475	-	5,031	-	-	2,204,506	2,053,344	151,162	7.36%
Total expenses	582,272,823	15,543,071	597,815,894	362,590	27,084,752	45,139,295	(29,965,752)	640,436,779	611,686,469	28,750,310	
Income from operations	(2,653,164)	8,017,771	5,364,607	(130,590)	(14,072,643)	(12,822,433)	-	(21,661,059)	14,259,160	(35,920,219)	
Nonoperating revenue:											
Investment income	1,025,042	-	1,025,042	-	-	2,685	-	1,027,727	1,849,577	(821,850)	-44.43%
Change in fair value of interest rate cap	(459,511)	-	(459,511)	-	-	-	-	(459,511)	155,602	(615,113)	-395.31%
Equity in change in unrestricted net assets of St. Joseph's Hospital Health Center Foundation Inc.	(750,348)	-	(750,348)	-	-	-	-	(750,348)	(770,656)	20,308	-2.64%
Equity in earnings of investees	986,867	-	986,867	-	-	824,142	-	1,811,009	997,229	813,780	81.60%
Excess of revenue over expenses	(1,851,114)	8,017,771	6,166,657	(130,590)	(14,072,643)	(11,995,606)	-	(20,032,182)	16,490,912	(36,523,094)	
Net income attributable to noncontrolling interest in SJLS, LLC	-	(3,260,622)	(3,260,622)	-	-	-	-	(3,260,622)	(2,435,095)	(825,527)	
Excess of revenue over expenses - St. Joseph's Hospital Health Center & Subsidiaries	$ (1,851,114)	$ 4,757,149	$ 2,906,035	$ (130,590)	$ (14,072,643)	$ (11,995,606)	$ -	$ (23,292,804)	$ 14,055,817	$ (37,348,621)	-265.72%

ST. JOSEPH'S HOSPITAL HEALTH CENTER

Financial Ratios - Hospital Only

FINANCIAL INDICATORS	December 31, 2014	December 31, 2013
Liquidity Ratios		
Days Cash on Hand	74.36	75.02
Days in Accounts Receivable	65.34	59.81
Current Ratio	2.11	1.72
Profitability Ratios		
Operating Margin	-0.50%	3.83%

ST. JOSEPH'S HOSPITAL HEALTH CENTER

Financial Ratios - Consolidated

FINANCIAL INDICATORS	December 31, 2014	December 31, 2013
Liquidity Ratios		
Days Cash on Hand	69.84	69.96
Days in Accounts Receivable	60.04	60.39
Current Ratio	2.10	1.70
Profitability Ratios		
Operating Margin	-3.67%	2.37%

ST. JOSEPH'S HOSPITAL HEALTH CENTER

Utilization Data - Hospital Only

	December 31, 2014	December 31, 2013
Utlization Data		
Licensed Beds	431	431
Beds in Service	431	431
Patient Days (excluding newborns)	141,114	141,231
Average length of stay (days)	5.22	5.12
Percentage Occupancy (of beds in service)	80.5%	80.0%
Inpatient Surgery	9,163	8,891
Outpatient Surgery	9,791	10,380
Emergency Room Visits	66,835	64,072
Clinic Visits	106,025	107,081
Dialysis Visits	61,373	62,712
CPEP Visits	13,464	12,049
Outpatient Visits - excluding ED	534,253	562,998
Observation Days	8,974	9,327
Case Mix Index - Medicare	1.73	1.70
Percentage of Admission from Top 10 Physicians	13.0%	16.6%
Total Number of Employees (FTE)	3,594	3,648
Total Number of Physicians on the Hospital's Medical Staff	865	873
Discharges:		
Adult - Medical	12,254	12,101
Adult - Surgical	10,078	10,443
Obstretical	2,153	2,126
Psychiatric	1,072	1,202
ICN	186	190
Subtotal Discharges:	25,743	26,062
Newborn	1,892	1,894
Total Discharges:	27,635	27,956
Catheterizations:		
Inpatient	959	1,134
Outpatient	1,662	1,694
Total Catheterizations:	2,621	2,828
Angioplasties:		
Inpatient	996	1,368
Outpatient	924	676
Total Angioplasties	1,920	2,044
Percentage of Gross Revenues by Payor Class		
Medicare	36%	38%
Managed Care	28%	26%
Blue Cross Blue Shield	18%	18%
Medicaid	4%	3%
Self Pay	2%	2%
Other	12%	13%